

The cover features a large, stylized blue globe with glowing white circuit lines and nodes. Three cutaway sections reveal different office environments: a top-down view of a conference room with a white table and chairs; a side view of a modern office with large windows overlooking a city skyline; and a bottom view of a meeting room with people seated around a table. A blue banner in the lower right of the globe contains the text 'ANNUAL REPORT 2016'.

ANNUAL
REPORT
2016

i-CONTROL

i-Control Holdings Limited
超智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8355

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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 (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.*



CONTENTS

| | |
|---|----|
| Corporate Information | 2 |
| Chairman Statement | 4 |
| Management Discussion and Analysis | 5 |
| Directors and Senior Management | 11 |
| Corporate Governance Report | 17 |
| Report of the Directors | 27 |
| Independent Auditor's Report on the Consolidated Financial Statements | 37 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 39 |
| Consolidated Statement of Financial Position | 40 |
| Consolidated Statement of Changes in Equity | 42 |
| Consolidated Statement of Cash Flows | 43 |
| Notes to the Consolidated Financial Statements | 45 |
| Particulars of Properties | 94 |
| Financial Summary | 96 |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tong Sai Wong (*Chairman*)
Mr. Chan Wing Yiu
Mr. Chan Wing Lun

Non-Executive Directors

Dr. Wong King Keung
Mr. Lin Wing Ching

Independent Non-Executive Directors

Dr. Chan Man Hung
Dr. Lai Wing Chueng
Mr. Lum Pak Sum

COMPANY SECRETARY

Mr. Wong Yiu Leung, *HKICPA*

COMPLIANCE OFFICER

Mr. Chan Wing Yiu

BOARD COMMITTEES

Audit Committee

Mr. Lum Pak Sum (*Chairman*)
Dr. Chan Man Hung
Dr. Lai Wing Chueng

Nomination Committee

Dr. Lai Wing Chueng (*Chairman*)
Dr. Chan Man Hung
Mr. Lum Pak Sum

Remuneration Committee

Dr. Chan Man Hung (*Chairman*)
Dr. Lai Wing Chueng
Mr. Lum Pak Sum

AUTHORISED REPRESENTATIVES

Mr. Chan Wing Yiu
Mr. Wong Yiu Leung

COMPANY'S WEBSITE

<http://www.i-controlholdings.com>

AUDITOR

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43/F, Lee Garden One
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Causeway Bay
Hong Kong

LEGAL ADVISER

Kwok Yih and Chan
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21st Floor
9 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Central China International Capital Limited (formerly known
as "Pan Asia Corporate Finance Limited")
Unit 1504, 15/F
The Center
99 Queen's Road Central
Hong Kong

REGISTERED OFFICE

Estera Trust (Cayman) Limited (formerly known as "Appleby
Trust (Cayman) Ltd.")
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units A&B, 12/F, MG Tower
133 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL BANKER

The Hong Kong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE IN THE CAYMAN
ISLANDS**

Estera Trust (Cayman) Limited (formerly known as "Appleby
Trust (Cayman) Ltd.")
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

**HONG KONG BRANCH SHARE REGISTRAR
AND TRANSFER OFFICE**

Tricor Investor Services Limited
22/F, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

8355



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the “**Board**”) of i-Control Holdings Limited (the “**Company**”), I am pleased to present the audited annual results of the Company and the subsidiaries (collectively refer to as the “**Group**”) for the year ended 31 March 2016.

RESULTS

The Group's revenue for the year ended 31 March 2016 was approximately HK\$141.9 million (2015: HK\$111.5 million) representing an increase of 27.3% over the previous year. Profit for the year ended 31 March 2016 was approximately HK\$12.0 million (2015: HK\$5.6 million), representing an increase of 115.5% as compared to the previous year. The increase in the Group's revenue and profit was primarily due to an increase in our business related to public sector and commercial sector in the region of Hong Kong, and the commercial sector in China Mainland and Macau respectively.

BUSINESS OVERVIEW

Maintaining a high commitment to the quality of work, the Group has earned a reputation as a leading one-stop solution provider in the video conferencing and multimedia audiovisual (“**ITAV**”) industry. Today our projects pervade into different aspects of life, which include conferencing and convention venues, educational institutions, government bodies, banks, shopping malls, banquet and entertainment centers, theme parks, social services and religious venues, basically all those locations where people in different walks of life to assemble for interactive communication. The provision of high standards of services to our customers will help to promote their corporate image with a sense of professionalism.

FUTURE PROSPECT

In line with the increasing demand for digital signage solutions, multimedia teaching and learning solutions and digital conferencing solutions, the Group will continue to benefit from this growing market sector. In order to maintain our leading position in the market with the challenge of ITAV technologies and products are constantly developing, we have to keep abreast of the latest technology at all times, and to equip our staff with relevant knowledge with training. Our executive team will formulate appropriate strategies to achieve such objectives by optimizing quality services to our customers, which is essential to the business for the Group and the value to our shareholders.

APPRECIATION

Finally, on behalf of the Board, I would like to express our sincere thanks to our customers, business partners, suppliers and shareholders for their continuous support, and our appreciation for the efforts and endeavors made by the management and staff during the past year to achieve the desired results for the Group.

Tong Sai Wong

Chairman

Hong Kong, 24 June 2016

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

FINANCIAL REVIEW

Segment analysis

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

Revenue

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

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

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

Management Discussion and Analysis

Gross operating margin and gross operating margin ratio

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

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

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

Staff cost

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

Depreciation

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

Other operating expenses

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

Income tax expense

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

Profit and total comprehensive income for the year

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

DIVIDEND

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

LIQUIDITY AND FINANCIAL RESOURCES

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

GEARING RATIO

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

FOREIGN CURRENCY RISK

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

CAPITAL COMMITMENT

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

CAPITAL STRUCTURE

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

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

Management Discussion and Analysis

CHARGE ON THE GROUP'S ASSETS

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

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

COMPARISON BETWEEN BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 14 May 2015 (the “**Prospectus**”) with the Group’s actual business progress for the period from the Listing to 31 March 2016 (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 | 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 centre |
| 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 |

Management Discussion and Analysis

USE OF PROCEEDS

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

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

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

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

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

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tong Sai Wong (唐世煌) (“Mr. Tong”), aged 65, is one of the founders of the Group and controlling shareholders of the Company, and was appointed as a Director on 21 August 2014 and designated as the chairman (the “**Chairman**”) of the board of Directors (the “**Board**”) and an executive Director on 11 May 2015. Currently, he is in charge of managing the development of the Group’s audiovisual business devising the business strategies.

Mr. Tong founded the Group together with Dr. Wong King Keung and Mr. Chan Wing Yiu in February 1987. Prior to founding the Group, in the mid-1970s, Mr. Tong worked in 3M Hong Kong Limited (3M香港有限公司), previously known as 3M Far East Limited (3M遠東有限公司). He was awarded the Sales Representative of the Month in December 1974 and Salesman of the Year in 1975 in the Target 40 Program in July 1975, where he was engaged in the promotion of visual products in the government and educational markets. Mr. Tong then joined Filmo of Hutchison Group in 1976 as Manager of Audio Visual Division. In 1979, he set up Edutec International Ltd with Mr. Chan Wing Yiu and others and served as executive director to develop audiovisual business. Mr. Tong has over 40 years of experience in the audiovisual industry.

Mr. Tong is also involved in the public service sector. Currently, Mr. Tong is one of the Governors and a member of the Executive Committee of Charles K. Kao Foundation for Alzheimer’s Disease Limited, a tax-exempted charity incorporated in April 2010. He was appointed as a permanent honorary president of Hong Kong Pui Ching Alumni Association in 2008.

Mr. Tong graduated from Pui Ching Middle School in 1969. He passed the Chinese University of Hong Kong Matriculation Examination in July 1969 and was qualified for the admission. However, due to personal reason, Mr. Tong did not pursue tertiary education and decided to develop his own career.

Mr. Chan Wing Yiu (陳詠耀) (“Mr. WY Chan”), aged 65, is one of the founders of the Group and controlling shareholders of the Company, and was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He is also the compliance officer of the Company and one of the authorised representatives under Rule 5.24 of the GEM Listing Rules. He founded the Group together with Dr. Wong King Keung and Mr. Tong in February 1987. Mr. WY Chan is responsible for the managing of the Group’s financial management. Mr. WY Chan has approximately 39 years of experience in the audiovisual industry.

Prior to setting up the Group, Mr. WY Chan had already gained expertise in the audiovisual field and management experience. In March 1976, Mr. WY Chan served as a chief accountant in Filmo (HK) Limited (菲林模(香港)有限公司). In August 1977, Mr. WY Chan was promoted to the position of finance controller and he was responsible under the chief executive for all financial matters before he left the company in January 1978. In 1979, he set up Edutec International Ltd with Mr. Tong and others and served as executive director to develop audio visual business.

Mr. WY Chan served in Shenzhen GoodYear Enterprise Company Limited (深圳嘉年實業股份有限公司) (previously known as Shenzhen GoodYear Printing & Packaging Company Limited (深圳嘉年印刷包裝有限公司)) as a deputy general manager and a director from May 1993 to October 2000 and from July 1998 to April 2007 respectively. The company was mainly engaged in the production of printed materials.

Directors and Senior Management

Mr. Chan Wing Lun (陳永倫) (“Mr. WL Chan”), aged 41, is one of the controlling shareholders of the Company. Mr. WL Chan was appointed as a Director on 21 August 2014 and designated as an executive Director on 11 May 2015. He is principally responsible for marketing, promoting business and approving purchase orders to suppliers. He also provides internal trainings to the Group’s sales staff in relation to, in particular, the characteristics of services of the Group and general marketing skills and techniques.

Mr. WL Chan joined the Group in May 1997 as a sales executive in Eduserve International Limited (“**Eduserve International**”), an indirect wholly-owned subsidiary of the Company and was then promoted to manager in April 2000. In April 2001, Mr. WL Chan was appointed as a director of i-Control Limited, an indirect wholly-owned subsidiary of the Company. Mr. WL Chan is responsible for managing the development of the Group’s audiovisual business and overseeing the Group’s general business operations. In 2001, Dr. Wong, Mr. WY Chan and Mr. Tong invited Mr. WL Chan to become a shareholder of i-Control Limited. Mr. WL Chan has over 19 years of experience in professional audiovisual system consultation and project management services. In particular, he specialises in digital signage solution and integration.

Mr. WL Chan obtained his bachelor of science in business administration (computer information system) in August 1995 from Hawaii Pacific University.

NON-EXECUTIVE DIRECTORS

Dr. Wong King Keung (黃景強) (“Dr. Wong”), aged 70, is one of the founders of the Group and controlling shareholders of the Company, and was appointed as a Director on 21 August 2014 and designated as a non-executive Director on 11 May 2015. He founded the Group together with Mr. Tong and Mr. WY Chan in February 1987, and has extensive experience and knowledge of management. He is currently responsible for providing strategic advice to the Group.

Dr. Wong took up the vice chairman position of Shenzhen GoodYear Enterprise Company Limited (深圳嘉年實業股份有限公司) (previously known as Shenzhen GoodYear Printing & Packaging Company Limited (深圳嘉年印刷包裝有限公司)) from May 1993 to April 2007. Shenzhen GoodYear Enterprise Company Limited was mainly engaged in the production of printed materials.

Dr. Wong has gained extensive management experience from his involvement in the public service sector. He was appointed as the Hong Kong Affairs Adviser in April 1993. Dr. Wong was a board member of the Airport Authority from December 1995 to May 2005, as well as a member of the Airport Authority’s audit committee from 2002 to 2005 and the chairperson of the Airport Authority’s works committee from 2001 to 2005. He was also involved in the Town Planning Board, where he served as a member from April 1998 to March 2006, and held the vice chairman position of the Metro Planning Committee from April 2004 to March 2006 and the vice chairman position of the Town Planning Board from April 2006 to March 2008. In addition, Dr. Wong played an active role in the management of the Chinese Permanent Cemeteries by serving as a member of the finance committee and development committee of the board of management of the Chinese Permanent Cemeteries from February 2008 to January 2011, the chairperson of the works committee commencing from April 2010 and member of the board of management of the Chinese Permanent Cemeteries from February 2008 to January 2014.

