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Application Proof of
i-Control Holdings Limited
超智能控股有限公司

(the “Company”)

(incorporated in the Cayman Islands with limited liability)

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i-Control Holdings Limited

超智能控股有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code on Main Board : [•]

Stock Code on GEM : [REDACTED]

**[REDACTED] FROM GEM TO THE MAIN BOARD
of the whole of the issued shared capital comprising [REDACTED]
ordinary shares of par value of HK\$0.01 each
on
THE STOCK EXCHANGE OF HONG KONG LIMITED**

Joint Sponsors



中州國際融資有限公司
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This [REDACTED] document is published in connection with the [REDACTED] from GEM to the Main Board of the Stock Exchange and contains particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) for the purpose of giving information with regard to our Company and subsidiaries.

This [REDACTED] document does not constitute an [REDACTED] of, nor is it calculated to invite [REDACTED] for, Shares or other securities of our Company, nor have any such Shares or other securities been allotted with a view to any of them being [REDACTED] for sale to or subscription by members of the public. No new Shares will be allotted or issued in connection with, or pursuant to, this [REDACTED] document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this [REDACTED] document, including the risk factors set out in “Risk factors” in this [REDACTED] document.

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

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IMPORTANT NOTICE

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SUMMARY

This summary gives you an overview of the information contained in this [REDACTED] document. Since it is only a summary, it does not contain all the information that may be important to you. You should read this [REDACTED] document in its entirety.

BUSINESS OVERVIEW

We are a Hong Kong-based service provider of video conferencing and multimedia audiovisual (hereinafter “VCMA”) solution services and VCMA maintenance services. The provision of VCMA solution services is our dominant service, which accounted for approximately 90.0%, 90.9%, 91.3% and 87.5% of our total revenue for the three years ended 31 March 2019 and the three months ended 30 June 2019, respectively.

We set up our business in 1987 and have been in operation for over 32 years. Our key operations generally range from (i) consultation and design; (ii) project management and installation; to (iii) maintenance. According to the Ipsos Report, we accounted for approximately 12.1% of the total estimated revenue in respect of the VCMA solution industry in Hong Kong in 2018 and ranked second in the industry in Hong Kong by the same benchmark.

We undertake projects in both the public and private sectors. Our revenue attributable to projects in the public sector accounted for approximately 17.2%, 15.2%, 13.7% and 12.0% of our total revenue for the three years ended 31 March 2019 and the three months ended 30 June 2019, respectively.

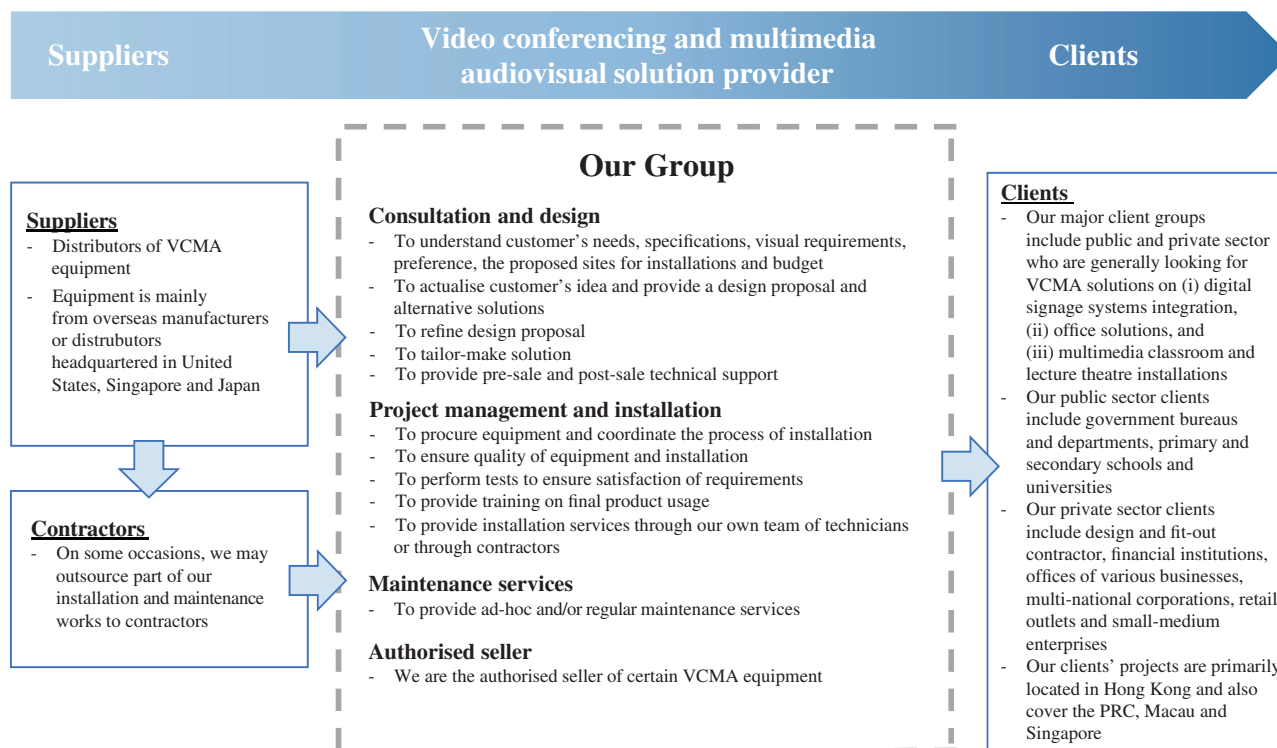
Our clients comprise a leading global operator of exchanges and clearing houses in Hong Kong, an international property developer, multi-national enterprises, listed companies, financial services firms, institutions of tertiary education and various contractors during the Track Record Period. Our largest market is Hong Kong, which accounted for approximately 84.5%, 91.8%, 96.9% and 98.8% of our total revenue for the three years ended 31 March 2019 and the three months ended 30 June 2019 respectively. We also had clients based in the PRC, Singapore and Macau during the Track Record Period.

Our suppliers include local distributors of VCMA equipment in Hong Kong and overseas manufacturers and distributors headquartered in the United States, Singapore and Japan. As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers. For more information on the authorised seller arrangements with our suppliers, please refer to “Business – Our suppliers” in this [REDACTED] document.

SUMMARY

BUSINESS MODEL

The following table depicts our business model and the roles of clients, suppliers and contractors of the Group in the business model.



We are able to provide to our clients high quality, integrated and tailor-made VCMA solutions that we believe is simple to operate and maintain.

The following table sets forth the breakdown of our Group's revenue by the above-mentioned two types of services during the Track Record Period:

Service type	Year ended 31 March						Three months ended			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
VCMA solution services	124,253	90.0	144,216	90.9	169,649	91.3	26,900	90.6	29,091	87.5
VCMA maintenance services	13,860	10.0	14,393	9.1	16,065	8.7	2,790	9.4	4,147	12.5
Total:	138,113	100.0	158,609	100.0	185,714	100.0	29,690	100.0	33,238	100.0

SUMMARY

VCMA solution services

The types of VCMA solution services provided to our clients during the Track Record Period included: (i) digital signage systems integration; (ii) office solutions; and (iii) multimedia classroom and lecture theatre installations.

In general, when our clients approach us, our staff in the sales and marketing department will arrange a consultation with our clients. We will then provide our clients with a design proposal, which is generally presented in the form of drawings and floor plan layouts together with illustrations. When our clients accept our design proposal, we provide them with our quotation. In other cases, our clients or their contractors may directly provide us with all the necessary specifications and drawings for us to prepare the quotation or tender.

After our client has confirmed its acceptance of our quotation or tender, we will generally form a project team which will be responsible for the management of the project. We then generally proceed to procure the equipment required. We will firstly check our warehouse to determine if our inventory of the equipment required is sufficient to meet the relevant orders. If we have insufficient inventory, we will place orders with our suppliers for the required equipment. The ordered equipment is usually delivered to our warehouse but, in some situations, we may arrange for direct delivery of the same to our clients’ sites for installation.

We generally carry out installation through our team of technicians. On some occasions, however, we may outsource part of our work to contractors which are Independent Third Parties. Upon completion of the installation work, we will carry out a user acceptance test which generally comprises a series of performance checkings to ensure that the installed equipment and installation services that we provide are able to meet the standards as agreed with our clients.

After the equipment installed comes into operation, we will circulate to our clients a set of user manuals which sets out the functions and operational details of these items of equipment for their reference. Depending on our clients’ needs and requests, we normally provide one to three sessions of free training to our clients on the daily operation of the equipment that we have installed.

VCMA maintenance services

Our quotation or tender will normally include a standard one-year maintenance service to our clients in relation to the equipment installed by us. Upon expiry of such one-year maintenance service, our clients may engage us to provide our VCMA maintenance services.

In general, our VCMA maintenance services include: (i) service hotline or repair visits; (ii) replacement and equipment on-loan services where any equipment becomes defective during the maintenance period; and (iii) monthly preventive maintenance visits, depending on our clients’ requirements. Depending on our clients’ needs, we may also station our technicians at designated venues of our clients for a specified period to provide on-site support services.

Authorised seller

We were the authorised seller for 7 of our VCMA equipment suppliers as at the Latest Practicable Date. Our purchase from these suppliers accounted for approximately 31.0%, 30.0%, 42.2% and 57.4% of our total purchases of equipment plus outsourced installation costs in this period.

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OUR CLIENTS

Our top five clients for the three years ended 31 March 2019 and the three months ended 30 June 2019 comprised a leading global operator of exchanges and clearing houses in Hong Kong, multi-national enterprises, listed companies, a tertiary education institution and various contractors. Their length of business relationship with our Group ranged from approximately 1 year to 13 years. For the three years ended 31 March 2019 and the three months ended 30 June 2019, our total revenue attributable to our top five clients amounted to approximately HK\$48.3 million, HK\$46.1 million, HK\$65.0 million and HK\$10.6 million, respectively, accounting for approximately 35.0%, 29.1%, 35.0% and 31.8% of our total revenue, respectively.

OUR SUPPLIERS

Our top five suppliers for the three years ended 31 March 2019 and the three months ended 30 June 2019 included local distributors of VCMA equipment in Hong Kong and overseas manufacturers and distributors headquartered in the United States, Singapore and Japan. Their length of business relationship with our Group ranged from 3 years to 32 years. For the three years ended 31 March 2019 and the three months ended 30 June 2019, our total purchases attributable to our top five suppliers amounted to approximately HK\$25.7 million, HK\$29.7 million, HK\$50.0 million and HK\$11.2 million, accounting for approximately 32.0%, 30.9%, 43.8% and 56.7% in aggregate of our total purchases of equipment plus outsourced installation cost, respectively.

During the Track Record Period, we outsourced some of our system installation work to contractors who are Independent Third Parties. For the three years ended 31 March 2019 and the three months ended 30 June 2019, the cost for outsourcing our system installation work to contractors accounted for approximately 12.2%, 11.9%, 12.8% and 8.9% of our cost of inventories sold including installation cost, respectively.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths:

- we are an established VCMA solution provider in Hong Kong;
- we provide high quality, integrated and tailor-made VCMA solutions to our clients from various industries;
- we have an extensive client base; and
- we have been able to secure a stable source of quality VCMA equipment and as at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers;
- we have an experienced and dedicated management team.

BUSINESS STRATEGIES

Our principal objectives are (i) to maintain and strengthen our position as one of the leading VCMA solution providers in Hong Kong; and (ii) to expand our market share in the VCMA solution industry in the PRC. We aim to achieve these objectives by implementing the following strategies:

- to further expand our capability in respect of sales and marketing as well as engineering and maintenance and enhance their skills, expertise and service quality; and

SUMMARY

- to expand our coverage of sales and marketing as well as engineering and maintenance in the PRC market.

SELECTED KEY OPERATIONAL AND FINANCIAL DATA

The following tables summarise the consolidated statements of profit or loss, consolidated statements of financial position and consolidated statements of cash flows during the Track Record Period, which are derived from the Accountants’ Report set out in Appendix I to this [REDACTED] document (the “**Consolidated Statements**”). These tables should be read in conjunction with the Consolidated Statements.

