

2017 INTERIM REPORT



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”)

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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 2017 (the “**Period**”), together with the comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Three months ended 30 September		Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	35,267	34,449	61,740	58,448
Cost of inventories sold		(20,758)	(19,638)	(36,904)	(33,793)
Staff cost		(6,946)	(6,494)	(13,530)	(13,043)
Depreciation		(814)	(766)	(1,628)	(1,552)
Other income, gains and losses	3	96	452	241	629
Other operating expenses		(1,472)	(1,522)	(3,107)	(3,107)
Finance costs		(194)	(281)	(429)	(562)
Profit before taxation		5,179	6,200	6,383	7,020
Income tax expense	5	(863)	(1,024)	(1,205)	(1,304)
Profit for the period		4,316	5,176	5,178	5,716
Other comprehensive (expenses) income					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translating a foreign operation		(8)	3	(18)	(61)
Total comprehensive income for the period		4,308	5,179	5,160	5,655
Earnings per share					
Basic and diluted	7	HK0.43 cents	HK0.52 cents	HK0.52 cents	HK0.57 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	<i>Notes</i>	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current assets			
Property and equipment	8	86,181	86,052
Investment properties	8	9,303	11,060
Deferred tax assets		175	175
		95,659	97,287
Current assets			
Inventories		10,092	10,121
Trade receivables	9	26,521	27,194
Prepayments, deposits and other receivables		4,835	1,638
Bank balances and cash		44,778	54,052
		86,226	93,005
Current liabilities			
Trade payables	10	8,856	9,165
Other payables and accruals		6,153	7,303
Bank borrowings	11	41,890	44,101
Tax payables		1,003	930
		57,902	61,499
Net current assets		28,324	31,506
Total assets less current liabilities		123,983	128,793
Non-current liability			
Deferred tax liabilities		672	642
Net assets		123,311	128,151
Capital and reserves			
Share capital	12	10,000	10,000
Reserves		113,311	118,151
Total equity		123,311	128,151

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	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 2016 (audited)	10,000	71,344	10,817	(22)	22,906	115,045
Profit and total comprehensive (expense) income for the period	-	-	-	(61)	5,716	5,655
2016 final dividend paid	-	(6,000)	-	-	-	(6,000)
At 30 September 2016 (unaudited)	10,000	65,344	10,817	(83)	28,622	114,700
At 1 April 2017 (audited)	10,000	65,344	10,817	(122)	42,112	128,151
Profit and total comprehensive (expense) income for the period	-	-	-	(18)	5,178	5,160
2017 final dividend paid	-	(10,000)	-	-	-	(10,000)
At 30 September 2017 (unaudited)	10,000	55,344	10,817	(140)	47,290	123,311

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	3,377	1,033
INVESTING ACTIVITIES		
Acquisition of investment property	–	(1,682)
Acquisition of properties and equipments	–	(533)
Interest received	7	33
NET CASH FROM (USED IN) INVESTING ACTIVITIES	7	(2,182)
FINANCING ACTIVITIES		
Dividend paid	(10,000)	(6,000)
Repayment of bank borrowings	(2,211)	(2,211)
Interest paid	(429)	(562)
NET CASH USED IN FINANCING ACTIVITIES	(12,640)	(8,773)
NET DECREASE IN CASH AND CASH EQUIVALENT	(9,256)	(9,922)
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE PERIOD	54,052	57,036
Effect of foreign exchange rate changes	(18)	–
CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD	44,778	47,114
represented by bank balances and cash		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 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 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 2017 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 2017. 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 2017. 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 2017

3. REVENUE AND OTHER INCOME, GAINS AND LOSSES

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, gains and losses are as follows:

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue				
Service income				
Solution for audiovisual, conferencing, presentation and multimedia control systems including installation services	31,782	30,952	55,063	51,571
Audiovisual system maintenance services	3,485	3,497	6,677	6,877
	35,267	34,449	61,740	58,448
Other income, gains and losses				
Rental income	127	139	266	270
Bank interest income	2	15	7	33
Exchange (loss) gain	(33)	23	(33)	45
Sundry income	–	275	1	281
	96	452	241	629

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Hong Kong (country of domicile)	33,498	33,475	55,780	55,291
The PRC (other than Hong Kong and Macau)	1,764	685	5,689	1,842
Macau	5	231	271	584
Singapore	–	58	–	731
	35,267	34,449	61,740	58,448

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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

	Non-current assets	
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Hong Kong	95,439	97,048
The PRC	45	64
	95,484	97,112

Non-current assets excluded deferred tax assets.