Directors and Senior Management

Dr. Wong has also contributed to the tertiary education field. He was one of the founding members of the University of East Asia, Macau (the predecessor of the University of Macau), which was established in March 1981. Currently, Dr. Wong holds the following positions:

| Institutions | Positions | Period of service |
|--|--|-------------------------|
| The Hong Kong Institute for Promotion of Chinese Culture | Vice Chairman of the Council | Present |
| The National Committee of the Chinese People's Political Consultative Conference | Committee Member | 1998 – Present |
| Centennial College, a member of the University of Hong Kong Group | Member of the Board of Governors, Vice Chairman of College Council and Foundation Committee member | February 2012 – Present |
| University Assembly, The University of Macau | Member | August 2009 – Present |
| The University of Hong Kong | Council Member | March 2013 – Present |

Aside from work, Dr. Wong was appointed as the Justice of the Peace in June 2000, and was awarded the Bronze Bauhinia Star in July 2001 by the Hong Kong Government in recognition of his distinguished and devoted public service to Hong Kong.

Dr. Wong was admitted as a member and subsequently a fellow at the Hong Kong Institution of Engineers in April 1975 and December 1997, respectively. He obtained his bachelor of science in civil engineering in November 1968 and master of science in engineering in November 1970, both from the University of Hong Kong. He further obtained his doctorate degree in philosophy from the Queen's University in Canada in October 1972. Dr. Wong was conferred an honorary doctoral degree by the University of Macau in 2010 and honorary doctoral degree of commercial by City University of Macau in May 2016. In December 2015, Dr. Wong was also conferred an award of honorary fellowship by the HKU School of Professional and Continuing Education.

Mr. Lin Wing Ching (連永錚) (“Mr. Lin”), aged 60, was appointed as a Director on 21 August 2014 and designated as a non-executive Director on 11 May 2015. He is responsible for developing the overall business directions and management strategies of the Group. Mr. Lin joined the Group for approximately 27 years. He was responsible for overseeing the finance and administration of integrated system in relation to the audiovisual business of the Group. Mr. Lin served as a director of Shenzhen GoodYear Enterprise Company Limited (深圳嘉年實業股份有限公司) from July 1998 to November 2000 and served as the deputy general manager from November 2000 to April 2003. The company was mainly engaged in the production of printed materials.

Mr. Lin obtained his bachelor of business administration in accounting from the Chinese University of Hong Kong in November 1978.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chan Man Hung (陳萬雄) (“Dr. MH Chan”), aged 66, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 11 May 2015. Dr. MH Chan currently holds positions in a number of organisations, namely, a council member of the Confucius Institute of Hong Kong Limited, a member of the committee of overseers of the Lee Woo Sing College of the Chinese University of Hong Kong since August 2011 and a member of the board of governors of the Chu Hai College of Higher Education (Hong Kong) since January 2013. Dr. MH Chan served as the managing director and chief editor from May 1988 to December 2003 of the Commercial Press (H.K.) Limited.

Directors and Senior Management

Dr. MH Chan was also the vice-chairman and president of the Sino United Publishing (Holdings) Limited from September 2003 to March 2013. Dr. MH Chan has also been serving as a member of the National Committee of the Chinese People's Political Consultative Conference since January 2008. In addition, Dr. MH Chan was appointed as a Hong Kong Affairs Advisor from April 1994 to April 1996 and May 1996 to June 1997. Dr. MH Chan was appointed by the Government as Justice of the Peace in July 2004.

Dr. MH Chan obtained his bachelor of arts in October 1973 and a master of philosophy in October 1975, both from the Chinese University of Hong Kong. Dr. MH Chan completed studies for his doctorate course (majoring in oriental history) at the Hiroshima University in March 1980. Dr. MH Chan obtained his doctor of philosophy from the University of Hong Kong in December 1990. In June 2007, Dr. MH Chan was conferred an award of honorary fellowship by the Hong Kong University of Science and Technology. Dr. MH Chan specializes in the history of modern Chinese culture and thought, and he has written a number of books on this subject since 1990s.

Dr. Lai Wing Chueng (黎永昌) (“Dr. Lai”), aged 66, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 11 May 2015. Dr. Lai currently serves as a member of the audit sub-committee of the Hong Kong Housing Authority, a chairman of the PIPS Limited since February 2011, a board member of the Jao Tsung-I Academy since June 2011, independent non-executive directors of China Xintiandi Limited and China Xintiandi Holdings Company Limited, both wholly-owned subsidiaries of the Shui On Land Limited (Stock Code: 272), since March 2013 and December 2013 respectively, and a member of the college council of the Centennial College since November 2012.

Since August 1996, Dr. Lai has been an executive director at the Hong Kong Airport Authority in charge of finance and investment until he retired in May 2010. Dr. Lai was also the first vice chairman of the Hangzhou Xiaoshan International Airport Company Limited from December 2006 to April 2010, the chairman of Hong Kong-Zhuhai Airport Management Co Ltd from April 2006 to April 2010 and the vice chairman of Shanghai Hong Kong Airport Management Co Ltd from October 2009 to May 2010.

Dr. Lai obtained his bachelor of science degree from the State University of New York, Fredonia in August 1975, his master degree of business administration from the University of Toronto, Toronto in December 1976 and a honorary doctor degree of science from the State University of New York at Fredonia in May 2004.

Mr. Lum Pak Sum (林柏森) (“Mr. Lum”), aged 55, is the Company's independent non-executive Director. He was appointed as an independent non-executive Director on 11 May 2015. Mr. Lum has over 20 years' experience in the Hong Kong financial market. Mr. Lum has engaged in the securities and corporate finance business since July 1988 and September 2004 respectively. Currently, Mr. Lum is also an independent non-executive director of Great China Properties Holdings Limited, Beautiful China Holdings Company Limited and Yuhua Energy Holdings Limited; all of which are listed companies in Hong Kong.

Mr. Lum obtained his master degree of business administration from The University of Warwick in July 1994 and his bachelor degree of laws from The University of Wolverhampton in October 2002. He has become a fellow of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) since June 1996 and is currently a non-practicing member of the HKICPA. Mr. Lum was admitted as an associate and a fellow of the Association of Chartered Certified Accountants (previously known as the Chartered Association of Certified Accountants) in September 1988 and September 1993 respectively.

SENIOR MANAGEMENT

Mr. Wong To Yan (黃道恩) (“Mr. TY Wong”), aged 38, joined the Group in March 2010 and has been the general manager of i-Control (China) Limited (“**i-Control (China)**”) and 愛港超(上海)信息科技有限公司 (“**i-Control (Shanghai)**”), both of which are wholly-owned subsidiaries of the Company. Mr. TY Wong is responsible for the business operations of i-Control (China) and i-Control (Shanghai). Mr. TY Wong has over 16 years of sales and business development experience in the information technology and audiovisual industry.

Prior to joining the Group, Mr. TY Wong had already gained extensive experience in the sales of consumer electronics and audiovisual products. He joined NEC Hong Kong Limited as a sales engineer in April 2002 and served as an assistant manager when he left the company in July 2007. He was the sales manager of Logitech Asia Pacific Limited from July 2007 to February 2010. Both of the companies specialize in information and communication technology.

Mr. TY Wong obtained his bachelor of engineering in mechanical engineering (environmental engineering) from the University of Hong Kong in November 2000. He also completed a diploma in China commercial law at the Adult Education Centre of Shenzhen University in July 2002.

Mr. Wong Kan Fai Michael (黃勤輝) (“Mr. KF Wong”), aged 48, has been serving the Group as financial controller since July 2010. He is responsible for monitoring and supervising the Group’s finance department.

Mr. KF Wong embarked on his first career with the Group in November 1987, when he was employed as an accounts clerk. Throughout the years, Mr. KF Wong progressed along his career ladder and was promoted to the position of financial controller in July 2010.

Mr. KF Wong obtained his bachelor degree of business in November 2004 from Monash University through distance learning. In July 2009, he was admitted as a member of the CPA Australia.

Mr. Sin Hing Yu Brian (冼慶餘) (“Mr. Sin”), aged 41, has been the senior solution manager of i-Control Limited since April 2013. He is responsible for managing the commercial sales team. Mr. Sin joined the Group in January 1999 initially as a sales executive, and he has more than 17 years of experience in sales and business development in the audiovisual industry.

Mr. Sin obtained his bachelor of arts in international business administration in July 2005 from the University of Northumbria at Newcastle through distance learning.



Directors and Senior Management

Mr. Poon King Hang (潘景衡) (“Mr. Poon”), aged 40, is currently the head of business development department of the Group. Mr. Poon joined the Group as a sales engineer in July 1999 and was as promoted to manager of Eduserve International since April 2006. He is currently responsible for managing the overall business development of the Group. Mr. Poon was a Certified Technology Specialist awarded by the International Communications Industries Association, Inc (currently known as the InfoComm International), an ANSI (American National Standards Institute) Accredited Standards Developer, where the certification programme is accredited under the ANSI/– ISO/IEC 17024. Mr. Poon has more than 17 years of experience in sales and project management in the audiovisual industry.

Mr. Poon obtained his bachelor of science in electronics from The Open University of Hong Kong in June 2009.

COMPANY SECRETARY

Mr. Wong Yiu Leung (黃耀樑) (“Mr. YL Wong”), aged 35, is the Company’s company secretary. He was appointed as the Group’s company secretary on 6 October 2014. Mr. YL Wong obtained his bachelor of business administration (Honours) in accountancy from City University of Hong Kong in October 2005 and has been a member of the Hong Kong Institute of Certified Public Accountants since February 2012. He worked for Deloitte Touche Tohmatsu from December 2011 to August 2013. He also worked for SHINEWING (HK) CPA Limited from August 2008 to November 2011. He has over 9 years of experience in accounting, auditing and tax consultancy field.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Directors consider that incorporating the core elements of goods corporate governance in the management structure and internal control procedures of the Group could help to balance the interest of the shareholders, customers and employees of the Company. The Board has adopted the principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules to ensure that the Group’s business activities and decision making processes are regulated in a proper and prudent manner.

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Up to the date of this annual report, the Board comprises eight directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Tong Sai Wong (designated as Chairman and executive Director on 11 May 2015)

Mr. Chan Wing Yiu (designated as executive Director on 11 May 2015)

Mr. Chan Wing Lun (designated as executive Director on 11 May 2015)

Non-Executive Directors

Dr. Wong King Keung (designated as non-executive Director on 11 May 2015)

Mr. Lin Wing Ching (designated as non-executive Director on 11 May 2015)

Independent Non-Executive Directors

Dr. Chan Man Hung (appointed on 11 May 2015)

Dr. Lai Wing Chueng (appointed on 11 May 2015)

Mr. Lum Pak Sum (appointed on 11 May 2015)

The biographical details of all Directors are set out on pages 11 to 14 of this annual report. To the best knowledge of the Company, save as disclosed under the section headed “Directors and Senior Management”, there is no financial, business, family or other material or relevant relationships among members of the Board.

Corporate Governance Report

FUNCTIONS OF THE BOARD

The principal functions of the Board include:

- reviewing, approving and monitoring fundamental financial and business strategies and major corporate actions;
- approving major acquisitions or disposals, corporate or financial restructuring, issuance of the Company's shares ("**Shares**") and other equity or debt instruments, payment of dividends and other distribution to the Group's shareholders;
- assessing the risks facing the Group and reviewing and implementing appropriate measures to manage such risks;
- selecting and evaluating the performance and compensation of key management executives;
- approving nominations to the Board;
- reviewing and endorsing the recommended framework of remuneration of the Board and key management executives by the Remuneration Committee; and
- assuming overall responsibility for corporate governance.