Summary of consolidated statements of profit or loss

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	138,113	158,609	185,714	29,690	33,238
Cost of inventories sold including installation costs	(77,962)	(96,166)	(112,399)	(18,050)	(17,534)
Staff cost	(26,953)	(31,128)	(34,221)	(7,016)	(7,722)
Depreciation	(3,216)	(3,258)	(3,249)	(815)	(841)
Other income and net gain	903	421	387	97	54
Other operating expenses	(6,254)	(7,005)	(6,612)	(1,787)	(1,876)
Finance costs	(1,159)	(882)	(1,083)	(240)	(294)
[REDACTED] expenses	—	—	—	—	(2,684)
Profit before taxation	23,472	20,591	28,537	1,879	2,341
Income tax expenses	(4,266)	(3,682)	(5,034)	(516)	(1,190)
Profit for the year/period attributable to owners of the Company	<u>19,206</u>	<u>16,909</u>	<u>23,503</u>	<u>1,363</u>	<u>1,151</u>

For the years ended 31 March 2017, 2018 and 2019 and the three months ended 30 June 2019, the Group’s gross operating profit margins were approximately 43.6%, 39.4%, 39.5 % and 47.2 %, respectively, and the net profit margins were approximately 13.9%, 10.7%, 12.7% and 3.5%, respectively.

For analysis regarding the Group’s result of operations during the Track Record Period, please refer to the “Financial information – Consolidated statements of profit or loss” in this [REDACTED] document.

SUMMARY

Summary of consolidated statements of financial position

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets	<u>97,287</u>	<u>94,163</u>	<u>91,073</u>	<u>90,481</u>
Current assets	<u>93,005</u>	<u>109,329</u>	<u>145,463</u>	<u>134,743</u>
Current liabilities	<u>61,499</u>	<u>67,393</u>	<u>85,065</u>	<u>72,569</u>
Net current assets	<u>31,506</u>	<u>41,936</u>	<u>60,398</u>	<u>62,174</u>
Total assets less current liabilities	<u>128,793</u>	<u>136,099</u>	<u>151,471</u>	<u>152,655</u>
Non-current liability	<u>642</u>	<u>769</u>	<u>896</u>	<u>929</u>
Net assets	<u>128,151</u>	<u>135,330</u>	<u>150,575</u>	<u>151,726</u>

For analysis regarding the Group's financial position as at each of the year/period end of the Track Record Period, please refer to the “Financial information – Discussion of consolidated statements of financial position” in this [REDACTED] document.

Summary of consolidated statements of cash flows

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash from operating activities	15,937	25,477	25,934	2,906	1,656
Net cash (used in) from investing activities	(2,275)	(20)	(7)	(7)	22
Net cash used in financing activities	<u>(16,580)</u>	<u>(15,303)</u>	<u>(13,504)</u>	<u>(1,345)</u>	<u>(1,430)</u>
Net (decrease) increase in cash and cash equivalents	(2,918)	10,154	12,423	1,554	248
Cash and cash equivalents at the beginning of the year/period	57,036	54,052	64,463	64,463	76,636
Effect of exchange rate changes	<u>(66)</u>	<u>257</u>	<u>(250)</u>	<u>(14)</u>	<u>(1)</u>
Cash and cash equivalents at the end of the year/period	<u>54,052</u>	<u>64,463</u>	<u>76,636</u>	<u>66,003</u>	<u>76,883</u>

For analysis regarding the Group's cash flows during the Track Record Period, please refer to the “Financial information – Liquidity, financial resources and capital structure” in this [REDACTED] document.

SUMMARY

KEY FINANCIAL RATIOS

The following table sets out certain key financial ratios in respect of our Group during the Track Record Period:

	Year ended or as at 31 March			Three months ended or as at 30 June
	2017	2018	2019	2019
Net profit margin	13.9%	10.7%	12.7%	3.5%
Return on equity	15.0%	12.5%	15.6%	3.0%
Return on total assets	10.1%	8.3%	9.9%	2.0%
Current ratio	1.5	1.6	1.7	1.9
Quick ratio	1.3	1.5	1.6	1.7
Gearing ratio	34.4%	29.3%	23.4%	22.6%
Debt to equity ratio	N/A	N/A	N/A	N/A
Interest coverage	21.3 times	24.3 times	27.3 times	9.0 times

For analysis of the Group’s key financial ratios during the Track Record Period and their respective basis of calculation, please refer to the “Financial information – Summary of key financial ratios” in this [REDACTED] document.

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had a total of 310 VCMA solution services projects either in progress or yet to commence. For the period from 1 April 2019 to the Latest Practicable Date, our revenue increased by approximately 7.7%, as compared to the same period of 2018.

Our Directors expect that the financial results of our Group for the year ending 31 March 2020 will be affected by the estimated expenses in relation to the [REDACTED] from GEM to the Main Board. Please refer to the “Financial information – [REDACTED] expenses” in this [REDACTED] document for further details.

Save as disclosed above there has been no material adverse change in the financial and trading position or prospects of our Group since 30 June 2019 and that there has been no event since the Latest Practicable Date that would affect the information shown in the Accountants’ Report sets out in Appendix I to this [REDACTED] document. Our Directors consider that all information necessary for the investing public to make an informed judgement as to the business activities and financial position of our Group has been included in this [REDACTED] document.

SUMMARY

[REDACTED] EXPENSES

We expect that our total [REDACTED] expenses, which are non-recurring in nature, will amount to approximately HK\$[REDACTED] million. Out of the total HK\$[REDACTED] million [REDACTED] expenses, we have paid approximately HK\$[REDACTED] million (including approximately HK\$[REDACTED] million recognised as expense in the consolidated statements of profit or loss during the three months ended 30 June 2019). Approximately HK\$[REDACTED] million would be charged to the Group’s profit and loss for the nine months ending 31 March 2020.

Accordingly, the financial results of our Group for the year ending 31 March 2020 are expected to be materially affected by the estimated expenses in relation to the [REDACTED]. Such [REDACTED] expenses comprise a current estimate for reference only and the final amount to be charged to the consolidated statements of profit or loss of our Group for the year ending 31 March 2020 is subject to change.

OUR SHAREHOLDERS

So far as our Directors are aware, the Company’s Substantial Shareholders as at the Latest Practicable Date were: (i) Phoenix Time, which held [REDACTED] of the issued share capital of the Company following its purchase of [REDACTED] Shares in total from the vendors, comprising Dr. Wong, Mr. Tong Sai Wong, Mr. Chan Wing Yiu, Mr. Chan Wing Lun and Mr. Lin Wing Ching at HK\$216 million, pursuant to a sale and purchase agreement dated 6 October 2017 (Phoenix Time is, in turn, owned by Mr. Zhong to 100%); and (ii) Dr. Wong, who held [REDACTED] of the issued share capital of the Company.

DIVIDENDS AND DIVIDEND POLICY

For the years ended 31 March 2017, 2018 and 2019, we paid dividends of HK\$6.0 million, HK\$10.0 million, HK\$8.0 million. For the year ended 31 March 2019, we declared a final dividend of HK1.2 cents per Share (i.e. HK\$12.0 million in total) which is expected to be paid on 12 September 2019. We did not declare dividends for the 3 months ended 30 June 2019.

According to the Company’s dividend policy, declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, (i) financial results; (ii) Shareholders’ interests; (iii) general business conditions and strategies; (iv) capital requirements; (v) taxation considerations; (vi) contractual, statutory and regulatory restriction, if any; and (vii) any other factors that the Board may deem relevant. Declaration and payment of dividends by the Company is subject to compliance with the Companies Law and the Articles. The dividend policy will continue to be reviewed and updated from time to time by the Board.

RISK FACTORS

The Group’s operations are subject to certain risks which are beyond the Group’s control, some of which are set out below. Please refer to “Risk factors” in this [REDACTED] document for more information.

- Our revenue is mainly derived from projects which are not recurring in nature and any decrease in the number of projects would affect our operations and financial results.
- We depend on large projects for our business success and failure to secure large projects may materially and adversely affect our business, results of operations and financial condition.
- We determine our fee based on estimated time and costs, yet the actual time and costs incurred may deviate from our estimates due to unexpected circumstances, thereby adversely affecting our operations and financial results.

SUMMARY

HISTORICAL NON-COMPLIANCE INCIDENTS

Since its listing on GEM on 27 May 2015 and up to the Latest Practicable Date, the Group (i) had complied with applicable laws and regulations in all material aspects for its business; and (ii) had not been subject to any disciplinary action or investigation by regulators in respect of serious or potentially serious breach of any GEM Listing Rules. No litigation or claims of material importance were ongoing, pending or threatened against any member of the Group. The Directors confirm that, during the three years ended 31 March 2019 and the three months ended 30 June 2019 and up to the Latest Practicable Date, the Group had not had any material non-compliances.

REASONS FOR THE PROPOSED [REDACTED]

With the continuing development of the Group after the listing of the Company on GEM on 27 May 2015, the Directors consider that a [REDACTED] status on Main Board will further enhance the Group’s profile and the attractiveness of the Shares to both institutional and retail investors. Moreover, as the [REDACTED] requirements are generally higher than those of GEM, the Main Board is perceived to enjoy a more advanced status than GEM by investors. Hence, a [REDACTED] of the Company on the Main Board would, without limitation:

- increase the Group’s bargaining power in negotiations with potential customers and suppliers, who will have more confidence in the Group’s financial strength and credibility;
- improve the Group’s ability to recruit and retain key management staff and experienced personnel; and
- enhance the trading liquidity of the Shares as well as the fund raising capability of the Group.

In sum, the Directors are of the view that the [REDACTED] will result in continued growth, financing flexibility and business development for the Group, and is therefore in its overall interest and will create a long-term value to Shareholders as a whole.

As at the Latest Practicable Date, the Board has no immediate plans to change the nature of the business of the Group following the [REDACTED], which will not involve the issue of any new Shares by the Company.

DEFINITIONS

In this [REDACTED] document, unless the context otherwise requires, the following terms shall have the meanings set forth below.

“Annual General Meeting”	the annual general meeting of our Company held on 8 August 2019
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company, conditionally adopted on 11 May 2015 and effective on 27 May 2015, a summary of which is set forth in “Summary of the constitution of our Company and Cayman Islands Company Law” in Appendix IV to this [REDACTED] document, as may be amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Billion Peace”	Billion Peace Limited (億寧有限公司), a company incorporated in Hong Kong with limited liability on 4 March 2011 and an indirect wholly-owned subsidiary of our Company
“Board”	our board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“Buy-back Mandate”	the general unconditional mandate to buy-back Shares given to our Directors by our Shareholders, particulars of which are set forth in the “General information – A. Further information about our Company and our subsidiaries – 3. Annual General Meeting held on 8 August 2019” in Appendix V to this [REDACTED] document
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCIC”	Central China International Capital Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and one of the Joint Sponsors
“Chairman”	the chairman of the Board as at the date of this [REDACTED] document, Mr. Zhong
“China” or “PRC”	the People’s Republic of China which, except where the context otherwise requires and for the purpose of this [REDACTED] document only, does not include Hong Kong, Macau and Taiwan

DEFINITIONS

“Chinese Government” or “PRC Government”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the Companies Registry of Hong Kong
“Company”	i-Control Holdings Limited (超智能控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 21 August 2014
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company as at the date of this [REDACTED] document, means Phoenix Time and Mr. Zhong
“Deed of Non-Competition”	the deed of non-competition dated [•] given by our Controlling Shareholders in favour of our Company (for ourselves and for the benefit of our subsidiaries) regarding non-competition undertaking, details of which are set out in the “Relationship with Controlling Shareholders – Non-competition undertaking” in this [REDACTED] document
“Deluxe Peace”	Deluxe Peace Limited (宏祥有限公司), a company incorporated in Hong Kong with limited liability on 15 May 2015 and an indirect wholly-owned subsidiary of our Company
“Director(s)”	the director(s) of our Company
“Dr. Wong”	Dr. Wong King Keung (黃景強博士), being our non-executive Director and a Substantial Shareholder
“Eduserve International”	Eduserve International Limited (教育系統國際有限公司), a company incorporated in Hong Kong with limited liability on 8 April 1987 and an indirect non wholly-owned subsidiary of our Company
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Government”	the Government of Hong Kong
“HIBOR”	Hong Kong Interbank Offered Rate