5. INCOME TAX EXPENSE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current income tax:				
– Hong Kong Profits Tax	531	979	843	1,259
– PRC Enterprise Income Tax	332	–	332	–
Deferred taxation	–	45	30	45
Total income tax expense for the period	863	1,024	1,205	1,304

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2017 (2016: 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 2017 (2016: 25%).

Singapore Corporate Tax is calculated at the rate of 17% on the estimated assessable profit for the six months ended 30 September 2017 (2016: 17%).

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

6. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2017 (for the six months ended 30 September 2016: nil).

The payment of a final dividend of HK1.0 cent per share amounted to HK\$10,000,000 for the year ended 31 March 2017 (2016: final dividend of HK0.6 cents per share amounted to HK\$6,000,000) has been resolved and declared at the annual general meeting of the Company held on 8 August 2017. The date of payment was on 12 September 2017.

7. EARNINGS PER SHARE

	Three months ended 30 September		Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Earnings				
Earnings for the purpose of basic earnings per share	4,316	5,176	5,178	5,716

	Three months ended 30 September		Six months ended 30 September	
	2017 '000	2016 '000	2017 '000	2016 '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	1,000,000

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 2017 and 2016.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

8. MOVEMENTS IN PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 September 2017, the Group transferred an investment property to property for own-use with a net carrying value of approximately HK\$1,636,000.

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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
0-30 days	4,793	9,742
31-60 days	7,927	6,073
61-120 days	5,286	5,557
121-365 days	4,709	5,096
Over 365 days	3,806	726
	26,521	27,194

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

The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
0 to 60 days	5,179	5,248
61 to 90 days	890	378
Over 90 days	2,787	3,539
	8,856	9,165

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 2017

11. BANK BORROWINGS

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Secured:		
Mortgage loan	41,890	44,101
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	28,852	30,040
More than five years	4,196	5,219
	41,890	44,101
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)	37,469	39,680
Carrying amount repayable within one year	4,421	4,421
	41,890	44,101
Amount shown under non-current liabilities	–	–
	41,890	44,101

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

Borrowings comprise:

	Maturity date	Effective interest rate	Carrying amount	
			30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Floating-rate borrowings				
– HKD mortgage loans ^{(1)&(3)}	21/8/2021	1.75%/2.22%	30,296	31,767
– HKD mortgage loan ^{(2)&(4)}	12/7/2025	1.75%/1.94%	11,594	12,334
			41,890	44,101

- (1) As at 30 September 2017, the floating rate is lower of HIBOR plus 1.4% or 2.25% below best lending rate (31 March 2017: the floating rate is lower of HIBOR plus 2% or 2.25% below best lending rate).
- (2) As at 30 September 2017, the floating rate is HIBOR plus 1.4% (31 March 2017: 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 borrowings are all denominated in HK\$.
- (b) As at 30 September 2017, bank borrowings of approximately HK\$41,890,000 (31 March 2017: HK\$44,101,000) was secured by land and buildings and an investment property of the Group with carrying amounts of approximately HK\$82,692,000 and HK\$9,303,000 respectively (31 March 2017: HK\$83,896,000 and HK\$9,414,000 respectively).

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 September 2017

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised		
As at 31 March 2017 and 30 September 2017	2,000,000,000	20,000,000
Issued and fully paid		
As at 31 March 2017 and 30 September 2017	1,000,000,000	10,000,000

13. OPERATING LEASE COMMITMENT

The Group as lessor

The properties are expected to generate rental yields of 5.4% (as at 31 March 2017: 4.8%) on an ongoing basis and have committed tenants for the next 1.25 years (as at 31 March 2017: 1.75 years).