According to the code provision C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the Period, the executive Directors have provided and will continue to provide, to all non-executive Directors updates on any material changes to the positions and prospects of the Company, which is considered to be sufficient to provide general updates of the Company's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same to serve the purpose required by the code provision C.1.2.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in the discharge of their duties while holding office as the Directors and officers of the Company. The insurance coverage is reviewed on an annual basis by the Board.

BOARD MEETINGS AND BOARD PRACTICES

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association ("**Articles**"). All minutes of the Board meetings were recorded in sufficient detail the matters considered by the Board and the decisions reached.

During the Period, four board meeting was held. Details of the attendance of Directors are as follows:

| Directors | Attendance/ Number of Board Meetings entitled to attend |
|--|--|
| Executive Directors | |
| Mr. Tong Sai Wong | 4/4 |
| Mr. Chan Wing Yiu | 4/4 |
| Mr. Chan Wing Lun | 4/4 |
| Non-Executive Directors | |
| Dr. Wong King Keung | 4/4 |
| Mr. Lin Wing Ching | 4/4 |
| Independent Non-Executive Directors | |
| Dr. Chan Man Hung | 4/4 |
| Dr. Lai Wing Chueng | 4/4 |
| Mr. Lum Pak Sum | 4/4 |

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current Articles provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

Under the code provision A.4.1 of the CG Code, the non-executive Directors should be appointed for a specific term. Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for an initial term of two years commencing from 27 May 2015 subject to the early removal from office in accordance with the Articles, and subject to the retirement and re-election provisions in the Articles.

CONTINUOUS PROFESSIONAL DEVELOPMENT

According to the code provision A.6.5 of the CG Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure their contribution to the Board remains informed and relevant.

During the year ended 31 March 2016, all the Directors have participated in seminars/courses in relation to corporate governance arranged by accredited service providers.

Corporate Governance Report

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has three independent non-executive Directors to comply with Rule 5.05 of the GEM Listing Rules. Furthermore, among the three independent non-executive Directors, Mr. Lum Pak Sum has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 5.05(2) of the GEM Listing Rules.

In accordance to Rule 5.09 of the GEM Listing Rules, the Company has received from each of its independent non-executive Directors the written confirmation of his independence. The Company, based on such confirmations, considers Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

In accordance to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Currently, Mr. Tong Sai Wong, the Chairman, is responsible for managing the Group's business development and devising the business strategies. The day-to-day operations of the Group are delegated to the other executive Directors and relevant management responsible for different aspects of the business.

BOARD COMMITTEES

To assist the Board in its work, the Board is assisted by three board committees, namely the audit committee, the remuneration committee and the nomination committee, which are sufficiently resourced to fulfil their roles and their terms of reference have been approved by the Board and are available for review on the Company's website (www.i-controlholdings.com) and the GEM website (www.hkgem.com).

Audit Committee

The Board has established an audit committee (the "**Audit Committee**") on 11 May 2015, which operates under a terms of reference approved by the Board. It is the Board's responsibility to ensure that an effective internal control and risk management system exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the initial establishment and the maintenance of internal control and risk management system and ethical standards for the Group's management to the Audit Committee.

The Audit Committee currently comprises three independent non-executive Directors, namely Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum. Mr. Lum Pak Sum is the chairman of the Audit Committee.

According to the current terms of reference, meetings of the Audit Committee shall be held at least two times a year.

Four Audit Committee meetings were held during the Period. The Audit Committee has reviewed the unaudited quarterly and interim results and the audited annual results and also the effectiveness of the internal control and risk management system of the Group for the year ended 31 March 2016. The attendance record of each member of the Audit Committee meeting is set out as follows:

| Members | Attendance/ Number of Audit Committee meetings to attend |
|--|--|
| Mr. Lum Pak Sum (<i>Chairman</i>) (appointed on 11 May 2015) | 4/4 |
| Dr. Chan Man Hung (appointed on 11 May 2015) | 4/4 |
| Dr. Lai Wing Chueng (appointed on 11 May 2015) | 4/4 |

Remuneration Committee

The Board has established a remuneration committee (the “**Remuneration Committee**”) on 11 May 2015, which operates under a terms of reference approved by the Board. The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Group’s key management executives. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions, the nature and amount of Directors’ and senior management’s emoluments, and the Company’s financial and operational performance, with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board and executive team.

The Remuneration Committee currently comprises three independent non-executive Directors, namely Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum. Dr. Chan Man Hung is the chairman of the Remuneration Committee.

One Remuneration Committee meeting was held during the Period. The Remuneration Committee has reviewed the remuneration packages of all the Directors and senior management of the Company and also assessed the performance of executive Directors of the Company. Details of the attendance of the members of the Remuneration Committee meeting are as follows:

| Members | Attendance/ Number of Remuneration Committee meetings to attend |
|--|--|
| Dr. Chan Man Hung (<i>Chairman</i>) (appointed on 11 May 2015) | 1/1 |
| Dr. Lai Wing Chueng (appointed on 11 May 2015) | 1/1 |
| Mr. Lum Pak Sum (appointed on 11 May 2015) | 1/1 |

Corporate Governance Report

Remuneration Policy

The remuneration policy of the Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable.

Remuneration package typically comprises salary, commission, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company.

The Remuneration Committee will review annually the remuneration of all Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

The Directors receive remuneration in the form of salaries, allowances, benefits in kind, discretionary bonuses, retirement scheme contributions and share-based payments made on their behalf.

The Director's fee for each of the Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration package of each of the Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within the Group. The Directors are entitled to statutory benefits as required by law from time to time such as pension.

Nomination Committee

The Board has established a nomination committee (the "**Nomination Committee**") on 11 May 2015, which operates under a terms of reference approved by the Board. The Nomination Committee is responsible for making recommendations to the Board regarding candidates to fill vacancies in the Board, as well as the management of the Board succession. The Nomination Committee has, taking account of various factors including, but not limited to, age spread of individual Directors and the Group's business development progress, conducted annual reviews in relation to the composition of the Board. It will also make annual enquiries of the existing Directors as to the status of their individual retirement plans, if any. Should any of the Directors indicate a plan to retire, the Nomination Committee, with the assistance of the staff of the Group responsible for human resources, will start to identify potential candidates, whether within the Group or otherwise, with the appropriate background and expertise to join the Board.

The Nomination Committee currently comprises three independent non-executive Directors, namely Dr. Chan Man Hung, Dr. Lai Wing Chueng and Mr. Lum Pak Sum. Dr. Lai Wing Chueng is the chairman of the Nomination Committee.

One Nomination Committee meeting was held during the Period. Details of the attendance of the members of the Nomination Committee meeting are as follows:

| Members | Attendance/ Number of Nomination Committee meetings to attend |
|--|--|
| Dr. Lai Wing Chueng (<i>Chairman</i>) (appointed on 11 May 2015) | 1/1 |
| Dr. Chan Man Hung (appointed on 11 May 2015) | 1/1 |
| Mr. Lum Pak Sum (appointed on 11 May 2015) | 1/1 |

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the consolidated financial statements

All Directors acknowledges their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 March 2016, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The statement of auditor about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report.

The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Auditor's Remuneration

During the year ended 31 March 2016, the remuneration paid or payable to the Company's auditor, SHINEWING (HK) CPA Limited, in respect of their audit and non-audit services was as follows:

| | HK\$ |
|-------------------|----------------|
| Audit service | 620,000 |
| Non-audit service | 230,000 |
| | <u>850,000</u> |

Corporate Governance Report

INTERNAL CONTROL AND RISK MANAGEMENT

The Board acknowledges its responsibility for the effectiveness of the Group's risk management and internal control systems. The Board has reviewed the effectiveness of the system of internal control of the Group, covering all material controls, including financial, operational and compliance controls and risk management functions and has considered the adequacy of resources, staff qualifications and experiences, training programmes and budget of the Company accounting and financial reporting function for the year ended 31 March 2016. Furthermore, the Board has engaged an independent internal control adviser to review the effectiveness of risk management and internal control systems of the Group and no material internal control failings, weaknesses or deficiencies have been identified during the course of the review. Based on the above, the Board considered that the existing internal control structure and measures are sufficient.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. The Company has therefore adopted a board diversity policy which sets out the approach to achieve and maintain diversity on the Board.

Pursuant to the policy, the Nomination Committee seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are made on merit, in the content of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new Directors. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of the Board.

In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, experience and background on the Board.

In recommending candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination Committee will consider the balance of talents, skills, experience, independence and knowledge on the Board and the diversity representation of the Board.

Measureable objectives

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

Monitoring and reporting

The Nomination Committee will report annually, in the corporate governance report of the Company, on the process it has used in relation to Board appointments.

Review of the policy

The Nomination Committee will review the policy annually, which will include an assessment of the effectiveness of the policy. The Nomination Committee will discuss any revisions that may be required and recommend any such revisions to the Board for approval.

INVESTORS AND SHAREHOLDERS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders to raise comments and exchanging views with the Board; (iii) updated and key information of the Group available on the websites of GEM and the Company; (iv) the Company's website offering communication channel between the Company and its shareholders and investors; and (v) the Company's share registrars in Hong Kong serving the shareholders in respect of all share registration matters.

The Company aims to provide its shareholders and investors with high standards of disclosure and financial transparency. The Board is committed to provide clear, detailed, timely manner and on a regular basis information of the Group to shareholders through the publication of quarterly, interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its shareholders' views and inputs, and address shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given. The chairman of the Board as well as chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, the Directors are available to answer shareholders' questions on the Group's businesses at the meeting. To comply with code provision E.1.2 of the CG Code, the management will ensure the external auditor to attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

All shareholders have statutory rights to call for extraordinary general meetings and put forward agenda items for consideration by shareholders. According to article 64 of the Articles, one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings can call for an extraordinary general meeting. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

If a shareholder wishes to propose a person (the "**Candidate**") for election as a director of the Company at a general meeting, he/she shall deposit a written notice (the "**Written Notice**") to the Company's principal place of business in Hong Kong at Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

Corporate Governance Report

The Written Notice (i) must include the personal information of the Candidate as required by Rule 17.50(2) of the GEM Listing Rules; and (ii) must be signed by the shareholder concerned and signed by the Candidate indicating his/her willingness to be elected and consent of the publication of his/her personal information.

The period for lodgment of the Written Notice shall commence on the day after the dispatch of the notice of general meeting and end no later than 7 days prior to the date of such general meeting.

In order to ensure the Company's shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a director of the Company without adjourning the general meeting, shareholders are urged to submit and lodge the Written Notice as early as practicable preferably at least 15 business days prior to the date of the general meeting appointed for such election.

In order to promote effective communication, the Company also maintains website (<http://www.i-controlholdings.com>) which includes the latest information relating to the Group and its businesses.

COMPANY SECRETARY

Mr. Wong Yiu Leung has been appointed as the company secretary of the Company with effect from 6 October 2014 and the Authorised Representative with effect from 11 May 2015. He is a certified public accountant as defined in the Professional Accountants Ordinance. Mr. Wong Yiu Leung has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2016.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

There were no significant changes in the constitutional documents of the Company during the Period.

REPORT OF THE DIRECTORS

The Directors submit herewith their report together with the audited consolidated financial statements of the Group for the year ended 31 March 2016.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Island (the “**Companies Law**”) on 21 August 2014. Pursuant to a reorganisation to rationalise the group structure in preparation for the listing of the issued ordinary shares of HK\$0.01 each in the capital of the Company on the GEM, the Company became the holding company of the Group. Details of the Reorganisation are set out in the Prospectus. The Company’s ordinary shares were listed on GEM on 27 May 2015.