DEFINITIONS

“HK Legal Advisers”	Vincent T.K. Cheung, Yap & Co., our legal advisers as to Hong Kong laws
“HK\$”, “Hong Kong dollars”, “HK dollars” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	[REDACTED]
“i-Control BVI”	i-Control (BVI) Limited, a company incorporated in BVI with limited liability on 5 January 2018 and a direct wholly-owned subsidiary of our Company
“i-Control (China)”	i-Control (China) Limited (超智能科技(中國)有限公司), a company incorporated in Hong Kong with limited liability on 30 November 2009 and an indirect wholly-owned subsidiary of our Company
“i-Control (Hong Kong)”	i-Control Limited (超智能科技有限公司), a company incorporated in Hong Kong with limited liability on 25 October 1999 and an indirect wholly-owned subsidiary of our Company
“i-Control (ITAV)”	i-Control (ITAV) Limited (formerly known as Skynew Limited), a company incorporated in BVI with limited liability on 17 June 2014 and a direct wholly-owned subsidiary of our Company
“i-Control (Shanghai)”	i-Control (Shanghai) Information Technology Co. Ltd. (愛港超(上海)信息科技有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability on 30 March 2010 and an indirect wholly-owned subsidiary of our Company
“i-Control (Singapore)”	I-CONTROL (ITAV) PTE. LTD., a company incorporated in Singapore with limited liability on 4 September 2014 and an indirect wholly-owned subsidiary of our Company
“i-Control Consultancy”	i-Control Consultancy Limited (formerly known as Cyber Lion Investments Limited), a company incorporated in BVI with limited liability on 17 June 2014 and an indirect wholly-owned subsidiary of our Company
“Independent Third Party(ies)”	individual(s) or company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or Substantial Shareholders of our Company, our subsidiaries or any of their respective associates

DEFINITIONS

“Ipsos”	Ipsos Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the commissioned report dated [•] on the market and competitive landscape of the VCMA solution industry in Hong Kong and brief overview of the PRC, the Greater Bay Area and Macau markets compiled by Ipsos
“Joint Sponsors”	collectively, CCIC and Red Solar
“Latest Practicable Date”	20 August 2019, being the latest practicable date prior to the printing of this [REDACTED] document for ascertaining certain information in this [REDACTED] document
“Listing”	listing of our Shares on GEM on 27 May 2015
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Main Board”	Main Board of the Stock Exchange
“[REDACTED]”	[REDACTED] of the Shares from GEM to the Main Board
“Memorandum of Association”	the amended and restated memorandum of association of our Company, conditionally adopted on 11 May 2015 and effective on 27 May 2015, as may be amended, supplemented or otherwise modified from time to time
“Modern China”	Modern China Business Consultants Limited (新中國商業顧問有限公司), a company incorporated in Hong Kong with limited liability on 10 December 1991 and an indirect wholly-owned subsidiary of our Company
“Mr. Lin”	Mr. Lin Wing Ching (連永錚先生), a former non-executive Director
“Mr. Tong”	Mr. Tong Sai Wong (唐世煌先生), an executive Director
“Mr. WL Chan”	Mr. Chan Wing Lun (陳永倫先生), an executive Director
“Mr. WY Chan”	Mr. Chan Wing Yiu (陳詠耀先生), an executive Director
“Mr. Yau”	Mr. Yau Wing Keung (游永強先生), an executive Director
“Mr. Zhong”	Mr. Zhong Naixiong (鍾乃雄先生), our Chairman, executive Director and a Controlling Shareholder

DEFINITIONS

“MWMW”	MWMW Limited, a company incorporated in BVI with limited liability on 17 June 2014 and is owned as to 38.6%, 19.8%, 19.8%, 19.8% and 2.0% by Dr. Wong, Mr. Tong, Mr. WY Chan, Mr. WL Chan and Mr. Lin respectively
“Newmark”	Newmark Company Limited (新標誌有限公司), a company incorporated in Hong Kong with limited liability on 2 September 1986 and is controlled by Dr. Wong, Mr. Lin, Mr. Tong and Mr. WY Chan
“Newmark Group”	Newmark Group Limited, a company incorporated in BVI with limited liability on 25 July 2014 and is owned as to 38.6% by Dr. Wong, 19.8% by Mr. Tong, 19.8% by Mr. WY Chan, 19.8% by Mr. WL Chan and 2.0% by Mr. Lin
“Phoenix Time”	Phoenix Time Holdings Limited, a company incorporated in BVI with limited liability on 30 August 2016 and wholly-owned by Mr. Zhong
“PRC Company Law”	the Company Law of the People’s Republic of China (《中華人民共和國公司法》), as enacted by the National People’s Congress on 29 December 1993 and effective on 1 July 1994, as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisers”	King & Wood Mallesons, our legal advisers as to PRC laws
“Pristine Capital”	Pristine Capital Investments Limited, a company incorporated in the British Virgin Islands with limited liability on 28 December 2017 and an indirect wholly owned subsidiary of our Company
“Red Solar”	Red Solar Capital Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, and one of the Joint Sponsors
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC”	the State Administration for Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局)
“SAT”	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of HK\$0.01 each
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 11 May 2015 and which became effective on 27 May 2015, the principal terms of which are summarised in the “General Information – D. Share Option Scheme” in Appendix V to this [REDACTED] document
“Shareholder(s)”	holder(s) of our Shares
“Singapore”	the Republic of Singapore
“Singapore dollars”, “S\$” or “SGD”	Singapore dollars, the lawful currency of Singapore
“Singapore Legal Advisers”	Equity Law LLC, our legal advisers as to Singapore laws
“State Council”	the State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Phoenix Time, Mr. Zhong and Dr. Wong
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the three financial years ended 31 March 2019 and the three months ended 30 June 2019
“U.S. dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“United States” or “U.S.”	the United States of America
“View Mark”	View Mark Limited (萬景昇有限公司), a company incorporated in Hong Kong with limited liability on 6 September 2010 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“we”, “us” and “Group” unless the context otherwise requires, our Company and all of our subsidiaries, or where the context refers to any time prior to the incorporation of our Company, the business in which the predecessors of our present subsidiaries were engaged and which were subsequently assumed by such subsidiaries

Certain amounts and percentage figures included in this [REDACTED] document have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table is due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless expressly stated or the context otherwise requires, all data in this [REDACTED] document is as at the date of this [REDACTED] document.

If there is any inconsistency between the official Chinese name of the PRC laws or regulations or the PRC Government authorities or the PRC entities mentioned in this [REDACTED] document and their English translation, the Chinese version shall prevail. English translations of official Chinese names are for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains an explanation of certain technical terms used in this [REDACTED] document in connection with our Group and its business. Such terminology and meanings may not correspond to standard industry meanings or usages of those terms.

“CAGR”	compound annual growth rate
“cloud-based solutions”	VCMA solutions incorporating cloud-based technology
“Consultation Services”	a consultation of a varying degree that we would typically provide to our clients, including but not limited to: (i) making equipment recommendations; (ii) providing descriptions of the features and functions of certain equipment; (iii) providing equipment demonstration services (including at the clients’ designated sites); (iv) advising them on whether the relevant equipment would be compatible with their existing or surrounding VCMA equipment or system, where applicable; and (v) providing technical support service in both pre-sale or post-sale stage when our clients face any difficulties in using the products
“ELV”	Electronic low voltage is an electricity supply voltage in a range which carries a low risk of dangerous electrical shock
“GDP”	gross domestic product
“Greater Bay Area”	The Guangdong-HongKong-Macau Greater Bay Area
“ICT”	Information and communications technology refers to the integration of telecommunications (telephone lines and wireless signals) and computers, as well as necessary storage and audiovisual systems, that enable users to access, store, transmit, and manipulate information
“large projects”	projects with contract sum of HK\$1,000,000 or above
“LCD”	liquid crystal display, which is a flat-panel display or other electronic visual display that uses the light-modulating properties of liquid crystals
“LED”	light-emitting diode, a two-lead semiconductor light source to provide illumination of display service
“medium projects”	projects with contract sum between HK\$100,000 and HK\$999,999
“OLED”	organic light-emitting diode, which is a light-emitting diode containing thin flexible sheets of an organic electroluminescent material, used for visual display
“small projects”	projects with contract sum below HK\$100,000
“sq. ft.”	square foot(feet)

GLOSSARY OF TECHNICAL TERMS

“sq. m.”

square metre(s)

“VCMA”

video conferencing and multimedia audiovisual

“%”

per cent

FORWARD-LOOKING STATEMENTS

This [REDACTED] document contains forward-looking statements, including, without limitation, words and expressions such as “expect”, “believe”, “plan”, “intend”, “estimate”, “project”, “potential”, “anticipate”, “seek”, “may”, “will”, “would”, “should” and “could” or similar words or statements, in particular, in the sections headed “Summary”, “Business” and “Financial information” in this [REDACTED] document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this [REDACTED] document, and the following:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our capital commitment plans;
- our operations, business and financial prospects, including development plans for our existing and new business and future cashflows;
- the future competitive environment and development for the VCMA solution industry in Hong Kong, the PRC, Macau and Singapore;
- the regulatory environment as well as the general industry outlook for the VCMA solution industry in Hong Kong, the PRC, Macau and Singapore;
- the general economic trend of Hong Kong, the PRC, Macau and Singapore;
- exchange rate fluctuations and restrictions; and
- factors beyond our control such as political disturbance, catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters.

We caution you that, subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this [REDACTED] document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this [REDACTED] document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this [REDACTED] document are qualified by reference to the cautionary statements set forth in this section and should not be taken as representations by us that our plans and objectives will be achieved.

In this [REDACTED] document, statements of or references to the intentions of our Company or any of our Directors are made as at the date of this [REDACTED] document. Any such intentions may potentially change in light of future developments.

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this [REDACTED] document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This [REDACTED] document contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group’s actual results could differ materially from those discussed in this [REDACTED] document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this [REDACTED] document. The trading price of the Shares could decline due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to Hong Kong; (iv) risks relating to the PRC; (v) risks relating to investment in our Shares and (vi) risks relating to statements in this [REDACTED] document.

RISKS RELATING TO OUR BUSINESS

Our revenue is mainly derived from non-recurring projects and any material decrease in the number of projects or orders may affect our operations and financial results

Our revenue is primarily derived from the provision of (i) VCMA solution services; and (ii) VCMA maintenance services. Notwithstanding variation orders or supplemental orders placed by our clients in the same project, our engagements with clients are on a project basis and generally non-recurring in nature. Except for the maintenance service agreements with our clients which generally last for one year, we do not enter into any long-term agreements with our clients. Our clients are not obliged to engage us again in any subsequent projects after completion of the current projects.

As such, our revenue derived in this manner is not recurring in nature. We cannot guarantee that our existing clients will engage us for new projects, and consequently there can be no assurance that we would be able to maintain our business relationships with them. In the event that we are unable to secure new engagements from existing clients or attract new clients, there may be a material decrease in the number of projects or orders, which may adversely affect our operations and financial results.

We depend on large projects for our business success, and failure to secure large projects may materially and adversely affect our business, results of operations and financial condition

The revenue derived from our large projects accounted for approximately 39.0%, 43.6%, 43.7% and 30.6% of our total revenue for the VCMA solution services for the three years ended 31 March 2017, 2018 and 2019 and the three month ended 30 June 2019, respectively. We expect that we will continue to derive a significant portion of our revenue from the large projects.

RISK FACTORS

We generally provide our VCMA solution services or VCMA maintenance services to our clients on a project-by-project basis. We cannot assure you that our existing major clients will continue to engage us for the large projects at historical levels. Should our major clients decide not to do so, we cannot assure you that we are able to secure a comparable number of large projects from other clients to offset the loss of revenue from losing one or more of the large projects. Further, we cannot assure you that we will be able to secure new clients to engage us for large projects. Therefore, if we fail to secure large projects for whatever reason, our business, results of operations and financial condition would be materially and adversely affected.

We determine our fee based on estimated time and costs, yet the actual time and costs incurred may deviate from our estimates due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine our total fee based on a certain mark-up on top of our cost estimates. For details of the factors we consider when we make our cost estimates, please refer to the “Business – Business model and our operation – (i) VCMA solution services” in this [REDACTED] document. The actual time and costs incurred by us, however, may be affected by various factors, including, but not limited to: (i) variations to the layout plans or design requested by our clients; (ii) delays by our suppliers in delivering VCMA equipment; (iii) delays or defects in the installation work provided by our contractors; (iv) departure of our key personnel; (v) disputes with our clients or suppliers; (vi) disputes among other parties involved in the projects; (vii) changes in market conditions; and (viii) other unforeseen problems and circumstances. Significant changes in any of these factors may lead to delays in completion or cost overruns by us, and there can be no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may reduce our expected profitability or expose us to potential litigation or claims from clients if we cause delay to their projects.

If a significant mark-up is added to our estimated costs, then our fee may be less competitive. There can be no assurance that we will always be able to price our tenders or quotations competitively and, if we fail to do so, our clients may not engage our services, resulting in a decrease in the number of projects or orders. In such event, our operations and financial results would be adversely affected.