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	510	521
In the second to fifth year inclusive	113	411
	623	932

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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.

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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	399	242
In the second to fifth year inclusive	26	97
	425	339

14. PLEDGE OF ASSETS

As at 30 September 2017, an investment property and land and buildings of approximately HK\$9,303,000 and HK\$82,692,000 respectively (31 March 2017: HK\$9,414,000 and HK\$83,896,000 respectively) of the Group were pledged to secure bank borrowings facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2017

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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short-term benefits	2,267	2,894	4,162	4,767
Post-employment benefits	43	39	84	79
	2,310	2,933	4,246	4,846

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

The revenue of the Group increased by 5.6% from approximately HK\$58,448,000 for the six months ended 30 September 2016 to approximately HK\$61,740,000 for the six months ended 30 September 2017.

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 increased by 5.6% from approximately HK\$58,448,000 for the six months ended 30 September 2016 to approximately HK\$61,740,000 for the six months ended 30 September 2017.

Revenue generated from solution of audiovisual, conferencing, presentation and multimedia control systems including installation services increased by approximately 6.8% from approximately HK\$51,571,000 for the six months ended 30 September 2016 to approximately HK\$55,063,000 for the six months ended 30 September 2017, which was primarily attributable to completion of several new projects in the PRC during the six months ended 30 September 2017.

Revenue generated from audiovisual system maintenance services remain stable at approximately HK\$6,677,000 and HK\$6,877,000 for the six months ended 30 September 2017 and 30 September 2016 respectively.

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 slightly increased by 0.7% from approximately HK\$24,655,000 for the six months ended 30 September 2016 to approximately HK\$24,836,000 for the six months ended 30 September 2017 which was due to increase in revenue.

The gross operating margin ratio decreased from approximately 42.2% for the six months ended 30 September 2016 to 40.2% for the six months ended 30 September 2017. The decrease in gross operating margin ratio was primarily due to the increase in sales contribution from projects located in the PRC in which have lower gross operating margin than those other in other jurisdictions.

Staff cost

Staff cost increased by 3.7% from approximately HK\$13,043,000 for the six months ended 30 September 2016 to approximately HK\$13,530,000 for the six months ended 30 September 2017 mainly caused by increase in sales commission in relation to the increase in revenue.

Other operating expenses

Other operating expenses mainly comprise of legal and professional fee, rental expenses, building management fee, carriage cost and promotion fee. Other operating expenses remains stable for the six months ended 30 September 2017 and 30 September 2016.

Management Discussion and Analysis

Income tax expenses

Income tax expenses decreased from approximately HK\$1,304,000 for the six months ended 30 September 2016 to approximately HK\$1,205,000 for the six months ended 30 September 2017, which was mainly due to decrease in assessable profit in Hong Kong and in the PRC for tax purpose.

Profit for the period

Profit for the period decreased from approximately HK\$5,716,000 for the six months ended 30 September 2016 to approximately HK\$5,178,000 for the six months ended 30 September 2017, which was mainly due to (i) increase in staff cost; and (ii) increase in depreciation expenses.

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.

With reference to the Company's announcement dated 13 October 2017, the Board was informed by Dr. Wong King Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu, Mr. Chan Wing Lun, all being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, and Mr. Lin Wing Ching (together as "**Vendors**") on 6 October 2017 that the Vendors agreed to sell 600,000,000 shares of the Company, representing 60.0% of the entire issued share capital of the Company to Phoenix Time Holdings Limited (the "**Offeror**"). The sole ultimate beneficial owner of the Offeror is Mr. Zhong Naixiong ("**Mr. Zhong**").

The Company believes that with Mr. Zhong's business experience in the PRC, it will strengthen the Company's ability to effectively pursue its goal of developing its business 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 2017, the Group had net current assets of approximately HK\$28,324,000 (31 March 2017: HK\$31,506,000) and had cash and cash equivalents of approximately HK\$44,778,000 (31 March 2017: HK\$54,052,000). Net current assets of the Group as at 30 September 2017 included carrying amount of approximately HK\$37,469,000 (31 March 2017: HK\$39,680,000) 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 2017, the gearing ratio (calculated on the basis of total debt divided by total assets at the end of the reporting period) of the Group was approximately 23.0% (31 March 2017: 23.2%).