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business in Hong Kong is units A&B, 12/F MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group comprise video conferencing and multimedia audio-visual solutions including installation services and the provision of audio-visual maintenance services. The principal activities and other particulars of the subsidiaries of the Company are set out in note 32 to the consolidated financial statements in this annual report.

Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, can be found in the Management Discussion and Analysis set out on page 5 to 10 of this annual report. This discussion forms part of this report of the directors.

RESULTS AND APPROPRIATIONS

The financial performance of the Group for the financial year ended 31 March 2016 and the financial position of the Group as at that day are set out in the consolidated financial statements on pages 39 to 93 of this annual report.

The Directors have recommended the payment of a final cash dividend out of the share premium account under reserves of the Company of HK0.6 cents per share (2015: nil) to the Shareholders whose names are on the register of members of the Company on 19 August 2016. Subject to approval by the Shareholders at the AGM and compliance with the Companies Law of the Cayman Islands, the final dividend will be paid on or about 9 September 2016, and the register of members of the Company will be closed from 16 August 2016 to 19 August 2016, both day inclusive, for determination of entitlement of the final dividend, during which period no transfer of shares 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 in Hong Kong, Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 15 August 2016.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting (the “**Annual General Meeting**”) of the Company is scheduled to be held on 8 August 2016. A notice convening the Annual General Meeting will be issued and dispatched to shareholders of the Company (the “**Shareholders**”) on 30 June 2016.

The register of members of the Company will be closed from 4 August 2016 to 8 August 2016, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited 22/F, Hopewell Centre 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 3 August 2016.

Report of the Directors

DEED OF NON-COMPETITION

The deed of non-competition (the “**Deed of Non-competition**”) dated 11 May 2015 was entered into by Newmark Group Limited (“**Newmark Group**”), a limited liability company incorporated in the British Virgin Island, Dr. Wong King Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been disclosed in the Prospectus under the section headed “Relationship with Controlling Shareholders”.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2016, the Group’s top five customers accounted for approximately 31.0% of the revenue. The Group’s five largest suppliers accounted for approximately 29.2% of the total purchases for the year ended 31 March 2016. In addition, the Group’s largest customer accounted for approximately 9.3% of the revenue and the Group’s largest supplier accounted for approximately 8.4% of the total purchases for the year ended 31 March 2016.

As far as the Company is aware, as at the date of this annual report, save for an insignificant amount of shares in one of the above customers, which is a company whose shares are listed on the Stock Exchange, held for passive investment purpose from time to time, none of the Directors, their close associates nor any shareholders (which to the knowledge of the Directors own more than 5% of the Company’s share capital) had any interest in the Group’s customers and suppliers as disclosed above.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 March 2016 are set out in the consolidated statement of changes in equity in this annual report.

As at 31 March 2016, the Company’s reserves available for distribution amounted to approximately HK\$71,397,000.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 March 2016 are set out in note 25 to the consolidated financial statements in this annual report.

PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in the property and equipment and investment property of the Group are set out in notes 15 and 16 respectively to the consolidated financial statements in this annual report.

DIRECTORS

Up to the date of this annual report, the Directors were:

Executive Directors

Mr. Tong Sai Wong (designated as Chairman and an executive Director on 11 May 2015)

Mr. Chan Wing Yiu (designated as an executive Director on 11 May 2015)

Mr. Chan Wing Lun (designated as an executive Director on 11 May 2015)

Non-executive Directors

Dr. Wong King Keung (designated as a non-executive Director on 11 May 2015)

Mr Lin Wing Ching (designated as a non-executive Director on 11 May 2015)

Independent non-executive Directors

Dr. Chan Man Hung (appointed on 11 May 2015)

Dr. Lai Wing Chueng (appointed on 11 May 2015)

Mr. Lum Pak Sum (appointed on 11 May 2015)

Further details of the Directors are set forth in the section headed “Directors and Senior Management” of this annual report.

By virtue of article 108(a) of the Articles, Dr. Wong King Keung, Mr. Lin Wing Ching and Mr. Lum Pak Sum shall retire from office by rotation and, being eligible, offer themselves for re-election at the Annual General Meeting.

Directors’ service contracts

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company for an initial term of two years commencing from 27 May 2015 subject to early removal from office in accordance with the Articles, and retirement and re-election provisions in the Articles.

None of the Directors (including those proposed for re-election at the Annual General Meeting) has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

The following is a summary of the principal terms of the share option scheme adopted under the written resolutions of the shareholders of the Group passed on 11 May 2015 (“**Share Option Scheme**”) and the terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Purpose

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.

Report of the Directors

(b) Participants of the share option scheme

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for the Company's shares:

- (a) any employee or proposed employee (whether full-time or part-time and including any executive Director), consultants or advisers of or to the Company, any of the subsidiaries or any entity (the "**Invested Entity**") in which the Company holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of the Company, any of our subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any members of the Group or any Invested Entity;
- (d) any customer of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and
- (f) any Shareholders or any shareholder of any of its subsidiaries or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity,

and for the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Company to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The basis of eligibility of any of the above classes of participants to the grant of any options shall be determined by the Directors from time to time on the basis of the participants' contribution to the development and growth of the Group. In order for a person to satisfy the Directors that he is qualified to be (or where applicable, continues to qualify to be) a participant, such person shall provide all such information as the Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

(c) Total number of shares available for issue under the share option scheme

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of the shares in issue as at the Listing Date.

The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Company must not in aggregate exceed 30% of the share capital of the Company in issue from time to time.

Up to the date of this annual report, there is no option under the Share Option Scheme outstanding, granted, exercised, cancelled or lapsed.

As at the date of this annual report, the outstanding number of options available for grant under the Share Option Scheme is such number of options, upon exercise, representing 10% of the issued share capital of the Company.

(d) Maximum entitlement of each participant and connected persons

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue.

Each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) and the shareholders of the Company in a general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting.

(e) The basis of determining the exercise price of option

The subscription price of a Share in respect of any option granted under the Share Option Scheme, subject to any adjustments made in accordance with the Share Option Scheme, shall be such price as the Board in its absolute discretion shall determine, provided that such price shall not be less than the highest of:

- (i) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five Business Days immediately preceding the date of grant of the option (which must be a Business Day);
- (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option (which must be a Business Day); and
- (iii) the nominal value of the Shares.

Report of the Directors

(f) Acceptance and payment on acceptance of option offer

An option may be accepted by a participant within 28 days from the date of the offer of grant of the option.

A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

(g) Period of the Share Option Scheme

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

DISCLOSURE OF INTERESTS**(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 31 March 2016, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to 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 | Beneficial owner | 92,640,000 | 9.26% |
| | Interest of controlled corporation (Note 2) | 510,000,000 | 51.00% |
| Mr. Tong Sai Wong | Beneficial owner | 47,520,000 | 4.75% |
| Mr. Chan Wing Yiu | Beneficial owner | 47,520,000 | 4.75% |
| Mr. Chan Wing Lun | Beneficial owner | 47,520,000 | 4.75% |
| Mr. Lin Wing Ching | Beneficial owner | 4,800,000 | 0.49% |

Notes:

(1) All interest stated are long position.

(2) These Shares were, and (as the case may be) will be, held by Newmark Group, which is owned as to 38.6% by Dr. Wong King Keung. Pursuant to the provisions of Division 7 and 8 of Part XV of the SFO, Dr. Wong King Keung is deemed to have an interest in all Shares in which Newmark Group has, or deemed to have, an interest.

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

| Name of Director | Name of associated corporation | Capacity/ Nature of interest | Number of shares | Percentage of shareholding |
|---------------------|--------------------------------|---------------------------------|------------------|----------------------------|
| Dr. Wong King Keung | Newmark Group | Beneficial interests | 386 shares | 38.60% |
| Mr. Tong Sai Wong | Newmark Group | Beneficial interests | 198 shares | 19.80% |
| Mr. Chan Wing Yiu | Newmark Group | Beneficial interests | 198 shares | 19.80% |
| Mr. Chan Wing Lun | Newmark Group | Beneficial interests | 198 shares | 19.80% |
| Mr. Lin Wing Ching | Newmark Group | Beneficial interests | 20 shares | 2.00% |

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

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

Save as disclosed above, as at the date of this annual report, the Directors and chief executive are not aware of any person, other than 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 in this annual report, 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 executive 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).

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, during the Period, the Company has maintained the public float required by the GEM Listing Rules.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with highest emoluments are set out in note 13 to the consolidated financial statements in this annual report. No Director has waived or has agreed to waive any emolument during the year ended 31 March 2016.

Report of the Directors

CONNECTED TRANSACTIONS

The related party transactions of the Company are set out in note 30 to the consolidated financial statements in this annual report. The related party transactions of the Company did not constitute connected transactions or continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the GEM Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save as otherwise disclosed, no other transactions, arrangements or contracts of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2016.

EQUITY-LINKED AGREEMENTS

Other than the share option scheme of the Company as disclosed above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 March 2016.

CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, its holding companies, or any of its subsidiaries was a party, and in which the controlling shareholders' of the Company had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 March 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 31 March 2016, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2016 are set out in note 23 to the consolidated financial statements in this annual report.

RETIREMENT BENEFITS PLANS

Particulars of retirement benefits plans of the Group as at 31 March 2016 are set out in note 29 to the consolidated financial statements in this annual report.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers all the independent non-executive Directors were independent during the Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated.

PERMITTED INDEMNITY

Pursuant to the Articles, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and officers of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Central China International Capital Limited (formerly known as Pan Asia Corporate Finance Limited) ("**Central China**"), neither Central China nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) or otherwise in relation to the Company which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules (except for the compliance adviser agreement entered into between the Company and Central China in May 2015) as at 31 March 2016 and the date of this annual report.

Report of the Directors

CORPORATE GOVERNANCE

The Company maintains a high standard of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 17 to 26 of this annual report.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group is set out in the financial summary on page 96 of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2016 have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company is to be proposed at the forthcoming annual general meeting of the Company.

By order of the Board

Tong Sai Wong

Chairman

Hong Kong, 24 June 2016

INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF i-CONTROL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of i-Control Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages 39 to 93, which comprise the consolidated statement of financial position as at 31 March 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report on the Consolidated Financial Statements

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 March 2016, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

24 June 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March 2016

| | <i>Notes</i> | 2016 HK\$'000 | 2015 HK\$'000 |
|---|--------------|-------------------------|------------------|
| Revenue | 7 | 141,922 | 111,482 |
| Cost of inventories sold | | (79,713) | (64,398) |
| Staff cost | | (29,660) | (16,844) |
| Depreciation | | (2,789) | (1,738) |
| Other income and gain | 7 | 778 | 21 |
| Other operating expenses | | (13,997) | (18,229) |
| Finance costs | 9 | (1,297) | (702) |
| Profit before taxation | | 15,244 | 9,592 |
| Income tax expense | 10 | (3,254) | (4,027) |
| Profit for the year | 11 | 11,990 | 5,565 |
| Attributable to: | | | |
| Owners of the Company | | 11,786 | 4,841 |
| Non-controlling interests | | 204 | 724 |
| | | 11,990 | 5,565 |
| Profit for the year | | 11,990 | 5,565 |
| Other comprehensive income (expense) | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences arising on translating a foreign operation | | 85 | (149) |
| Total comprehensive income for the year | | 12,075 | 5,416 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 11,871 | 4,692 |
| Non-controlling interests | | 204 | 724 |
| | | 12,075 | 5,416 |
| Earnings per share | | | |
| Basic and diluted | 12 | HK1.22 cents | HK0.68 cents |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

| | <i>Notes</i> | 2016 HK\$'000 | 2015 HK\$'000 |
|--|--------------|------------------|------------------|
| Non-current assets | | | |
| Property and equipment | 15 | 88,313 | 51,989 |
| Investment property | 16 | 9,638 | – |
| Deferred tax assets | 24 | 184 | 281 |
| | | 98,135 | 52,270 |
| Current assets | | | |
| Inventories | 17 | 6,227 | 5,567 |
| Trade receivables | 18 | 30,919 | 20,844 |
| Prepayments, deposits and other receivables | 19 | 1,212 | 5,367 |
| Bank balances and cash | 20 | 57,036 | 14,831 |
| | | 95,394 | 46,609 |
| Current liabilities | | | |
| Trade payables | 21 | 8,207 | 6,360 |
| Other payables and accruals | 22 | 15,410 | 12,083 |
| Bank borrowings | 23 | 53,522 | 54,868 |
| Tax payables | | 907 | 1,370 |
| | | 78,046 | 74,681 |
| Net current asset (liabilities) | | 17,348 | (28,072) |
| Total assets less current liabilities | | 115,483 | 24,198 |
| Non-current liability | | | |
| Deferred tax liabilities | 24 | 438 | 335 |
| Net assets | | 115,045 | 23,863 |