On the contrary, if the fee set by us is too low, then if the actual time spent and costs significantly exceed our estimation during the actual implementation of the relevant project or order, our profitability may be materially and adversely affected.

We may be exposed to payment delays and/or defaults by our clients which would adversely affect our cash flow or financial results

We may require our clients to settle 50% of the total fee upon their acceptance of our quotation or tender as prepayment, with the remaining portion of the fee to be payable upon completion of our services. We generally allow an average credit period of 30 days to our clients. As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, invoices aged over 60 days amounted to approximately HK\$10.4 million, HK\$11.3 million, HK\$20.8 million and HK\$19.1 million, respectively, while our trade receivables turnover days were approximately 69.1 days, 76.7 days, 105.8 days and 102.7 days, respectively during the Track Record Period.

RISK FACTORS

There can be no assurance that our clients will settle our invoices on time or in full. Any of such inability on the part of our clients to settle amounts due to us may adversely affect our operating cash flow, financial position and operating results.

Our clients’ preferences are highly subjective in nature and can substantially deviate from one another. Failure to accommodate our clients’ individual preferences may result in client dissatisfaction, thereby potentially damaging our business reputation and hindering our opportunity to secure future projects or orders

The VCMA solution that we provide is highly dependent on our clients’ preferences which are highly subjective in nature. Designs that some clients find appealing may not appeal to others. Preferences and expectations vary from client to client. If we fail to meet our clients’ individual preferences, it may result in client dissatisfaction, thereby potentially damaging our business reputation and hindering our opportunity to secure future projects or orders.

Our quality of service heavily relies on our VCMA equipment suppliers, and consequently any shortage or delay of supply or deterioration of product quality could materially and adversely affect the quality of our service, thereby damaging our business reputation and adversely affecting our financial results

We do not manufacture any VCMA equipment used in our business. Therefore, we rely heavily on our VCMA equipment suppliers. For the three years ended 31 March 2019 and the three months ended 30 June 2019, the cost of VCMA equipment constituted our largest cost of inventories sold, which together accounted for approximately 85.2%, 88.2%, 85.7% and 80.5% of our total purchases of equipment plus outsourced installation cost, respectively.

If there is any shortage of relevant VCMA equipment sourced from our suppliers, our projects or orders, products or material delay in delivery of such equipment by our suppliers, we may fail to complete our projects or orders on time or at all. As a result, we may be required to compensate our clients’ losses. Further, even if we could identify suitable alternative sources, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected.

If there is any deterioration in product quality, and we are unable to identify suitable alternative sources, the standard and quality of the VCMA solution we provide could be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

We rely on being appointed as the authorised seller for a number of our VCMA equipment suppliers, and expiry of and/or failure to renew any of them would have a material adverse effect on our operations and financial results

As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers. For the three years ended 31 March 2019 and the three months ended 30 June 2019, the amounts purchased from these suppliers accounted for approximately 31.0%, 30.0%, 42.2% and 57.4% of our total purchases of equipment plus outsourced installation costs. For the background of these VCMA equipment suppliers and terms of the authorised seller arrangements, please refer to the “Business – Our suppliers – Authorised seller” in this [REDACTED] document.

RISK FACTORS

There can be no assurance that the authorised seller arrangements would be renewed or extended upon expiry. If they are not renewed or extended, and we are unable to identify suitable replacements, the quality of our VCMA solution services will be adversely affected, thereby damaging our profitability and business reputation, and our financial results could be materially and adversely affected.

Most of our revenue during the Track Record Period was generated from clients in Hong Kong. Our business, financial condition and operating results would be materially and adversely affected if our number of clients in Hong Kong were to decline significantly and/or if we fail to execute our PRC expansion plans

During the Track Record Period, most of our revenue was generated from our clients’ projects in Hong Kong. We expect to continue to derive our revenue principally from such sources in the future even after the successful implementation of our business strategies and PRC expansion plans. Our PRC expansion plans are subject to a high degree of risk and uncertainty. If we fail to successfully implement our business strategies and PRC expansion plans, our business, financial condition and operating results will continue to be dependent predominantly on our clients’ projects in Hong Kong, and therefore an investment in our Group may be more risky than investment in companies that have an otherwise more geographically diversified client base. If the number of our clients in Hong Kong were to decline significantly, or if we failed to execute our PRC expansion plans, our business, financial condition and operating results would be materially and adversely affected accordingly.

We rely on our contractors, who are Independent Third Parties, to handle some of our installation work and we exercise minimal control over their work performance. Any delay or defects in their work would adversely affect our operations and financial results

We outsourced some of our installation work to our contractors who are Independent Third Parties. For the three years ended 31 March 2019 and the three months ended 30 June 2019, the cost for outsourcing accounted for approximately 12.2%, 11.9%, 12.8% and 8.9% of our cost of inventories sold including installation cost, respectively. For details of our reasons in respect of such outsourcing and our selection and control system over our contractors, please refer to the “Business – Our suppliers – outsourcing” in this [REDACTED] document.

If our contractors’ performance fails to meet our requirement, this may cause delay to our service to clients, and we may have to incur higher costs in finding alternative services. This could adversely affect the profitability of our business. Further, there is no assurance that we would be able to closely monitor the performance of our contractors. If the performance of our contractors does not meet our standards, the quality of our VCMA solution may be adversely affected, thereby damaging our business reputation, hindering our opportunity to secure future projects, and potentially exposing us to litigation and damages claims from our clients.

In addition, our contractors may not always be readily available to meet our needs. While we have enjoyed excellent working relationship with our contractors to date, there is no assurance that we would be able to maintain such relationship in the future. Since we have not entered into any long-term service agreement with our contractors, they are not obliged to work for us on our future projects on current terms and conditions. There can be no assurance that we would be able to find alternative contractors with the requisite knowledge, expertise, experience and capability that meet our project needs and work requirements to complete the projects in accordance with the terms of the contractors on time and with competitive prices. If we are unable to engage suitable alternative contractors, our ability to complete projects on time and at relatively low cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results.

RISK FACTORS

We may be unable to attract and retain employees with the requisite skills, expertise and experience. Failing to do so would adversely affect our operations, growth and financial results

We rely on the skills, expertise and experience of our employees to provide quality VCMA solution services to our clients. It is possible our employees may terminate their employment with us with certain month(s) notice or payment in lieu of such notice, and we may not be able to retain them. Experienced and talented personnel in the VCMA solution industry are in high demand, and competition for their service is intense. We cannot assure you that we will be able to maintain an adequate skilled labour force to execute our business activities, nor can we guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or maintain an adequate skilled labour force, our business and operation could be adversely affected and our future growth and expansions may be inhibited.

We heavily rely on staff in our sales and marketing department to promote our services and maintain our client relationships. Failure to retain staff in our sales and marketing department would adversely affect our operations and financial results, and may result in staff in our sales and marketing department being enticed away by our competitors or deciding to set up their own business to compete with us

As at 30 June 2019, we had 21 staff in our sales and marketing department who were primarily responsible for promoting our VCMA solution services, approaching new clients, responding to enquiries from our potential clients and negotiating quotations with our clients. Hence, we heavily rely on staff in our sales and marketing department to promote our services and maintain our client relationships.

We do not include provisions in our employment contracts with staff in our sales and marketing department restricting them from soliciting our clients, or competing with us for business after leaving our Group. Further, as confirmed by our Directors, it is not the industrial practice to impose these restrictions in employment contracts with sales staff in the VCMA solution industry. As such, if we fail to retain staff in our sales and marketing department or any member of staff in our sales and marketing department joins a competitor or begins a competing business, we may lose clients, other key professionals or staff members, which may in turn result in our business profitability and professional expertise in our operations being materially and adversely affected.

We rely on our information management systems, and any breakdown of our information management systems may adversely affect our operations and financial results

We rely on our information management systems to monitor our project progress, manage our working schedule, monitor our inventory requirements, allocate our resources and review our performance, which enables us to review our capacity, trace our clients’ orders and assess our service delivery schedule and project progress in a timely and systematic manner. Any breakdown, significant malfunctioning or failure of our information management systems, whether as a result of human error or natural disaster, may cause disruption or hindrance to our services to be provided to our clients, thereby materially and adversely affect our reputation, operations and financial results.

RISK FACTORS

Our VCMA solution usually incorporates the latest technological features. Failing to adapt to changes in technology may result in loss of clients, thereby adversely affecting our operations and financial results

Our Directors consider that the VCMA solution industry is characterised by rapidly changing technology and evolving industry standards, and it may require substantial time and costs for our Group to: (i) adjust our scope of service in response to such rapid changes; and (ii) identify suitable new suppliers. There can be no assurance that we will continue to keep up to date with the latest technology. If we fail to do so, we may lose our clients, thereby adversely affecting our operations and financial results.

We are subject to certain restrictions and certain risks associated with debt financing which may limit or otherwise adversely affect our operations

We are subject to certain restrictions contained in the terms of loans entered into between us and certain banks or other financial institutions, for example cross default clauses, pursuant to which failure to make payment under one loan may trigger an event of default in other loans, entitling lenders to (i) accelerate payment of all or any part of the indebtedness owing under our loan agreements; and (ii) enforce all or any of the security for such indebtedness. If any of these events occurs, our financial condition, results of operations and cash flow may be materially and adversely affected.

We rely on members of our Board and senior management who are critical in our management and operations, and any discontinuance of their present positions would adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our Board and senior management, and changes in any of the above may adversely affect our business. If one or more of the members is/are unable or unwilling to continue in their present positions, we might not be able to find their replacements promptly, or at all. Accordingly, our business may be severely disrupted and our financial condition and operating results may be materially and adversely affected.

In addition, our success depends on our ability to attract and retain talented personnel. We may not be able to successfully attract and retain all the personnel we need. We may also need to offer suitable compensation packages to attract and retain key personnel and therefore cannot assure investors that we will have the resources to fully meet our staffing needs. Our failure to attract and retain competent personnel and any resulting increase in staffing costs to retain such personnel could have a negative effect on our ability to maintain our competitive position and to expand our business. Our business, operating results and financial condition may be materially and adversely affected.

Our insurance may not cover every potential loss and claim, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

As at the Latest Practicable Date, we have obtained fire, liability or other property insurance for our property, equipment, inventories or business interruption in relation to our operations. For more details on our insurance policies, please refer to the “Business – Insurance” in this [REDACTED] document. However, there can be no guarantee that insurance coverage will always be available to us at economically favourable premiums (or at all) or that, in the event of a claim, the level of insurance maintained by us now or in the future is or will be adequate to cover the entire claim/liability. We may be subject to liabilities which have not been insured adequately or at all. Examples of these include earthquakes, flooding or other natural disasters, war or civil disorder. If we are held liable for uninsured losses or amounts and claims for insured losses exceeding our insurance coverage, our operations and financial results may be materially and adversely affected.

RISK FACTORS

With respect to losses which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the full amount from the insurer.

We may be involved in disputes, legal and other proceedings arising from our operations from time to time and may face significant liabilities as a result

Many of the VCMA solutions that we provide to our clients are important to the operations of our clients’ business. It follows that any material defects or errors in the VCMA solutions that we provide could disrupt our clients’ business and/or adversely affect their reputation. This may result in potential claims against us by our clients. Significant costs may be incurred in settling such disputes or defending ourselves in such proceedings. If we are not successful in defending such proceedings, we may be liable for damages, the amount of which may be significant.

Our Company is a holding company and therefore, our Company’s ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries, and if there is any restriction against our subsidiaries to make distributions, we may not be able to pay any dividend

Our Company is a holding company and our operating results and financial position are entirely dependent on the performance of our subsidiaries. Our Company’s ability to pay dividends will depend on the level of distributions, if any, received from its subsidiaries. The ability of our subsidiaries to make distributions to us may, from time to time, be restricted as a result of various factors, including, but are not limited to, foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions of the countries in which our Group has operations.

There can be no assurance that we will pay dividends in the future

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group’s earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend policy, please refer to the “Financial information – Dividends and dividend policy” in this [REDACTED] document. We cannot assure investors as to when or whether we will pay dividends in the future.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Video conferencing software poses as a significant threat to the traditional room-based VCMA solution industry

Video conferencing software installed in electronic mobile devices, tablets, or computers is able to deliver video conferencing solutions to organisations. Such video conferencing software is affordable and easy to use and allows users to participate in conferences from whatever device they choose to use and from wherever they are. As potential customers, depending on their information network systems and requirements, may over time consider moving away from expensive and complex room-based systems and opt for lower-cost alternatives; this may pose a significant threat to the traditional room-based video conferencing industry.