FOREIGN CURRENCY RISK

The majority of the Group's business activities are in Hong Kong and are denominated in HK\$. The Group current 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.

Other Information

CAPITAL COMMITMENT

As at 30 September 2017, the Group did not have any significant capital commitments (31 March 2017: nil).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2017 (six months ended 30 September 2016: nil).

CAPITAL STRUCTURE

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

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

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2017, land and buildings and an investment property of approximately HK\$82,692,000 and HK\$9,303,000 respectively (31 March 2017: HK\$83,896,000 and HK\$9,414,000 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 2017 (31 March 2017: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the Period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 September 2017, the Group did not hold any significant investments.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group does not have any concrete plan for material investments or capital assets as at 30 September 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed 71 (31 March 2017: 73) 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 (the "Placing"), after deducting the underwriting fees and other expenses, were 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 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 from the date of Listing up to 30 September 2017 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	6.1
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	1.8
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	1.8
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	53.4

Other Information

The unused net proceeds from the Placing amounting to approximately HK\$12.9 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 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 2017.

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 2017, 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	289,500,000	28.95%
Mr. Tong Sai Wong ("Mr. Tong")	Beneficial owner	148,500,000	14.85%
Mr. Chan Wing Yiu ("Mr. WY Chan")	Beneficial owner	148,500,000	14.85%
Mr. Chan Wing Lun ("Mr. WL Chan")	Beneficial owner	148,500,000	14.85%
Mr. Lin Wing Ching ("Mr. Lin")	Beneficial owner	15,000,000	1.5%

Notes:

(1) All interest stated are long positions.

Other Information

Save as disclosed above, as at 30 September 2017, 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 or any of 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 2017, so far as is known to the Directors and chief executives of the Company, the following persons (other than the Directors of chief executives of the Company) had, or were deemed 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 Section 336 of the SFO, were as follows:

Name	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of issued Shares
Wong Lau Sau Yee Angeli (Note 2)	Interest of spouse	289,500,000	28.95%

Notes :

- (1) All interest stated are long position
- (2) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong King Keung. By virtue of the SFO, Ms. Wong Lau Sau Yee Angeli is deemed to be interested in the entire 289,500,000 shares of the Company in which Dr. Wong King Keung to be interested.

Save as disclosed above, as at 30 September 2017, the Directors and chief executive are not aware of any other person, not being a Director or chief executive of the Company, who has 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 2017, 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.

CHANGE OF COMPLIANCE ADVISER

As disclosed in announcements of the Company on 13 July 2017 and 19 July 2017, Central China International Limited ("**Central China**") initiated the termination of the compliance adviser's agreement with the Company with effect from 13 July 2017 (the "**Termination**"). Save and except for the compliance agreement entered into between the Company and Central China, neither Central China nor 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 on or prior to the Termination.

The Company had appointed Zhongtai International Capital Limited as the Company's new compliance adviser as required under Rule 6A.27 of the GEM Listing Rules with effective from 1 October 2017. Please refer to the Company's announcement dated 29 September 2017 for further details.

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.

CHANGE 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 independent non-executive directors of S. Culture International Holdings Limited (Stock code: 1255) and Anxian Yuan China Holdings Limited (Stock code: 922) with effect from 17 June 2017 and 15 May 2017 respectively.

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.

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the GEM Listing Rules up to the date of this report.

SIGNIFICANT EVENT AFTER THE END OF THE REPORTING PERIOD

The Board was informed by the Vendors on 6 October 2017 that the Vendors agreed to sell 600,000,000 shares of the Company, representing 60.0% of the entire issued share capital of the Company to the Offeror. Please refer to the Company’s announcement dated 13 October 2017 for further details.

By order of the Board

Tong Sai Wong

Chairman

Hong Kong, 14 November 2017

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.