Consolidated Statement of Financial Position

As at 31 March 2016

| | <i>Notes</i> | 2016 HK\$'000 | 2015 HK\$'000 |
|---|--------------|-------------------------|------------------|
| Capital and reserves | | | |
| Share capital | 25 | 10,000 | 8 |
| Reserves | 26 | 105,045 | 21,830 |
| Equity attributable to owners of the Company | | 115,045 | 21,838 |
| Non-controlling interests | 33 | – | 2,025 |
| Total equity | | 115,045 | 23,863 |

The consolidated financial statements on pages 39 to 93 were approved and authorised for issue by the board of directors on 24 June 2016 and are signed on its behalf by:

Tong Sai Wong
Director

Chan Wing Yiu
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 March 2016

| | Attributable to the owners of the Company | | | | | | Non-controlling interests | Total |
|---|---|---------------|----------------|---------------------|------------------|----------|---------------------------|----------|
| | Share capital | Share premium | Merger reserve | Translation reserve | Retained profits | Subtotal | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| At 31 March 2014 and 1 April 2014 | 8,513 | - | - | 42 | 15,059 | 23,614 | 2,474 | 26,088 |
| Profit and other comprehensive income for the year | - | - | - | (149) | 4,841 | 4,692 | 724 | 5,416 |
| Dividend (note 14) | - | - | - | - | (8,780) | (8,780) | (239) | (9,019) |
| Issuance of share (note 25) | 8 | - | - | - | - | 8 | - | 8 |
| Reorganisation (note 25) | (8,513) | - | 10,817 | - | - | 2,304 | (934) | 1,370 |
| At 31 March 2015 and 1 April 2015 | 8 | - | 10,817 | (107) | 11,120 | 21,838 | 2,025 | 23,863 |
| Profit and other comprehensive income for the year | - | - | - | 85 | 11,786 | 11,871 | 204 | 12,075 |
| Issuance of share (note 25) | 7 | - | - | - | - | 7 | - | 7 |
| Issuance of ordinary shares in connection with the listing (note (a)) | 2,500 | 87,500 | - | - | - | 90,000 | - | 90,000 |
| Capitalisation issue (note (b)) | 7,485 | (7,485) | - | - | - | - | - | - |
| Share issue expenses | - | (8,671) | - | - | - | (8,671) | - | (8,671) |
| Acquisitions of additional interests in subsidiaries (note 33) | - | - | - | - | - | - | (2,229) | (2,229) |
| At 31 March 2016 | 10,000 | 71,344 | 10,817 | (22) | 22,906 | 115,045 | - | 115,045 |

Notes:

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 March 2016

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Profit before taxation | 15,244 | 9,592 |
| Adjustments for: | | |
| Interest income | (67) | (3) |
| Depreciation | 2,789 | 1,738 |
| Loss on disposal of property and equipment | 3 | 6 |
| Finance costs | 1,297 | 702 |
| Reversal of impairment loss on inventories | (51) | (31) |
| Written off of other payables | (475) | – |
| Operating cash flows before movements in working capital | 18,740 | 12,004 |
| Increase in inventories | (600) | (285) |
| (Increase) decrease in trade receivables | (10,033) | 8,051 |
| Decrease (increase) in prepayments, deposits and other receivables | 4,155 | (1,586) |
| Increase (decrease) in trade payables | 1,812 | (5,625) |
| Increase in other payables and accruals | 3,802 | 410 |
| Cash generated from operations | 17,876 | 12,969 |
| Tax paid | (3,517) | (5,379) |
| NET CASH FROM OPERATING ACTIVITIES | 14,359 | 7,590 |
| INVESTING ACTIVITIES | | |
| Acquisitions of property and equipment | (48,752) | (95) |
| Interest received | 67 | 3 |
| Repayment from a shareholder | – | 519 |
| Repayment from related companies | – | 131 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | (48,685) | 558 |

Consolidated Statement of Cash Flows

For the Year Ended 31 March 2016

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| FINANCING ACTIVITIES | | |
| Proceeds from initial public offering | 90,000 | – |
| Bank borrowings raised | 14,800 | 58,720 |
| Issue of shares | 7 | 8 |
| Repayment of bank borrowings | (16,146) | (24,122) |
| Payment for share issue expenses | (8,671) | – |
| Payment for acquisition of additional interests in subsidiaries | (2,229) | – |
| Interest paid | (1,297) | (702) |
| Dividend paid | – | (19,619) |
| Repayment to related companies | – | (14,548) |
| Repayment to directors | – | (7,953) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 76,464 | (8,216) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 42,138 | (68) |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 14,831 | 15,045 |
| Effect of foreign exchange rate changes | 67 | (146) |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR represented by bank balances and cash | 57,036 | 14,831 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 March 2016

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

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

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

The Group comprising the Company and its subsidiaries controlled by Dr. Wong King Keung, Mr. Chan Wing Yiu, Mr. Tong Sai Wong, Mr. Chan Wing Lun (the “Controlling Shareholder”) and Mr. Lin Wing Ching, resulting from the Reorganisation, is regarded as a continuing entity. Accordingly, the financial statements have been prepared on a combined basis as if the Company had always been the holding company of the Group by applying the principles of merger accounting with reference to Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as if the current group structure had been in existence at the beginning of the year ended 31 March 2015 as set out in the accounting policy of the Company under “Merger accounting for business combination involving entities under common control” in note 3.

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

In the current year, the Group has applied the following amendments to HKFRSs, which includes HKFRSs and Hong Kong Accounting Standards (“HKAS(s)”), issued by the HKICPA.

| | |
|-----------------------|---|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2010–2012 Cycle |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2011–2013 Cycle |
| Amendments to HKAS 19 | Defined Benefit Plans: Employee Contributions |

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

Annual Improvements to HKFRSs 2010–2012 Cycle

The Annual Improvements to HKFRSs 2010–2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of ‘vesting condition’ and ‘market condition’; and (ii) add definitions for ‘performance condition’ and ‘service condition’ which were previously included within the definition of ‘vesting condition’. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have ‘similar economic characteristics’; and (ii) clarify that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

Annual Improvements to HKFRSs 2010–2012 Cycle (Continued)

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company consider that the application of the amendments to HKFRSs 2010–2012 Cycle has had no material impact in the Group’s consolidated financial statements.

Annual Improvements to HKFRSs 2011–2013 Cycle

The Annual Improvements to HKFRSs 2011–2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of HKAS 40; and
- (b) the transaction meets the definition of a business combination under HKFRS 3.

The amendments are applied prospectively. The directors of the Company consider that the application of the amendments to HKFRSs 2011–2013 Cycle has had no material impact in the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)**New and revised HKFRSs issued but not yet effective**

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

| | |
|--|--|
| HKFRS 9 (2014) | Financial Instruments ² |
| HKFRS 15 | Revenue from Contracts with Customers ² |
| HKFRS 16 | Leases ⁴ |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle ¹ |
| Amendments to HKAS 1 | Disclosure Initiative ¹ |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation ¹ |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants ¹ |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception ¹ |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations ¹ |
| Amendments to HKFRS 15 | Clarification to HKFRS 15 ² |

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

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

³ Effective date not yet determined.

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

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, 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.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

HKFRS 9 (2014) Financial Instruments (Continued)

- HKFRS 9 (2014) introduces a new model which 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 application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect 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. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a 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 in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

HKFRS 15 Revenue from Contracts with Customers (Continued)

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 a material impact on the amounts reported and disclosures made in the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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. The directors of the Company are in the process of assessing their impact on the consolidated financial statements of these requirements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

Annual Improvement to HKFRSs 2012–2014 Cycle

The Annual Improvements to HKFRSs 2012–2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 clarify that changing from one of the disposal methods (i.e. disposal through sale or disposal through distribution to owners) to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in HKFRS 5. Besides, the amendments also clarify that changing the disposal method does not change the date of classification.

The amendments to HKFRS 7 clarify that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in HKFRS 7 in order to assess whether the additional disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety are required. Besides, the amendments to HKFRS 7 also clarify that disclosures in relation to offsetting financial assets and financial liabilities are not required in the condensed interim financial report, unless the disclosures provide a significant update to the information reported in the most recent annual report.

The amendments to HKAS 19 clarify that the market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

HKAS 34 requires entities to disclose information in the notes to the interim financial statements ‘if not disclosed elsewhere in the interim financial report’. The amendments to HKAS 34 clarify that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report. The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.

The directors do not anticipate that the application of the amendments included in the Annual Improvements to HKFRSs 2012–2014 Cycle will have a material effect on the Group’s consolidated financial statements.

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to HKAS 16 prohibit the use of revenue-based depreciation methods for property, plant and equipment under HKAS 16. The amendments to HKAS 38 introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be rebutted only in the following limited circumstances:

- i) when the intangible asset is expressed as a measure of revenue;
- ii) when a high correlation between revenue and the consumption of the economic benefits of the intangible assets could be demonstrated.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

Amendments to HKAS 16 and HKAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (Continued)

The amendments to HKAS 16 and HKAS 38 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied prospectively.

As the Group uses straight-line method for depreciation of property, plant and equipment, the directors of the Company do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKAS 27 Equity Method in Separate Financial Statements

The amendments to HKAS 27 allow an entity to apply the equity method to account for its investments in subsidiaries, joint ventures and associates in its separate financial statements. As a result of the amendments, the entity can choose to account for these investments either:

- i) at cost;
- ii) in accordance with HKFRS 9 (or HKAS 39); or
- iii) using the equity method as described in HKAS 28.

The amendments to HKAS 27 will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments should be applied retrospectively.

As the Group does not have any investment in associates or joint ventures, the directors of the Company do not anticipate that the application of the amendments to HKAS 27 will have a material impact on the Group’s consolidated financial statements.

Amendments to HKAS 1 Disclosure Initiative

The amendments clarify that companies should use professional judgement in determining what information as well as where and in what order information is presented in the financial statements. Specifically, an entity should decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity does not require to provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material. This is the case even if the HKFRS contain a list of specific requirements or describe them as minimum requirements.

Besides, the amendments provide some additional requirements for presenting additional line items, headings and subtotals when their presentation is relevant to an understanding of the entity’s financial position and financial performance respectively. Entities, in which they have investments in associates or joint ventures, are required to present the share of other comprehensive income of associates and joint ventures accounted for using the equity method, separated into the share of items that (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

Amendments to HKAS 1 Disclosure Initiative (Continued)

Furthermore, the amendments clarify that:

- (i) an entity should consider the effect on the understandability and comparability of its financial statements when determining the order of the notes; and
- (ii) significant accounting policies are not required to be disclosed in one note, but instead can be included with related information in other notes.

The amendments will become effective for financial statements with annual periods beginning on or after 1 January 2016. Earlier application is permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 1 in the future may have a material impact on the disclosures made in the Group’s consolidated financial statements.