There can be no assurance that we may adapt to the changing technology and evolving industry standards associated with the emergence of video conferencing software solutions. If we fail to do so, it may result in loss of potential customers for us, which in turn would adversely affect our business, operating results and prospects.

We face significant competition in the VCMA solution industry, and failure to compete efficiently would materially and adversely affect our operations and financial results

We operate in a highly competitive industry. Some of our competitors, which include a number of local companies, may have stronger brand names, greater access to capital, longer operating histories, longer and more established relationships with their clients, and greater marketing and other resources than we do. Due to the evolving markets in which we compete, additional competitors with significant market presence and financial resources may enter those markets, and thereby intensify the competition. These competitors may be able to reduce our market share by adopting more aggressive pricing policies than we are able to accept or by developing services that gain wider market acceptance than our service does. Existing and potential competitors may also develop relationships with our clients in a manner that could significantly harm our ability to secure contracts.

Our market position depends on our ability to anticipate and respond to various competitive factors, including effective cost control, technical expertise, responsiveness to our clients’ preferences and timely completion of relevant contracts to meet our clients’ schedules. There can be no assurance that the competition in the VCMA solution industry will not intensify in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial condition, results of operations and prospects may be materially and adversely affected.

As there is no statutory licencing, permit or approval system in the VCMA solution industry in Hong Kong, there is potentially scope for large numbers of emerging competitors who could be our suppliers, clients and/or employees. They could either expand their original business scope or set up their own business. Failure to compete with these new competitors would adversely affect our operations and financial results

Our Directors confirm that there is no statutory licence, permit or approval necessary for our Group to engage in the provision of VCMA solution services in Hong Kong under the Hong Kong laws. This could potentially result in large numbers of emerging competitors, who could be our suppliers, clients and/or employees. Our suppliers or clients could expand their original business scope or resources such that VCMA solutions could be provided wholly and directly by them to the end users themselves. On the other hand, our employees, in particular the staff in our sales and marketing department, could be enticed away by our competitors or set up their own business in competition with us. Failure to compete with these new competitors would adversely affect our operations and financial results. Furthermore, any imposition of further regulatory requirements on the VCMA solution industry in Hong Kong will also materially and adversely affect our business operations.

RISK FACTORS

Changes in interest rates may affect our profit and results of operations

Our borrowings are principally denominated in Hong Kong dollars. The interest rates on some of our outstanding Hong Kong dollar denominated borrowings are benchmarked to the HIBOR. Changes in interest rates have affected, and will continue to affect, our financing costs and, ultimately, our results of operations. As the HIBOR is revised on a daily basis, we cannot assure you that it will not fluctuate or that it will not increase. We cannot assure you that banks or other financial institutions from which we borrow will not raise lending rates for financing us in the future. Any increase in these rates will increase our financing cost and could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO HONG KONG

The state of economy in Hong Kong may adversely affect our performance and financial condition

Our revenue generated from Hong Kong accounted for approximately 84.5%, 91.8% and 96.9% and 98.8% of our total revenue for the three years ended 31 March 2019 and the three months ended 30 June 2019, respectively. If Hong Kong experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, social unrest, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

The state of political environment in Hong Kong may adversely affect our performance and financial condition

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, we are not in any position to guarantee the implementation of the “one country, two systems” principle and the level of autonomy as currently in place at the moment. Since a substantial part of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

RISKS RELATING TO THE PRC

The economic, political and social conditions of the PRC, as well as its governmental policies could adversely affect our business and results of operations

As at the Latest Practicable Date, we had one subsidiary in the PRC, and our revenue generated from our business in the PRC accounted for approximately 10.2%, 7.7%, 2.1% and 0.7% of our total revenue for the three years ended 31 March 2019 and the three months ended 30 June 2019, respectively.

RISK FACTORS

The economy of the PRC differs from the economies of most of the developed countries in many aspects, including but not limited to:

- the degree of government involvement;
- the development of key industries;
- growth rate and degree of development;
- content of and control over capital investment;
- control of foreign exchange; and
- allocation of resources.

We believe that we have benefited from the economic reforms implemented by the PRC Government and its economic policies and measures. However, the progress and effectiveness of the economic reforms to be implemented cannot be assured. The PRC Government exercises significant control over the economic growth of the PRC through allocating resources, imposing foreign-ownership restrictions, controlling payments of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. In addition, while the PRC economy has experienced significant growth in the last three decades, it has shown signs of potential slowdown or downturn recently. If there is a further slowdown in the economic growth of the PRC, or if the PRC Government introduces tightening measures to cool down the PRC economy, demand for our VCMA solution services may also decrease and our business, financial condition, results of operations and operations may be materially and adversely affected.

Our business operations may be affected by regulatory changes

The establishment and many aspects of the business operations of our PRC subsidiary are governed by various local, provincial and national regulatory regimes. The PRC legal framework, qualification requirements and enforcement trends in the VCMA solution industry may change, and we may not be able to respond to such changes in a timely manner. Such changes may also cause related compliance costs to increase, which may materially and adversely affect our business, financial condition and results of operations. For example, if any change to and/or imposition of the requirements for qualification in the VCMA solution industry occurs and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

The PRC legal system embodies uncertainties that could limit the legal protections available to our investors and our Group

Unlike the common law system, the PRC legal system is based on written statutes. Decided legal cases have little precedent value. The PRC Government has since 1979 commenced to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation since then has significantly enhanced the protection afforded to various forms of foreign investment in the PRC. Nevertheless, there is an underlying uncertainty in the legal protection under the PRC legal system, because the relevant PRC laws and regulations may change from time to time, and their interpretation and enforcement may vary. Such uncertainties, including the uncertainty to enforce our contracts, could materially and adversely affect our business operations. In addition, intellectual property rights and confidentiality protections in the PRC may not be as effective as in other countries.

RISK FACTORS

Accordingly, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protection available to us and other foreign investors, including our Shareholders and prospective investors.

Restrictions on currency exchange may limit our ability to utilise our revenue effectively and the ability of our PRC subsidiary to obtain financing

During the Track Record Period, part of our revenue and our operating expenses are denominated in Renminbi. Restrictions on currency exchange imposed by the PRC Government may limit our ability to utilise the revenue generated in Renminbi to fund our business activities outside the PRC, if any, or expenditures denominated in foreign currencies. Under the current PRC regulations, Renminbi may be converted into foreign currency for payments based on genuine and legal transactions relating to “current account transactions”, which include, among other things, dividend payments and payments for the import of goods and services, by complying with certain procedural requirements. Our PRC subsidiary may also deposit or settle foreign exchange in its foreign exchange account under current account, subject to an account limit set by SAFE or its local counterpart. If foreign exchange income under the current account exceeds the said limit, the income must be settled. Conversion of Renminbi into foreign currencies, and of foreign currencies into Renminbi, settling “capital account transactions”, which principally includes investments and loans, generally requires the approval of SAFE and other relevant government authorities. Restrictions on the convertibility of the Renminbi for capital account transactions could affect the ability of our PRC subsidiary to obtain foreign exchange through debt or equity financing, including by means of loans or capital contributions from us.

RISKS RELATING TO INVESTMENT IN OUR SHARES

Future sales by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares

We cannot assure you that our existing Shareholders, including, but not limited to, our Controlling Shareholders and Substantial Shareholders, will not dispose of our Shares that they own. We cannot predict the effect, if any, that any future sales of our Shares by any of our Substantial Shareholders or Controlling Shareholders, or the availability of our Shares for sale by any of our Substantial Shareholders or Controlling Shareholders may have on the market price of our Shares. Sales of substantial amounts of our Shares by any of our Substantial Shareholders or Controlling Shareholders or the market perception that such sales may occur, could materially and adversely affect the prevailing market price of our Shares.

The interest of our Controlling Shareholders and Substantial Shareholders may not always coincide with the interest of our Group and those of our other Shareholders

As at the Latest Practicable Date, our Controlling Shareholders and Substantial Shareholders in aggregate own [REDACTED] of our Shares. Our Controlling Shareholders and Substantial Shareholders will therefore have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders and Substantial Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders and Substantial Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders and Substantial Shareholders chooses to cause our Group’s business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders may be adversely affected as a result.

RISK FACTORS

RISKS RELATING TO STATEMENTS IN THIS [REDACTED] DOCUMENT

Investors should read the entire [REDACTED] document and should not rely on any information contained in press articles, websites or other media coverage regarding us and the [REDACTED]

We strongly caution our investors not to rely on any information contained in press articles, websites or other media regarding us and the [REDACTED]. Prior to the publication of this [REDACTED] document, there may be press, website and media coverage regarding the [REDACTED] and us. Such press, website and media coverage may include references to certain information that does not appear in this [REDACTED] document, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press, website or media and do not accept any responsibility for any such press, website or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this [REDACTED] document, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this [REDACTED] document obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in this [REDACTED] document have been derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Joint Sponsors or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

INFORMATION ABOUT THIS [REDACTED] DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS [REDACTED] DOCUMENT AND THE [REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality

Executive Directors

Zhong Naixiong (鍾乃雄)	Flat B, 1/F Kennedy Heights 10-18 Kennedy Road Hong Kong	Chinese

Yau Wing Keung (游永強)	Flat H, 2/F Hilltop Mansion 60 Cloud View Road Hong Kong	Chinese

Tong Sai Wong (唐世煌)	Flat 33, 12/F Tower 4 Hong Kong Parkview No. 88 Tai Tam Reservoir Road Hong Kong	Chinese

Chan Wing Yiu (陳詠耀)	Flat A, 28/F Tower 8 The Wings 9 Tong Yin Street Tseung Kwan O New Territories Hong Kong	Chinese

Chan Wing Lun (陳永倫)	Flat D, 51/F & 52/F Tower 7 Park Avenue Tai Kok Tsui Kowloon Hong Kong	Chinese

Non-executive Director

Wong King Keung (黃景強)	Flat B, 9/F, Tower 1 11 Ede Road Eden Gate Kowloon Tong Kowloon Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
<i>Independent Non-executive Directors</i>		
Fong Chi (方志)	Flat A, 5/F Tai Sang Building 1A Sands Street Kennedy Town Hong Kong	Chinese
Fung Chan Man Alex (馮燦文)	7B Sing Kong Building 233-243 Lockhart Road Wanchai Hong Kong	Chinese
Lum Pak Sum (林柏森)	Flat E, 6/F Greenbelt Court Phase V Discovery Bay Lantau New Territories Hong Kong	Chinese
Mong Cheuk Wai (蒙焯威)	Flat B, 29/F Block 2 Hillsborough Court 18 Old Peak Road Hong Kong	Chinese

Further information of the Directors is disclosed in “Directors and senior management” in this [REDACTED] document.

PARTIES INVOLVED

Joint Sponsors	Central China International Capital Limited Suite 3108 Two Exchange Square 8 Connaught Place Central, Hong Kong
	Red Solar Capital Limited 11th Floor Kwong Fat Hong Building No.1 Rumsey Street Sheung Wan, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to our Company

As to Hong Kong law:

Vincent T.K. Cheung, Yap & Co.

11th Floor

Central Building

1-3 Pedder Street

Central, Hong Kong

As to PRC law:

King & Wood Mallesons

25th Floor, Guangzhou CTF Finance Centre

6 Zhujiang East Road

Zhujiang New Town

Guangzhou

Guangdong

The PRC

As to Cayman Islands law:

Appleby

2206-19 Jardine House

1 Connaught Place

Central, Hong Kong

As to Singapore law:

Equity Law LLC

7 Temasek Boulevard

#43-03 Suntec Tower One

Singapore 038987

Legal advisers to the Joint Sponsors

As to Hong Kong law:

TW Partners

Units 1705-06, 17th Floor

Tai Tung Building

8 Fleming Road

Wanchai

Hong Kong

Reporting accountants

SHINEWING (HK) CPA Limited

Certified Public Accountants

43/F, Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

Property valuer

LCH (Asia-Pacific) Surveyors Limited

17th Floor

Champion Building

287-291 Des Voeux Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Industry consultant

Ipsos Limited

6/F, China Life Center Tower A

One Harbour Gate

No.18 Hung Luen Road

Kowloon

Hong Kong

CORPORATE INFORMATION

Registered office	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Units A&B, 12/F MG Tower 133 Hoi Bun Road Kwun Tong Kowloon Hong Kong
Company website	http://www.i-controlholdings.com <i>(information contained in this website does not form part of this [REDACTED] document)</i>
Company secretary	Ms. Ng Tsz Wai, CPA Flat B, 13/F Tower 10, Metro City Phase 2, Tseung Kwan O, Hong Kong
Authorised representatives (as required under the GEM Listing Rules, and upon the [REDACTED], the Listing Rules)	Mr. Yau Wing Keung Flat H, 2/F Hilltop Mansion 60 Cloud View Road Hong Kong Ms. Ng Tsz Wai Flat B, 13/F Tower 10, Metro City Phase 2, Tseung Kwan O, Hong Kong
Compliance officer	Mr. Chan Wing Yiu
Audit Committee	Mr. Lum Pak Sum (<i>Chairman</i>) Mr. Fong Chi Mr. Mong Cheuk Wai
Nomination Committee	Mr. Fung Chan Man Alex (<i>Chairman</i>) Mr. Mong Cheuk Wai Mr. Lum Pak Sum
Remuneration Committee	Mr. Fung Chan Man Alex (<i>Chairman</i>) Mr. Fong Chi Mr. Lum Pak Sum

CORPORATE INFORMATION

**Principal share registrar and transfer
office in the Cayman Islands** **[REDACTED]**

**Hong Kong branch share registrar
and transfer office** **[REDACTED]**

Principal bankers **The Hongkong and Shanghai Banking Corporation Limited**
1 Queen’s Road Central
Hong Kong

OCBC Wing Hang Bank Limited
161 Queen’s Road Central
Hong Kong

INDUSTRY OVERVIEW

This and other sections of this [REDACTED] document contain information relating to the industry in which our Group operates. Certain information and statistics contained in this section have been derived from various official and publicly available sources. In addition, certain information and statistics set forth in this section have been extracted from a market research report commissioned by our Company and prepared by Ipsos, an independent market research agency. Our Directors believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information and statistics. Our Company and the Joint Sponsors have no reason to believe that such information or statistics is false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, such information and statistics have not been independently verified by our Company, the Joint Sponsors, their respective directors and officers or any other parties involved in the [REDACTED] except Ipsos. No representation is given as to the accuracy or completeness of such information and statistics.

SOURCE AND RELIABILITY OF INFORMATION

Background of Ipsos

Our Group has commissioned Ipsos, an independent market research agency which is principally engaged in the provision of market research consultancy services, to conduct a detailed analysis of the VCMA solution industry in Hong Kong at a fee of HK\$320,000. Our Directors consider that such fee reflects market rates. To provide the above analysis, Ipsos combined the following data and intelligence gathering methodology: (i) primary research via in-depth telephone conversations and face to face interviews with key knowledge leaders; (ii) secondary desk research by gathering background information to support facts and identify trends on the industry; and (iii) performing client consultation to facilitate the research including in-house background information of the client (such as the business of our Group). The information and statistics as set forth in this section have been extracted from the Ipsos Report.

Ipsos is wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,600 personnel worldwide across 89 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

Analysis in the Ipsos Report are based on the following assumptions: (i) It is assumed that the global economy remains in steady growth across the period from 2019 to 2023; and (ii) The external environment is assumed to have no shocks, such as financial crises or natural disasters, that will influence the demand and supply of the VCMA solution industry in Hong Kong from 2019 to 2023.

Market sizing and forecast models are based on the following parameters: (i) GDP and GDP growth rate in Hong Kong from 2013 to 2018 and forecast from 2019 to 2023; (ii) number of registered companies in Hong Kong from 2013 to 2018; (iii) average monthly wage of electronics/telecommunication engineers in Hong Kong from 2013 to 2018; and (iv) historical average monthly rent of private offices in Hong Kong from 2013 to 2018.

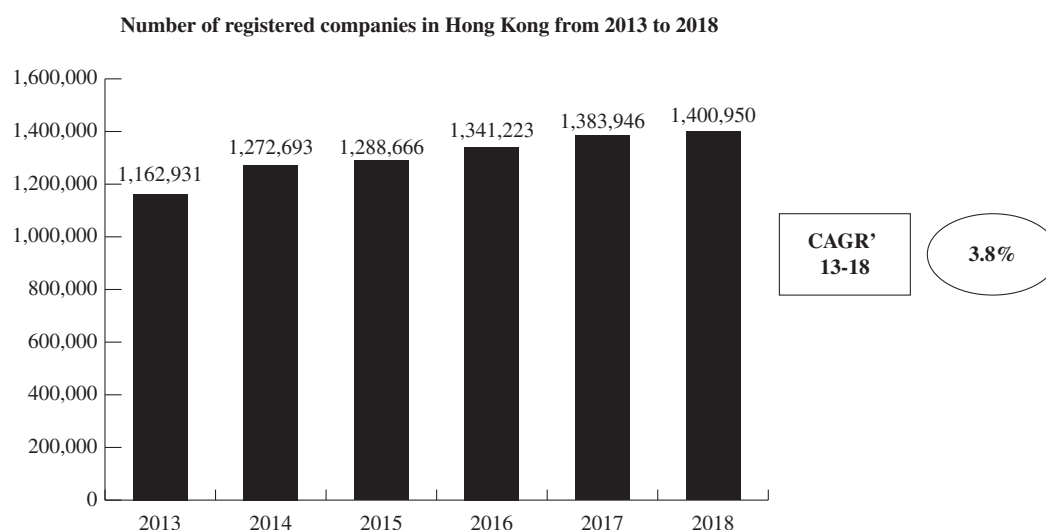
The Directors confirmed that, as at the Latest Practicable Date, to the best of their knowledge, information and belief after making reasonable enquiries, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

INDUSTRY OVERVIEW

OVERVIEW OF THE MACRO-ENVIRONMENT IN HONG KONG

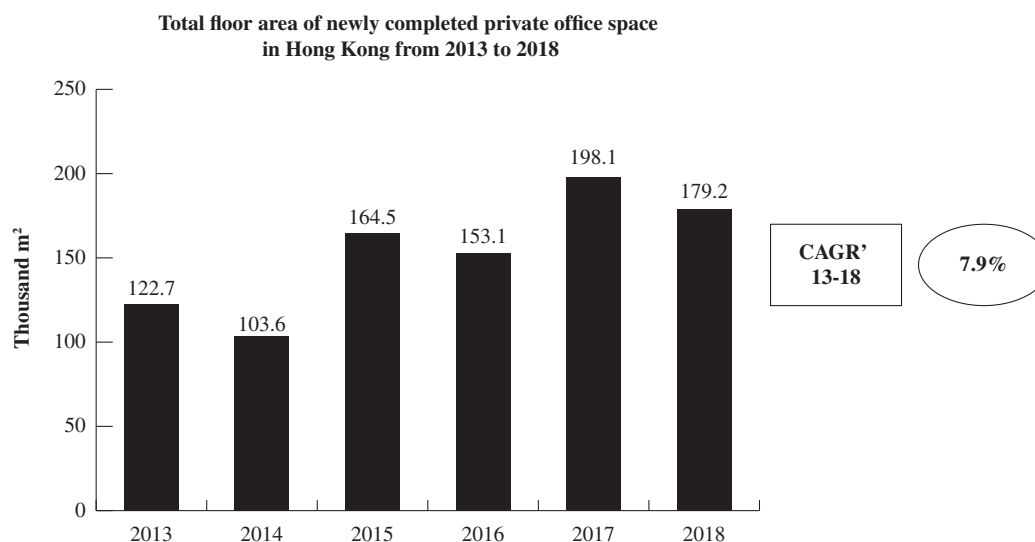
Number of registered companies in Hong Kong



Sources: Companies Registry, HKSAR; Ipsos research and analysis

The number of registered companies rose from 1,162,931 companies in 2013 to 1,400,950 companies in 2018, rising at a CAGR of approximately 3.8%. Hong Kong has made consistent strides in building a favourable business environment and become a key offshore capital-raising center for enterprises, which may set up their local offices or regional offices in Hong Kong. Take for instance, the number of companies in Hong Kong with parent companies located in the PRC increased from 901 in 2013 to 1,591 in 2018, rising at a CAGR of approximately 12.0%.

Total floor area of newly completed private office space in Hong Kong



Sources: Rating and Valuation Department, HKSAR; Ipsos research and analysis

INDUSTRY OVERVIEW

The total square meter of private office space completed in Hong Kong increased from approximately 122,700 m² in 2013 to 179,200 m² in 2018, representing a CAGR of approximately 7.9%. The overall increase can be attributed to the rising demand for office space, indicated by the growing number of registered companies. The rising demand has therefore encouraged developers to increase the supply of private office. With the increase in supply of private office space and enterprises’ emphasis on higher productivity and efficiency, demand for VCMA solution increased since that it can cater to enterprises’ needs for cost-saving and efficient operation options.

OVERVIEW OF THE VCMA SOLUTION INDUSTRY IN HONG KONG

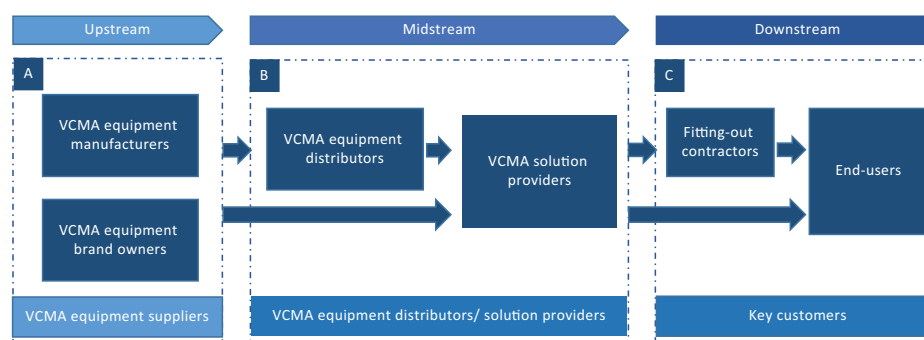
Video conferencing items refer to a set of telecommunication technology software and hardware which allow two or more parties in different geographical locations to communicate simultaneously via instant video and audio transmissions. Multimedia audiovisual items refer to the combination of products and services that are related to presenting contents in forms of text, animation, still images, audio and visual elements with or without interactivity.

Key products in the VCMA solution industry

Products	Description
Projector and display system	Projectors convert video images to light and project the images onto a display screen. A light-emitting diode (LED) display is a flat panel display featuring high energy efficiency that utilizes an array of light-emitting diode as back-lighting. Liquid-crystal display (LCD) and organic light-emitting diode (OLED) are also two types of display systems. LCD is a flat panel display that uses liquid crystal to modulate light. OLED is made with organic compounds that emits light in response to an electric current, and is also known to be flexible and rollable.
Central control and switcher system	A central control and switcher system simplifies the actions for users to manage a wide range of audiovisual equipment and provides customised programs to control all equipment and devices in a conference room or office or presentation hall.
Interactive system	Interactive systems are computer systems characterised by interaction between humans and computers.
Video conference system	Video conference systems consist of cameras and microphones. A video conferencing camera delivers immersive image quality through optical zoom capability for any size office in a wide range of light conditions. Microphones capture sounds from all directions, which has the advantage of picking up a person’s voice from any point. They also reduce echo and background noise to ensure good sound quality being delivered for listeners at the other end.
Professional sound system	The professional sound system delivers clear and immersive sound with complete coverage for rooms of all sizes. It reinforces the sound in large rooms by coordinating multiple microphones and speakers to ensure participants can clearly hear the same thing at the same time.

INDUSTRY OVERVIEW

Value chain of the VCMA solution industry



In the upstream, the suppliers of the industry are VCMA equipment manufacturers and brand owners. Manufacturers and brand owners generally develop and manufacture various models to cater for different needs in the market, and distribute their products through distributors or directly to VCMA solution providers, such as our Group.

VCMA solution providers source products from various suppliers and integrate systems to provide one-stop solution for their customers. In general, they provide design, consultation, installation and maintenance services of VCMA equipment and utilise their professional expertise to address their clients’ application-specific needs.