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 Rules Governing the Listing of Securities on the GEM of the Stock Exchange 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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group assets and liabilities, equity, income and expenses are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations under common control

Business combinations under common control are accounted for using merger accounting. In applying merger accounting, the consolidated financial statements incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholders and Mr. Lin Wing Ching.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods as elements of services rendered is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment including buildings held for use in the supply of goods or services or for administrative purposes are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment, less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and carrying amount of the asset and is recognised in profit or loss.

Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment property over its estimated useful life and after taking into account of its estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

An item of property and equipment becomes an investment property when there is a change in use, as evidenced by end of owner-occupation. When an entity uses the cost model, transfers between owner-occupied property and investment property do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments, including any lump-sum upfront payments, are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group’s foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

All borrowing costs recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contribution.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before taxation' as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amounts are reduced through the use of allowance accounts. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables are considered uncollectible, it is written off against the respective allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, other payables and accruals and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Bank balances and cash in the consolidated statements of financial position comprise bank deposits with original maturity of three months or less, cash at banks and on hand. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generation units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the entity's accounting policies

The followings are the critical judgements, apart from those involving estimations that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Deferred tax assets

Deferred tax assets are recognised for certain deductible temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. Further details of which are disclosed in note 24.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Depreciation of property and equipment and investment property

Property and equipment and investment property are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involves management's estimation. The Group assesses annually the residual value and the useful life of the property and equipment and investment property and if the expectation differs from the original estimate, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property and equipment and investment property

The Group determines whether the property and equipment and investment property are impaired whenever there is indication of impairment presented. The impairment loss for property and equipment and investment property are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property and equipment and investment property have been determined based on value-in-use calculations. These calculations require the use of judgements and estimates such as future revenue and discount rates. As at 31 March 2016, the carrying values of property and equipment and investment property were approximately HK\$88,313,000 and HK\$9,638,000 (2015: HK\$51,989,000 and nil) respectively. No impairment was recognised for the years ended 31 March 2016 and 2015.

Estimated allowance for inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes allowance for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes allowance for inventories based on the assessment of the net realisable value. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. As at 31 March 2016, the carrying amounts of inventories of the Group were approximately HK\$6,227,000 (2015: HK\$5,567,000), net of accumulated allowances for inventories of approximately HK\$460,000 (2015: HK\$511,000).

Estimated impairment of trade receivables

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses. As at 31 March 2016, the carrying amounts of trade receivables were approximately HK\$30,919,000 (2015: HK\$20,844,000). No impairment was recognised for the years ended 31 March 2016 and 2015.

Income tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from period year.

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 of the Company review the capital structure regularly. As part of this review, the directors of the Company 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 redemption of borrowings.

6. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| Financial assets | | |
| Loans and receivables (including bank balances and cash) | 88,431 | 36,429 |
| Financial liabilities | | |
| Amortised cost | 71,478 | 65,659 |

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, deposits and other receivables, bank balances and cash, trade payables, other payables and accruals and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

6. FINANCIAL INSTRUMENTS (Continued)**Market risk***Currency risk*

The Group's exposure to foreign currency risk relates principally to its bank balances, payables and bank borrowings denominated in foreign currencies other than the functional currency of relevant group entity.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

| | Assets | | Liabilities | |
|------------------------------|------------------|------------------|------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 |
| United States dollar ("USD") | 1,652 | 504 | 754 | 89 |

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

As HK\$ is pegged to USD, the directors of the Company do not expect any significant movements in the USD/HKD exchange rate.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 20) and variable-rate bank borrowings (note 23) carrying interest at prevailing market rates. However, the exposure in bank balances is minimal to the Group as the bank balances are all short-term in nature. It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of each reporting period. The analysis is prepared assuming the amount of liability outstanding at the end of reporting period was outstanding for the whole year. A 50 (2015: 50) basis point increase or decrease is used for the year when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the year ended 31 March 2016 and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$165,000 (2015: HK\$228,000). This is mainly attributable to the Group's exposure to cash flow interest rate risk on its variable-rate bank borrowings.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

6. FINANCIAL INSTRUMENTS (Continued)

Credit risk

As at 31 March 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk as 11% (2015: 8%) of the total trade receivables as at 31 March 2016 was due from the Group's largest customer respectively.

The Group has concentration of credit risk as 35% (2015: 29%) of the total trade receivables as at 31 March 2016 was due from the Group's five largest customers respectively.

The Group's concentration of credit risk by geographical locations is mainly in the Hong Kong, which accounted for over 96% (2015: 95%) of the total trade receivables as at 31 March 2016.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with terms of loan.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

6. FINANCIAL INSTRUMENTS (Continued)**Liquidity risk (Continued)**

| | As at 31 March 2016 | | |
|-----------------------------|--|---|--------------------------------|
| | On demand or within 1 year HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
| Trade payables | 8,207 | 8,207 | 8,207 |
| Other payables and accruals | 9,749 | 9,749 | 9,749 |
| Bank borrowings | 54,710 | 54,710 | 53,522 |
| | 72,666 | 72,666 | 71,478 |

| | As at 31 March 2015 | | |
|-----------------------------|--|---|--------------------------------|
| | On demand or within 1 year HK\$'000 | Total undiscounted cash flows HK\$'000 | Carrying amount HK\$'000 |
| Trade payables | 6,360 | 6,360 | 6,360 |
| Other payables and accruals | 4,431 | 4,431 | 4,431 |
| Bank borrowings | 56,151 | 56,151 | 54,868 |
| | 66,942 | 66,942 | 65,659 |

Bank borrowings with a repayment on demand clause are included in the “on demand or within 1 year” time band in the above maturity analysis. At 31 March 2016, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$53,522,000 (2015: HK\$54,868,000). Taking into account the Group’s financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid more than one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$62,509,000 (2015: HK\$62,632,000).

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The directors of the Company consider that the carrying amounts of current financial assets and current financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

7. REVENUE AND OTHER INCOME AND GAIN

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

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

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

8. SEGMENT INFORMATION

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

Geographical information

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

8. SEGMENT INFORMATION (Continued)**Geographical information (Continued)**

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

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

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

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

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.

9. FINANCE COSTS

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Interest expenses on bank borrowings | 1,297 | 702 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

10. INCOME TAX EXPENSE

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---------------------------------------|------------------|------------------|
| Current income tax: | | |
| – Hong Kong Profits Tax | 3,383 | 3,222 |
| – Singapore Corporate Tax | – | 663 |
| (Over) under provision in prior year | (329) | 55 |
| | 3,054 | 3,940 |
| Deferred taxation (Note 24) | 200 | 87 |
| Total income tax expense for the year | 3,254 | 4,027 |

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

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------------------|------------------|
| Profit before taxation | 15,244 | 9,592 |
| Tax at domestic income tax rate of 16.5% | 2,515 | 1,583 |
| Effect of different tax rate of subsidiaries operating in other jurisdictions | (49) | 149 |
| Tax effect of expense not deductible for tax purposes | 1,040 | 2,244 |
| Tax effect of income not taxable for tax purposes | (11) | (4) |
| Tax effect of utilisation of tax loss previously not recognised | – | (29) |
| Tax effect of tax loss not recognised | 148 | 89 |
| Tax exemption ⁽¹⁾ | (60) | (60) |
| (Over) under provision in prior year | (329) | 55 |
| Income tax expense for the year | 3,254 | 4,027 |

⁽¹⁾ The Group's subsidiaries incorporated in Hong Kong have been granted tax concessions by tax authorities in Hong Kong.

Details of the deferred taxation are set out in note 24.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

11. PROFIT FOR THE YEAR

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| Profit for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments (<i>note 13</i>) | 8,559 | – |
| Salaries and allowances (excluding directors' emoluments) | 20,192 | 15,996 |
| Retirement benefit scheme contributions (excluding directors' emoluments) | 909 | 848 |
| Total staff costs | 29,660 | 16,844 |
| Cost of inventories sold | 79,713 | 64,398 |
| Reversal of provision on inventories included in cost of inventories sold | (51) | (31) |
| Depreciation | 2,789 | 1,738 |
| Operating lease rentals in respect of rented premises | 778 | 857 |
| Loss on disposal of property and equipment | 3 | 6 |
| Listing expenses | 5,533 | 12,059 |
| Auditor's remuneration | 675 | 505 |

12. EARNINGS PER SHARE

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| Earnings | | |
| Earnings for the purpose of basic and diluted earnings per share | 11,786 | 4,841 |

| | 2016 '000 | 2015 '000 |
|---|--------------|--------------|
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 962,432 | 710,861 |

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

The weighted average number of ordinary shares in issue during the years ended 31 March 2016 and 2015 have been retrospectively adjusted for the effect of the capitalisation issue as stated in note 25 pursuant to the Reorganisation as stated in the Prospectus as if such capitalisation issued shares were issued during the two years ended 31 March 2016.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS**(a) Directors' and chief executives' emoluments**

Details of emoluments paid and payable to the directors who are also chief executives of the Group as services as director are as follows:

| | Year ended 31 March 2016 | | | | Total HK\$'000 |
|--|--------------------------|---|------------------------------------|---|-------------------|
| | Fees HK\$'000 | Salaries and other allowances HK\$'000 | Discretionary bonus HK\$'000 | Retirement benefit scheme contributions HK\$'000 | |
| Executive directors: | | | | | |
| Mr. Tong Sai Wong (note ii) | - | 1,040 | 756 | 14 | 1,810 |
| Mr. Chan Wing Lun (note i) | - | 2,238 | 2,160 | 15 | 4,413 |
| Mr. Chan Wing Yiu (note i) | - | 1,040 | 616 | 5 | 1,661 |
| Non-executive directors: | | | | | |
| Dr. Wong King Keung (note iii) | 150 | - | - | - | 150 |
| Mr. Lin Wing Ching (note iii) | 150 | - | - | - | 150 |
| Independent non-executive directors | | | | | |
| Dr. Chan Man Hung (note iv) | 125 | - | - | - | 125 |
| Dr. Lai Wing Chueng (note iv) | 125 | - | - | - | 125 |
| Mr. Lum Pak Sum (note iv) | 125 | - | - | - | 125 |
| | 675 | 4,318 | 3,532 | 34 | 8,559 |

| | Year ended 31 March 2015 | | | | Total HK\$'000 |
|--------------------------------|--------------------------|---|------------------------------------|---|-------------------|
| | Fees HK\$'000 | Salaries and other allowances HK\$'000 | Discretionary bonus HK\$'000 | Retirement benefit scheme contributions HK\$'000 | |
| Directors: | | | | | |
| Mr. Tong Sai Wong (note ii) | - | - | - | - | - |
| Mr. Chan Wing Lun (note i) | - | - | - | - | - |
| Mr. Chan Wing Yiu (note i) | - | - | - | - | - |
| Dr. Wong King Keung (note iii) | - | - | - | - | - |
| Mr. Lin Wing Ching (note iii) | - | - | - | - | - |
| | - | - | - | - | - |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

13. DIRECTORS', CHIEF EXECUTIVES' AND EMPLOYEES' EMOLUMENTS (Continued)**(a) Directors' and chief executives' emoluments (Continued)***Notes:*

- (i) Appointed as a director on 21 August 2014 and designated as an executive director on 11 May 2015.
- (ii) Appointed as a director on 21 August 2014 and designated as the chairman of the Board and an executive director on 11 May 2015.
- (iii) Appointed as a director on 21 August 2014 and designated as a non-executive director on 11 May 2015.
- (iv) Appointed as an independent non-executive director on 11 May 2015.

Discretionary bonus was determined with reference to the Group's operating results, individual performance and comparable market statistics for such financial year.

None of the directors waived or agreed to waive any emoluments during the years ended 31 March 2016 and 2015.