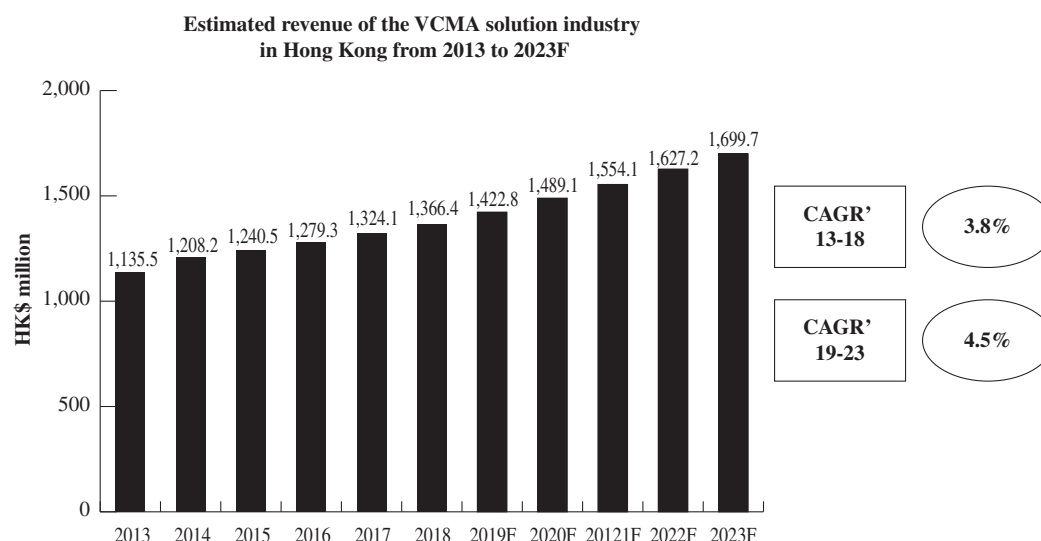
Key customers in the VCMA solution industry include fitting-out contractors and end-users. Fitting-out contractors are responsible for executing fitting-out works completion works of a building project and provide a wide range of services, including fitting-out works, electrical and mechanical installation and sometimes interior design. End-users of the VCMA solution industry include Government departments, enterprises, banks, educational institutions and hospitals, etc. In selecting VCMA solution providers, end-users in the private sector would initiate contact with one or more VCMA solution providers to discuss their current needs and budgetary concerns. End-users in the public sector, on the other hand, may select VCMA solution providers through open tender.

Recent development of the VCMA solution industry

The implementation of VCMA solutions is increasing for broader applications in more fields, with the increase in demand for the quality of information presentation. VCMA products have kept evolving over the past decade. New products with additional functions were introduced into the market and adopted in various fields. From 2014 to 2019, networked VCMA solutions started to gain a strong foothold, which allow devices to connect with external environment through the network. Real time content can be delivered and managed remotely with high efficiency on a central control system. For instance, lighting and air-conditioning, household and office appliances can be controlled on the same device which utilises a programmed system. In food & beverage sector, fast food restaurants started to roll out self-ordering kiosks to improve efficiency in food ordering, where interactive touchscreen systems were deployed. In the retail sector, large video walls are implemented to communicate with large audiences in a more effective way. LED display walls featuring high brightness and high resolution are adopted to implement marketing and advertising initiatives that enhance interactive elements of the marketing campaign.

INDUSTRY OVERVIEW

Estimated revenue of the VCMA solution industry in Hong Kong



Source: Ipsos research and analysis

Estimated revenue of the VCMA solution industry increased from HK\$1,135.5 million in 2013 to HK\$1,366.4 million in 2018, representing a CAGR of approximately 3.8%. The growth of the estimated revenue of the industry can be attributed to the continual demand from the corporate sector and the increasing number of registered companies in Hong Kong, which was generated for facilitating communication across offices and information presentation.

It is expected that the estimated revenue of the VCMA solution industry in Hong Kong will increase from HK\$1,422.8 million in 2019 to HK\$1,699.7 million in 2023, rising at a CAGR of approximately 4.5%. Technology advancement and Government's initiatives to promote smart city are anticipated to act as dual stimuli to the expected growth of the industry. Under the development of networked VCMA solution, companies are willing to adopt VCMA systems to simplify operational processes, maximise resource usage and improve energy efficiency. Moreover, the Government has taken forward the Hong Kong Smart City Blueprint, under which VCMA systems such as real-time information display panels are encouraged to be deployed.

COMPETITIVE LANDSCAPE OF THE VCMA SOLUTION INDUSTRY IN HONG KONG

In 2019, there are approximately 40 to 50 VCMA solution providers in Hong Kong. Competition among VCMA solution providers in Hong Kong is intensifying. In general, VCMA solution providers mainly compete on design capability, technical knowledge, supplier and customer relationship management as well as company reputation.

INDUSTRY OVERVIEW

Top five players in the VCMA solution industry in Hong Kong in 2018

The VCMA solution industry is mature and consolidated, with top five players accounting for approximately 47.7% of the total market share. In 2018, our Group generated a revenue of approximately HK\$165.8 million from VCMA solution services in Hong Kong, accounting for approximately 12.1% of the total estimated revenue of the VCMA solution industry in 2018. The table below sets forth the estimated revenue and market share of the top five VCMA solution providers in 2018:

Rank	Company	Headquarter	Key types of products and services	Estimated revenue ¹ in 2018 (HK\$ Million)	Market share (%)
1	Company A	Hong Kong	• Video conference system • Display system • Automation • Audiovisual system maintenance services	200.8	14.7%
2	Our Group	Hong Kong	• Video conference system • Central control and switcher system • Digital signage • Smart home automation system • Audiovisual system maintenance services	165.8	12.1%
3	Company B	Hong Kong	• Video conference system • Digital signage • Audiovisual system maintenance services	150.6	11.0%
4	Company C	Hong Kong	• Video conference system • Interactive system • Projector and display system	79.8	5.8%
5	Company D	Hong Kong	• Room automation and central control system • Video conference system • Audiovisual system maintenance services	55.0	4.0%
	Top five			652.0	47.7%
	Others			714.4	52.3%
	Total			1,366.4	100.0%

Note: ¹ refers to revenue generated from VCMA solution services in calendar year 2018;

Source: Ipsos research and analysis

INDUSTRY OVERVIEW

Factors of competition

Design capability and technical knowledge

The value of VCMA solution providers lies in their strengths to design and provide technical support to their customers. VCMA solution providers who can introduce innovative design concept and are experienced in optimizing the performance of the designed solutions can better differentiate themselves from other players. They are also recognised for their technical expertise in the installation and provision of after-sales support to customers.

Supplier and customer relationship management

Well-established networks with suppliers and customers in the supply chain are crucial and intangible assets for VCMA solution providers to compete in the industry. Maintaining good relationships with suppliers may enable VCMA solution providers to procure products in better pricing, terms of credit and delivery conditions. Meanwhile, efficient customer account management is essential to maintain long-term relationship with customers of public and private sector in providing after-sales maintenance services and continual purchase of new services. Therefore, maintaining a good supplier and customer relationship are keys to enhance the competitiveness in the industry.

Company reputation

Good reputation is the key competitive factor in the industry. Company reputation of a VCMA solution provider is gradually developed based largely on past projects, technical know-how, quality of service, cost-effectiveness of design and timeliness of delivery. In addition, a listed status can also bring reputation to the company. Given their well-established reputation and high level of brand recognition, the listed VCMA solution providers are more likely to be invited to participate in renowned projects and account for a strong presence in the industry.

Market drivers and opportunities

Increasing demand from the corporate sector

VCMA systems enable cost-effective communication across offices and increase productivity of businesses, and can be found in corporates in different scales. Under the growing number of registered companies, demand for VCMA solution has been driven by their growing interest and rapid adoption of VCMA systems. According to the Companies Registry, the number of registered companies increased from 1,162,931 companies in 2013 to 1,400,950 companies in 2018, rising at a CAGR of approximately 3.8%. Meanwhile, Hong Kong has made consistent strides in building a favourable business environment and become a key offshore capital-raising center for multinational companies, which may set up their local offices or regional offices in Hong Kong. As the number of the multinational companies continued to increase, it spurred the need to improve communication efficiency across offices and to establish video conference meetings between various office locations. The increasing demand from the corporate sector has therefore generated demand for VCMA systems and propelled the development of the VCMA solution industry.

High penetration of VCMA systems

The application of VCMA systems has penetrated into various fields across the financial, educational and retail sectors, including but not limited to collaborative conferencing, lecture halls and digital signage. In the financial sector, large flat-screen displays are adopted in banks to serve a dual purpose of communicating and advertising. In medical education, VCMA systems are adopted to connect health centres, hospitals and medical schools that perform patient procedures, where remote presentation with streaming audio and high-resolution video systems enables efficient information and knowledge exchange. In the retail sector, it is observed that visual merchandising has positively enhance shopping experience of customers. VCMA systems, including video wall for product display, lighting and acoustics, help create eye-catching product promotion, reinforce brand image, and therefore attract customer attention. Hence, an increasing number of retail stores are adopting VCMA solutions in business operation. The wide application of VCMA equipment across various sectors has therefore fostered the VCMA solution industry.

INDUSTRY OVERVIEW

Rising demand for VCMA solutions from the trend of smart office

Being one of the anticipated technology trends, application of smart office in Hong Kong is expected to increase continuously. Smart office is a workplace where technology, such as smart lighting, security and access control system, energy management system as well as smart heating, ventilation, and air conditioning control system, enables companies to maximise resource usage, simplify operational processes and improve energy efficiency. These benefits are expected to encourage more corporates to switch towards smart office and therefore bring business opportunities to the VCMA solution industry in the future.

Government’s initiatives in promoting smart city in Hong Kong

Various projects have been planned by the Government to build Hong Kong into an innovation and technology hub. Development plans proposed in the Hong Kong Smart City Blueprint (“**Blueprint**”) announced by the Government in December 2017, are expected to increase the application of VCMA solutions. The main objective of the Blueprint is to build an environmental friendly city applying technology in efficient power consumption and energy conservation. For instance, real-time information display panels at Government Public Transport Interchanges and bus stops are expected to be completed by 2020, which in turn is anticipated to drive the demand for digital signage solutions in Hong Kong. Such plans initiated by the Government are expected to further stimulate the VCMA solution industry.

Entry barriers

Lack of company reputation and track record

Lack of track record is one of the major barriers to enter the VCMA solution industry in Hong Kong. Positive testimony and feedback from clients help building the VCMA solution providers’ reputation. To gain a foothold in this competitive industry, a new entrant needs to establish a reputation based on good track record of services provided to clients. However, building client base and developing a company reputation take time and new entrants tend to have little to no company reputation nor client base. Thus, this may pose entry barriers to new entrants.

Industry-specific knowledge requirement

As VCMA products keep evolving, VCMA solution providers which possess advanced industry-specific knowledge or up-to-date technical know-how are able to attract new clients. In order to acquire industry-specific knowledge, VCMA solution providers might need to keep abreast of the latest local and international technology to meet the ever-changing needs of clients. Training provided to clients and after-sale services and maintenance also require in-depth industry-specific knowledge. As the industry-specific knowledge takes time and efforts to acquire, this may pose entry barriers to new entrants.

Threats

Rising adoption of video conferencing software

In recent years, video conferencing software has been gaining widespread adoption in Hong Kong. Video conferencing software is a software installed in electronic mobile devices, which shall deliver affordable and simple video conferencing solutions to organisations. Such technology advancement allows users to participate in conferences without time constraint and alleviate cross country collaboration difficulties. Users tend to purchase the software directly from software developers without engaging with VCMA solution providers. The rising adoption of video conferencing software may pose threats to the VCMA solution industry as potential customers are moving away from expensive and complex room-based systems and opting for alternatives such as lower-cost software solutions.