There were no emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2015: none) were the directors of the Company. Their emoluments are included in the disclosures in note 13(a) above. The emoluments of the remaining two (2015: five) individuals for the years ended 31 March 2016 and 2015 were as follows:

| | 2016 HK\$'000 | 2015 HK\$'000 |
|---|------------------|------------------|
| Salaries and other allowances | 3,440 | 3,091 |
| Retirement benefit scheme contributions | 61 | 131 |
| | 3,501 | 3,222 |

There were no performance related incentive payments during the years ended 31 March 2016 and 2015.

Their emoluments were within the following bands:

| | Number of individuals | |
|--------------------------------|-----------------------|------|
| | 2016 | 2015 |
| Less than HK\$1,000,000 | – | 5 |
| HK\$1,000,001 to HK\$2,000,000 | 2 | – |

No emoluments were paid by the Group to the directors, chief executive or the five highest paid individuals as inducements to join or upon joining the Group or as a compensation for loss of office during the years ended 31 March 2016 and 2015.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

14. DIVIDEND

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

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

15. PROPERTY AND EQUIPMENT

| | Land and buildings HK\$'000 | Furniture and fixtures HK\$'000 | Computer equipment HK\$'000 | Leasehold improvement HK\$'000 | Total HK\$'000 |
|-----------------------------------|--------------------------------|------------------------------------|--------------------------------|-----------------------------------|-------------------|
| COST | | | | | |
| At 1 April 2014 | 55,552 | 1,401 | 293 | 1,751 | 58,997 |
| Additions | – | 12 | 83 | – | 95 |
| Disposal | – | (7) | (23) | – | (30) |
| At 31 March 2015 and 1 April 2015 | 55,552 | 1,406 | 353 | 1,751 | 59,062 |
| Additions | 46,653 | 109 | 898 | 1,092 | 48,752 |
| Transfer to investment property | (10,637) | – | – | – | (10,637) |
| Disposal | – | (48) | – | – | (48) |
| Exchange adjustments | – | 4 | – | – | 4 |
| At 31 March 2016 | 91,568 | 1,471 | 1,251 | 2,843 | 97,133 |
| ACCUMULATED DEPRECIATION | | | | | |
| At 1 April 2014 | 3,086 | 824 | 177 | 1,272 | 5,359 |
| Provided for the year | 1,157 | 284 | 58 | 239 | 1,738 |
| Eliminated on disposal | – | (6) | (18) | – | (24) |
| At 31 March 2015 and 1 April 2015 | 4,243 | 1,102 | 217 | 1,511 | 7,073 |
| Provided for the year | 2,010 | 288 | 116 | 366 | 2,780 |
| Transfer to investment property | (990) | – | – | – | (990) |
| Eliminated on disposal | – | (45) | – | – | (45) |
| Exchange adjustments | – | 2 | – | – | 2 |
| At 31 March 2016 | 5,263 | 1,347 | 333 | 1,877 | 8,820 |
| Carrying values | | | | | |
| At 31 March 2016 | 86,305 | 124 | 918 | 966 | 88,313 |
| At 31 March 2015 | 51,309 | 304 | 136 | 240 | 51,989 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

15. PROPERTY AND EQUIPMENT (Continued)

- i) The above items of property and equipment are depreciated on a straight-line basis at the following rates per annum:

| | |
|------------------------|---|
| Furniture and fixtures | 10–20% |
| Computer equipment | 20% |
| Leasehold improvement | 20–33% |
| Land and buildings | Over the shorter of term of the lease or 2% |

- ii) As at 31 March 2016, land and buildings with carrying amounts of approximately HK\$86,305,000 (2015: HK\$51,309,000) have been pledged to secure bank loans of approximately HK\$53,522,000 (2015: HK\$42,649,000).
- iii) All of the land and buildings are located on land in Hong Kong and held under medium term lease.
- iv) During the year ended 31 March 2016, the Group leased out a formerly self-occupied commercial unit located in Hong Kong and reclassified such unit as an investment property. The property was previously occupied by the Group as office which was previously classified as land and buildings under property and equipment. The carrying value of the unit on the date of reclassification amounted to HK\$9,647,000 (note 16).

16. INVESTMENT PROPERTY

| | Total HK\$'000 |
|---|--------------------------|
| COST | |
| At 1 April 2014, 31 March 2015 and 1 April 2015 | – |
| Transfer from property and equipment | 9,647 |
| | <hr/> |
| At 31 March 2016 | 9,647 |
| | <hr/> |
| ACCUMULATED DEPRECIATION | |
| At 1 April 2014, 31 March 2015 and 1 April 2015 | – |
| Provided for the year | 9 |
| | <hr/> |
| At 31 March 2016 | 9 |
| | <hr/> |
| Carrying values | |
| At 31 March 2016 | 9,638 |
| | <hr/> |
| At 31 March 2015 | – |
| | <hr/> |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

16. INVESTMENT PROPERTY (Continued)

The above investment property is located in Hong Kong with medium term lease and depreciated on a straight-line basis over 48 years.

The fair value of the Group's investment property as at 31 March 2016 was approximately HK\$19,200,000 (2015: nil), which was determined by the directors of the Company. The valuation performed by the directors of the Company was made by reference to recent market prices for properties in the similar locations and conditions.

17. INVENTORIES

| | 2016 HK\$'000 | 2015 HK\$'000 |
|----------------|------------------|------------------|
| Finished goods | 6,227 | 5,567 |

During the year ended 31 March 2016, there were sales of finished goods previously impaired. As a result, a reversal of write-down of finished goods of HK\$51,000 (2015: HK\$31,000) was recognised and included in cost of inventories sold.

18. TRADE RECEIVABLES

| | 2016 HK\$'000 | 2015 HK\$'000 |
|-------------------|------------------|------------------|
| Trade receivables | 30,919 | 20,844 |

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

The Group does not hold any collateral over these balances.

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

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

18. TRADE RECEIVABLES (Continued)

At 31 March 2016 and 31 March 2015, the aged analysis of trade receivables that were past due but not impaired are as follows:

| | 1-30 days HK\$'000 | 31-60 days HK\$'000 | 61-120 days HK\$'000 | 121-365 days HK\$'000 | Over 365 days HK\$'000 | Total HK\$'000 |
|---------------------|-----------------------|------------------------|-------------------------|--------------------------|---------------------------|-------------------|
| As at 31 March 2016 | 7,536 | 1,723 | 4,044 | 3,223 | 1,207 | 17,733 |
| As at 31 March 2015 | 2,574 | 2,362 | 663 | 3,700 | 56 | 9,355 |

In determining the recoverability of a trade receivable, the Group considers any change in credit quality of the trade receivable from the date credit was initially granted up to the reporting date. In view of the good settlement history from those receivables of the Group which are past due but not impaired for the years ended 31 March 2016 and 2015, the directors of the Company consider that no allowance is necessary in respect of these balances.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2016 HK\$'000 | 2015 HK\$'000 |
|-------------------|------------------|------------------|
| Prepayments | 736 | 4,613 |
| Deposits | 107 | 153 |
| Other receivables | 369 | 601 |
| | 1,212 | 5,367 |

20. BANK BALANCES AND CASH

The bank balances for the years ended 31 March 2016 and 31 March 2015 carried interest at the prevailing market rate.

The Group's bank balances and cash denominated in RMB amounted to approximately HK\$235,000 (2015: HK\$360,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

21. TRADE PAYABLES

| | 2016 HK\$'000 | 2015 HK\$'000 |
|----------------|------------------|------------------|
| Trade payables | 8,207 | 6,360 |

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

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

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.

22. OTHER PAYABLES AND ACCRUALS

| | 2016 HK\$'000 | 2015 HK\$'000 |
|-------------------------------------|------------------|------------------|
| Accrued salary | 5,920 | 1,095 |
| Commission payable | 1,993 | 1,982 |
| Customer deposits (for trade) | 2,740 | 3,144 |
| Receipts in advance | 2,921 | 4,508 |
| Accrued expenses and other payables | 1,836 | 1,354 |
| | 15,410 | 12,083 |

Customer deposits (for trade) represented advance payments from customers pursuant to the respective sales and purchase contracts.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

23. BANK BORROWINGS

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| Secured: | | |
| Mortgage loans | 53,522 | 42,649 |
| Unsecured: | | |
| Tax loan | - | 219 |
| Revolving loan | - | 12,000 |
| | 53,522 | 54,868 |
| Bank borrowings repayable: | | |
| On demand or within one year | 4,421 | 15,160 |
| More than one year but not exceeding two years | 4,421 | 2,941 |
| More than two years but not exceeding five years | 13,263 | 8,823 |
| After five years | 31,417 | 27,944 |
| | 53,522 | 54,868 |
| Less: | | |
| Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | 49,101 | 39,708 |
| Carrying amount repayable within one year | 4,421 | 15,160 |
| | - | - |
| Amount shown under non-current liabilities | - | - |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

23. BANK BORROWINGS (Continued)

Borrowings comprise:

| | Maturity Date | Effective interest rate | Carrying amount | |
|---|---------------------|-------------------------|------------------|------------------|
| | | | 2016 HK\$'000 | 2015 HK\$'000 |
| Fixed-rate borrowings: | | | | |
| – HKD tax loans | 24/5/2015 | 4.25% | – | 219 |
| Floating-rate borrowings: | | | | |
| – HKD mortgage loans ^{(1) & (4)} | 21/8/2021 | 2.22% | 39,708 | 42,649 |
| – HKD mortgage loans ^{(3) & (5)} | 12/7/2025 | 1.94% | 13,814 | – |
| – HKD revolving loan ⁽²⁾ | Repayable on demand | 2.72% | – | 12,000 |
| | | | 53,522 | 54,868 |

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

⁽²⁾ The floating rate is HIBOR plus 2.5%.

⁽³⁾ The floating rate is lower of HIBOR plus 1.7% or 2.25% below best lending rate.

⁽⁴⁾ Repayable in 84 equal monthly installments commencing from the drawdown of the borrowings.

⁽⁵⁾ Repayable in 120 equal monthly installments commencing from the drawdown of the borrowings.

Notes:

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

(b) As at 31 March 2015, all bank borrowings were guaranteed by certain directors of the Company. The guarantees provided by certain directors have been released upon listing of the Company's shares on the GEM.

(c) As at 31 March 2016, bank borrowings of approximately HK\$53,522,000 (2015: HK\$42,649,000) was secured by investment property and land and buildings of the Group with carrying amounts of HK\$9,638,000 and HK\$86,305,000 (2015: nil and HK\$51,309,000) respectively.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

24. DEFERRED TAXATION

The following is the analysis of the deferred tax balances for financial reporting purposes:

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--------------------------|------------------|------------------|
| Deferred tax assets | 184 | 281 |
| Deferred tax liabilities | (438) | (335) |
| | (254) | (54) |

The movements in deferred tax (assets) liabilities of the Group during the year are as follows:

| | Accelerated depreciation allowance HK\$'000 | Tax losses HK\$'000 | Provision for inventory HK\$'000 | Total HK\$'000 |
|--|--|------------------------|--|-------------------|
| At 31 March 2014 and 1 April 2014 | 73 | (16) | (90) | (33) |
| Charged to profit or loss during the year (<i>note 10</i>) | 79 | 3 | 5 | 87 |
| At 31 March 2015 and 1 April 2015 | 152 | (13) | (85) | 54 |
| Charged (credited) to profit or loss during the year (<i>note 10</i>) | 233 | (42) | 9 | 200 |
| At 31 March 2016 | 385 | (55) | (76) | 254 |

At 31 March 2016, the Group had tax losses of approximately HK\$1,830,000 (2015:HK\$679,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$333,000 (2015:HK\$78,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$1,497,000 (2015: HK\$601,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$1,248,000 (2015: HK\$601,000) that will expire in five years' time. Other losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

25. SHARE CAPITAL

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

25. SHARE CAPITAL (Continued)

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.

26. RESERVES

Merger reserve

Merger reserve represented the difference between share capital of the new holding company and the aggregate of the share capital of the then holding company of the Group and the companies comprising the Group.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 3.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

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

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

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

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

The Group as lessee

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

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

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

28. PLEDGE OF ASSETS

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

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

29. RETIREMENT BENEFIT SCHEME

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the ORSO Scheme) and a Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group are required to join the MPF Scheme. For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by the employee. The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 10% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs, capped at HK\$1,500 (HK\$1,250 prior to June 2014) per month, to the MPF Scheme, in which the contribution is matched by the employee.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Company in this country participate in respective government retirement benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of the eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

The retirement benefit schemes contribution represent gross contributions by the Group to the Schemes operated by the relevant authorities of the PRC and the defined contribution schemes operated in Hong Kong.

The total cost charged to profit or loss of approximately HK\$943,000 (2015: HK\$848,000) represents contributions payable to those schemes by the Group in respect of the year ended 31 March 2016.

30. RELATED PARTY TRANSACTIONS

In addition to the balances elsewhere in the consolidated financial statements, the Group has the following material transactions and balances with related parties.

(a) Compensation of key management personnel

Other than the remuneration paid to the directors and employees of the Group as set out in note 13, who are considered as the key management personnel of the Group, the Group did not have any other significant compensations to key management personnel.

The remuneration of the directors and key management personnel is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

(b) Banking facilities

In addition to the pledge of the Group's pledged assets referred to in note 28, certain banking facilities of the Group during the year were secured by the guarantees given by certain directors of the Company and legal charge over a property of a company which the directors have beneficial interests. The guarantees provided by certain directors have been released upon listing of the Company's shares on the GEM.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

31. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme (the "Scheme") was adopted pursuant to a written resolution of the Company passed on 11 May 2015 for the purpose of attracting and retaining the best quality personnel for the development of the Group's businesses, providing additional incentives to the qualifying grantees, and promoting the long term financial success of the Group by aligning the interests of option holders to shareholders of the Company. Under the Scheme, the board of directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, consultants, business partners or other eligible person as stated in the Scheme, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue during any 12-month period, without prior approval from the Company's shareholders. Each grant of options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) and the shareholders of the Company in a general meeting with such participant and his/her close associates (or his/her associates if the participant is a connected person) abstaining from voting.

Options granted must be taken up within twenty-eight days from the date of the offer, upon payment of HK\$1 per option. Option periods of the options granted shall not be greater than a period of ten years from the date of grant of the options. The exercise price is determined by the directors of the Company, and will not be less than the highest of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options are granted since the adoption of the Scheme and during the year ended 31 March 2016.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

| Name of subsidiaries | Place of incorporation/ establishment and operation and date of incorporation/ establishment | Issued and fully paid share capital/ registered capital | Percentage of equity interest attributable to the Company | | Principal activities |
|---|--|---|---|----------|--|
| | | | Direct | Indirect | |
| i-Control ITAV | British Virgin Islands ("BVI") 17 June 2014 | Ordinary Shares USD7 | 100% | – | Investment holding |
| i-Control Consultancy Limited | BVI 17 June 2014 | Ordinary Shares USD1 | – | 100% | Corporate consultancy and support |
| i-Control Limited | Hong Kong 25 October 1999 | Ordinary Shares HK\$2,500,000 | – | 100% | Professional audio visual system integrator |
| I-CONTROL (ITAV) PTE. LTD. | Singapore 4 September 2014 | Ordinary Shares SGD1,000 | – | 100% | Professional audio visual system integrator |
| Eduseve International Limited | Hong Kong 8 April 1987 | Ordinary Shares HK\$3,000,000 | – | 100% | Professional audio visual system integrator |
| i-Control (China) Limited | Hong Kong 30 November 2009 | Registered capital HK\$1,800,000 | – | 100% | Professional audio visual system integrator |
| i-Control (Shanghai) Information Technology Co. Ltd 愛港超(上海)信息科技有限公司 (Note) | The PRC 30 March 2010 | Registered Capital RMB1,000,000 | – | 100% | Professional audio visual system integrator |
| View Mark Limited | Hong Kong 6 September 2010 | Ordinary Shares HK\$10,000 | – | 100% | Property holding |
| Billion Peace Limited | Hong Kong 4 March 2011 | Ordinary Shares HK\$10,000 | – | 100% | Property holding |
| Modern China Business Consultants Limited | Hong Kong 10 December 1991 | Ordinary Shares HK\$4,500,000 | – | 100% | Property holding |
| Deluxe Peace Limited | Hong Kong 15 May 2015 | Ordinary Shares HK\$10,000 | – | 100% | Property holding |

None of the subsidiaries had any debt securities issued subsidiaries at the end of both years ended or anytime during both years.

Note: This entity was established in the PRC and is wholly-owned foreign enterprise.

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

33. NON-CONTROLLING INTERESTS**Change in ownership interests in subsidiaries**

During the year ended 31 March 2016, the Group acquired the 20% of equity interests of Eduserve International Limited and 30% of equity interests of i-Control (China) Limited that entities under common control and became the 100% holding company of the subsidiaries now comprising the Group.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| Name of the subsidiary | Place of incorporation and principal place of business | Proportion of effective interests held by non-controlling interests | | Voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|--|---|----------|---|----------|---|----------|---------------------------------------|--------------|
| | | At 31 March | | At 31 March | | Year ended 31 March | | At 31 March | |
| | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Eduserve International Limited | Hong Kong | - | 20% | - | 20% | 84 | 376 | - | 1,131 |
| Individually immaterial subsidiaries with non-controlling interests | N/A | - | 30% | - | 30% | 120 | 348 | - | 894 |
| | | 204 | | | | 724 | | - | 2,025 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

33. NON-CONTROLLING INTERESTS (Continued)

The summarised consolidated financial statements for Eduserve International Limited that has non-controlling interest that is material to the Group during the years ended 31 March 2016 and 2015, before intragroup eliminations:

Summary of financial position

| | As at 31 March | |
|--|------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Non-current assets | – | 282 |
| Current assets | – | 9,878 |
| Current liabilities | – | 4,720 |
| Equity attributable to owners of the Company | – | 4,309 |
| Non-controlling interests | – | 1,131 |

| | As at 31 March | |
|---|------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 |
| Revenue | 11,213 | 26,713 |
| Expenses | 10,794 | 24,838 |
| Profit for the year | 419 | 1,876 |
| Profit attributable to owners of the Company | 335 | 1,500 |
| Profit attributable to non-controlling interests | 84 | 376 |
| Profit for the year and total comprehensive income for the year | 419 | 1,876 |
| Dividends paid to non-controlling interests | – | 120 |
| Net cash (outflow) inflow from operating activities | (492) | 1,761 |
| Net cash outflow from investing activities | – | (5) |
| Net cash outflow from financing activities | (59) | (651) |
| Net cash (outflow) inflow | (551) | 1,105 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

34. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2016 HK\$'000 | 2015 HK\$'000 |
|--|------------------|------------------|
| Non-current assets | | |
| Investments in subsidiaries | 20,093 | – |
| | 20,093 | – |
| Current assets | | |
| Other receivables | 112 | – |
| Amounts due from subsidiaries | 83,847 | – |
| Bank balances and cash | 138 | 8 |
| | 84,097 | 8 |
| Current liabilities | | |
| Other payables | 2,700 | – |
| Net current assets | 81,397 | 8 |
| Total assets less current liabilities | 101,490 | 8 |
| Capital and reserves | | |
| Share capital | 10,000 | 8 |
| Reserves (Note 35) | 91,490 | – |
| Total equity | 101,490 | 8 |

Notes to the Consolidated Financial Statements

For the Year Ended 31 March 2016

35. RESERVES OF THE COMPANY

| | Share premium HK\$'000 | Retained profit HK\$'000 | Other reserve HK\$'000 | Total HK\$'000 |
|---|------------------------------|--------------------------------|------------------------------|-------------------|
| At 21 August 2014 (Date of incorporation) and 1 April 2015 | – | – | – | – |
| Issuance of ordinary shares in connection with the listing | 87,500 | – | – | 87,500 |
| Capitalisation issue (<i>Note 25 (c)</i>) | (7,485) | – | – | (7,485) |
| Share issue expenses | (8,671) | – | – | (8,671) |
| Acquisition of interests in subsidiaries | – | – | 20,093 | 20,093 |
| Profit for the year and total comprehensive expense for the year | – | 53 | – | 53 |
| At 31 March 2016 | 71,344 | 53 | 20,093 | 91,490 |

PARTICULARS OF PROPERTIES

1. PROPERTIES HELD FOR SELF USE

| Location | Existing Use | Category of lease | Group's interest | Market Value (HK\$'000) (Note) |
|---|--------------|-------------------|------------------|--------------------------------|
| Unit A, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Office | Medium term lease | 100% | 45,800 |
| Unit B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Office | Medium term lease | 100% | 25,300 |
| Unit L, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Office | Medium term lease | 100% | 18,600 |
| Units Nos. 32-40 & flat roofs Nos. 39-40, 5/F, Pacific Trade Centre, No.2 Kai Hing Road, Kowloon Bay, Kowloon | Warehouse | Medium term lease | 100% | 36,600 |
| Car parking space P52, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Carpark | Medium term lease | 100% | 1,500 |
| Car parking space P53, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Carpark | Medium term lease | 100% | 1,500 |
| Car parking space P54, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Carpark | Medium term lease | 100% | 1,500 |
| Car parking space P85, 2/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Carpark | Medium term lease | 100% | 1,500 |
| Car parking space L22, Basement, Pacific Trade Centre, No.2 Kai Hing Road, Kowloon | Carpark | Medium term lease | 100% | 1,870 |
| TOTAL | | | | 134,170 |

2. PROPERTIES HELD FOR INVESTMENT

| Location | Existing Use | Category of lease | Group's interest | Market Value (HK\$'000) (Note) |
|--|--------------|-------------------|------------------|--------------------------------|
| Unit K, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon | Office | Medium term lease | 100% | 19,200 |

Note:

The market values of above properties were estimated by the Directors by using market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature, location and conditions of the properties under review.

FINANCIAL SUMMARY

| | Year ended 31 March | | | |
|---|---------------------|------------------|------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| Revenue | 141,922 | 111,482 | 102,474 | 108,119 |
| Profit before taxation | 15,244 | 9,592 | 39,479 | 11,967 |
| Profit for the year | 11,990 | 5,565 | 35,980 | 9,908 |
| Total comprehensive income for the year | 12,075 | 5,416 | 35,980 | 9,908 |

| | As at 31 March | | | |
|--|------------------|------------------|------------------|------------------|
| | 2016 HK\$'000 | 2015 HK\$'000 | 2014 HK\$'000 | 2013 HK\$'000 |
| ASSETS AND LIABILITIES | | | | |
| Total assets | 193,529 | 98,879 | 107,504 | 106,297 |
| Total liabilities | (78,484) | (75,016) | (81,416) | (85,267) |
| | 115,045 | 23,863 | 26,088 | 21,030 |
| Equity attributable to owners of the Company | 115,045 | 21,838 | 23,614 | 18,681 |
| Non-controlling interests | – | 2,025 | 2,474 | 2,349 |
| Total equity | 115,045 | 23,863 | 26,088 | 21,030 |

Note:

The summary of the combined results of the Group for the year ended 31 March 2013 and the assets and liabilities as at 31 March 2013 have been extracted from the prospectus of the Company dated 14 May 2015.

The consolidated/combined results of the Group for the year ended 31 March 2016, 2015 and 2014 and the consolidated/combined assets and liabilities of the Group as at 31 March 2016, 2015 and 2014 were extracted from the published audited financial statements of the Company.

Such summary was prepared if the current structure of the Group had been in existence throughout these financial years.