INDUSTRY OVERVIEW

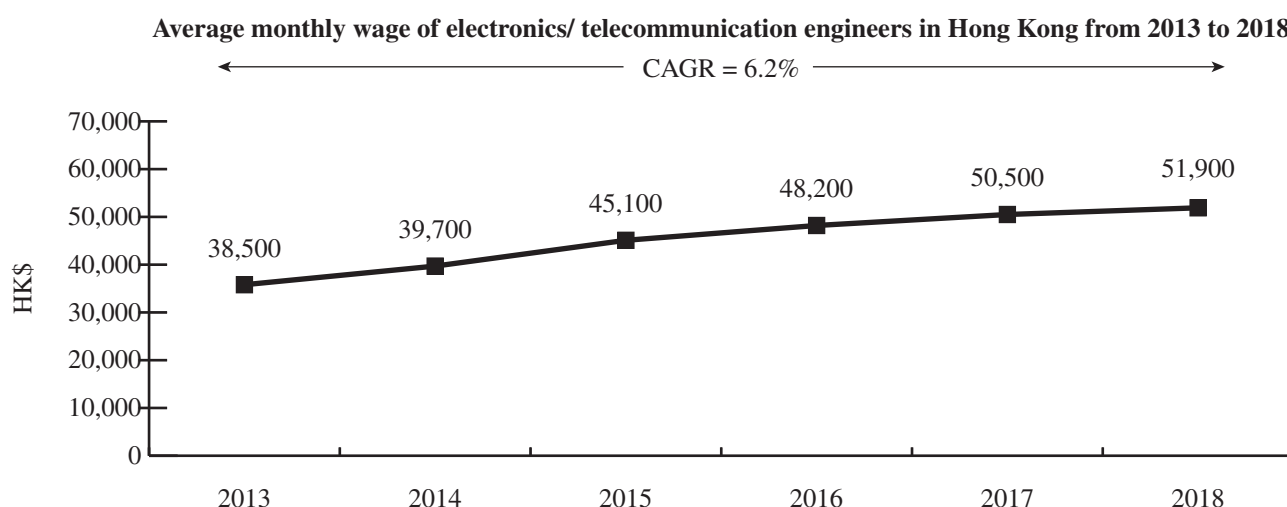
Rise in labour cost

The increase in labour costs may impose a threat to the VCMA solution industry in Hong Kong. Labour cost is one of the major costs in operating a business in the VCMA solution industry. According to the Census and Statistics Department, the median monthly wage of electronics/telecommunication engineers in Hong Kong have indicated an increase from HK\$38,500 in 2013 to HK\$51,900 in 2018, rising at a CAGR of approximately 6.2%. The continuous rise in wages suggested that the VCMA solution companies may see a cost inflation. As a result, the rise in labour cost may pose a potential threat to the VCMA solution industry.

Key costs in the VCMA solution industry in Hong Kong

The major costs of the VCMA solution industry in Hong Kong include labour costs and procurement costs of products. The procurement costs of products is highly variable depending on the types of products, procurement volume and market supply. Since there is a wide range of products in the VCMA solution industry, an average procurement cost can hardly be quantified. In general, the procurement costs of products decreased from 2013 to 2018, as products are often upgraded yearly and replaced with new models and new features frequently. Although the prices of new models maybe higher than those of old models, the prices of old models continuously dropped with the launch of new models, which resulted in an overall decrease in procurement costs.

Labour cost



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The average monthly wage of electronics/telecommunication engineers in Hong Kong increased from HK\$38,500 in 2013 to HK\$51,900 in 2018, rising at a CAGR of approximately 6.2%. The increase in monthly wage was mainly due to labour shortage in the VCMA solution industry, which has been one of the issues concerning companies in the industry. In order to attract more skilled and young labour, VCMA solution providers are paying higher wages to employees. Continuous increase in demand for skilled electronics/telecommunication engineers equipped with the knowledge and experiences in the design and application of various solutions such as cabling work, installation, training and trouble-shooting for clients, has led to the continuous increment in the cost of labour from 2013 to 2018.

INDUSTRY OVERVIEW

OVERVIEW OF THE VCMA SOLUTION INDUSTRY IN THE PRC, THE GREATER BAY AREA AND MACAU

The PRC

The VCMA solution industry in the PRC is mature and fragmented with a large number of players, most of which are local VCMA solution providers. The industry is also fragmented in a way that different solution providers focus on different sectors and markets. For instance, some of the industry players may focus on educational sector, while some may mainly focus on corporate sector. The market competition has intensified given the increase in the market maturity as well as the rising service standard and professionalism demanded by customers.

There have been several relevant government policies that sustain the market growth for the VCMA solution industry in the PRC, including “Outline of the 13th Five-Year Plan for the National Informatization”, “Opinion of the State Council Concerning Forcefully Moving Informatization Development Forward and Realistically Guaranteeing Information Security” and “Outline of the National Informatization Development Strategy” (the “**Strategy**”). With an aim to promote informatization in the educational sector, the PRC government published the Strategy in 2016. The Strategy encourages the improvement of digital education infrastructures so as to facilitate massive open online courses in schools, which provide interactive courses with the implementation of audiovisual systems. Such policies directed the focus to lift the priority of informatization in the country, and demand for VCMA systems implemented for informatization purpose propelled the development of the VCMA solution industry.

The Greater Bay Area

The Greater Bay Area is poised with the ambition to become the world’s largest bay area economy by 2020 with Guangzhou, Shenzhen, Hong Kong and Macau playing the leading role in the region’s economic growth. The PRC government has devoted great effort in creating an international, market-oriented and regulated business environment in line with new international practice among new pilot free trade zones such as Nansha, Qianhai & Shekou and Hengqin. The areas with new format of foreign trades and well-equipped public service platforms, will attract clusters of multinational companies and small and medium-sized enterprises in the PRC to establish their footprints in the regions and accelerate inflow of work talents at the same time. The establishments of new commercial communities are anticipated to create substantiate demand for VCMA solution within the economic zones and therefore bring business opportunities to the VCMA solution industry.

Macau

The VCMA solution industry in Macau consists of a mix of local solution providers and international solution providers. In particular, there are solution providers from Hong Kong establishing their footprints in Macau. The market competition is considered fierce, given the increasing number of international players entering the Macau market. Industry players in Macau mainly compete on price and service quality.

Macau is renowned as a global tourism and leisure centre, with an increase in visitor arrivals from 2013 to 2018. According to the Statistics and Census Service, visitor arrivals in Macau increased from 29.3 million in 2013 to 35.8 million in 2018, rising at a CAGR of approximately 4.1%. The increasing number of visitor arrivals spurred the retail needs in Macau, where VCMA systems such as digital signages are implemented for marketing purpose. Application of digital signages enhances attention-grabbing effectiveness compared to traditional printed advertisements or display boards. Due to the improved effectiveness of digital signage in shaping brand perception, the prosperous tourism industry has created great demand for VCMA solutions in the retail and gambling sectors and has therefore invigorated the VCMA solution industry in Macau.

REGULATORY OVERVIEW

HONG KONG LAWS

This section sets forth a summary of the most material aspects of Hong Kong laws and regulations relating to our business operations in Hong Kong.

Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)

The Employees’ Compensation Ordinance establishes a no-fault and non-contributory employee compensation system for work injuries and lays down the rights and obligations of employers and employees in respect of injuries or death caused by accidents arising out of and in the course of employment, or by prescribed occupational diseases.

Under the Employees’ Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

According to section 24 of the Employees’ Compensation Ordinance, a principal contractor shall be liable to pay compensation to sub-contractors’ employees who are injured in the course of their employment to the sub-contractor. The principal contractor is, nonetheless, entitled to be indemnified by the sub-contractor who would have been liable to pay compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

Pursuant to section 40 of the Employees’ Compensation Ordinance, all employers are required to take out insurance policies to cover their liabilities under both the Employees’ Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). An employer who fails to comply with this ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 2 years, or on summary conviction, to a fine at level 6 (currently at HK\$100,000) and to imprisonment for 1 year.

Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)

The Occupiers Liability Ordinance regulates the obligations of a person occupying or having control of premises on injury resulting to persons or damage caused to goods or other property lawfully on the land.

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong)

The Occupational Safety and Health Ordinance provides for the safety and health protection to employees in workplaces, both industrial and non-industrial.

REGULATORY OVERVIEW

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

- provision and maintenance of plant and systems of work that are safe and without risks to health;
- making of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- as regards any workplace under the employer’s control:
 - maintenance of the workplace in a condition that is safe and without risks to health; and
 - provision and maintenance of means of access to and egress from the workplace that are safe and without any such risks;
- providing all necessary information, instructions, training and supervision for ensuring safety and health; and
- provision and maintenance of a working environment for the employer’s employees that is safe and without risks to health.

Failure to comply with any of the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK\$200,000. An employer who fails to do so intentionally knowingly or recklessly commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months.

The Commission for Labour may also issue an improvement notice against non-compliance of this ordinance or the Factories and Industrial Undertakings Ordinance, or suspension notice against activity or condition of workplace which may create imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months. In case of contravention of suspension notice, a daily fine of HK\$50,000 may also be imposed.

Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$37.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by this ordinance is void.

PRC LAWS AND REGULATIONS

This section sets out summaries of certain major laws and regulations, which are relevant to our Group’s business and operation in the PRC.

REGULATORY OVERVIEW

COMPANY ESTABLISHMENT AND FOREIGN INVESTMENT

Company Law and the Wholly Foreign-owned Enterprise Law

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》)(the “**PRC Company Law**”), which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) on 29 December 1993 and came into effect on 1 July 1994. The PRC Company Law was subsequently amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013 and 26 October 2018.

According to the PRC Company Law, companies established in the PRC are either limited liability companies or joint stock limited companies. The PRC Company Law applies to both PRC domestic companies and Foreign-invested Enterprises (the “**FIEs**”); however where the PRC Company Law is silent on matters relating to FIEs, such matters may be addressed by other PRC laws and regulations.

The establishment procedures, approval procedures, registered capital requirements, foreign exchange matters, accounting practices, taxation and labour matters of a wholly foreign-owned enterprise are regulated by the Wholly Foreign-owned Enterprise Law of the PRC (《中華人民共和國外資企業法》)(the “**WFOE Law**”), which was promulgated on 12 April 1986 and last amended on 3 September 2016 by the Standing Committee of the National People’s Congress, and the Regulations for the Implementation of the WFOE Law (《中華人民共和國外資企業法實施細則》), which was promulgated on 12 December 1990 and amended on 12 April 2001 and 19 February 2014.

On 15 March 2019, the National People’s Congress formally adopted the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》)(the “**FIL**”), which will become effective on 1 January 2020. The FIL is promulgated to further expand opening-up, promote foreign investment and protect the legitimate rights and interests of foreign investors. Pursuant to the FIL, foreign investments are entitled to pre-entry national treatment and are subject to the Negative List. The pre-entry national treatment means that the treatment given to foreign investors and their investors at the stage of investment access is not less favourable than that of domestic investors and their investments.

According to the FIL, the investment, earnings and other legitimate rights and interests of foreign investors within the territory of the PRC shall be protected in accordance with the law, and all national policies on supporting the development of enterprises shall be equally applied to FIEs.

Upon taking effect on 1 January 2020, the FIL will replace the PRC Laws on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the PRC Laws on Sino-Foreign Cooperative Joint Ventures (《中華人民共和國中外合作經營企業法》) and the PRC Laws on Wholly Foreign Owned Enterprises Law to become the legal foundation for foreign investment in the PRC.

REGULATORY OVERVIEW

The Provisional Measures on Record-filing Administration over the Establishment and Change of FIEs

The establishment and alterations applied to FIEs that are not subject to special market entry administrative measures are regulated by the Provisional Measures on Record-filing Administration over the Establishment and Change of FIEs (《外商投資企業設立及變更備案管理暫行辦法》)(the “**Measures**”), which was promulgated by the Ministry of Commerce of the PRC (the “**MOFCOM**”) and first became effective on 8 October 2016 and was afterwards revised on 30 July 2017, and amended on 29 June 2018 and re-implemented on 30 June 2018. According to the Measures, where establishments and changes to a FIE do not fall within the scope of special administration measures for foreign investment admission as stipulated by the State, the FIE shall go through filling procedures instead of the procedures for approvals. However, where establishments and changes to a FIE fall within the scope of the special administration measures for foreign investment admission as stipulated by the State, the FIE shall go through procedures for approvals according to the relevant laws and regulations governing foreign investment.

The Provisions on Guiding Foreign Investment Direction and the Catalogue for the Guidance of Foreign Investment Industries

Any investments conducted by the foreign investors and enterprises in the PRC shall be subject to the Provisions on Guiding the Orientation of Foreign Investment (指導外商投資方向規定) which was promulgated on 11 February 2002, the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》)(the “**Catalogue**”), which was jointly issued by the National Development and Reform Commission (the “**NDRC**”)(國家發展和改革委員會) and the MOFCOM in 1995, and amended in 1997, 2002, 2004, 2007, 2011, 2015 and 2017. The current effective Catalogue was issued on 28 June 2017, and came into force on 28 July 2017. The Catalogue contains specific provisions guiding market access of foreign capital, stipulating in detail the areas of entry pertaining to the categories of encouraged foreign-invested industries, restricted foreign-invested industries and prohibited foreign investment. Any industry not listed in the Catalogue is a permitted industry for foreign investors.

The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理措施(負面清單)》(2018 年版))(the “**Negative List**”) was approved by the CPC Central Committee and the State Council and was issued jointly by the NDRC and the MOFCOM on 28 June 2018, and came into effect on 28 July 2018. The Negative List specifies prohibitions or restrictions on foreign investment in some industries.

M&A Rules

On 8 August 2006, six ministries and commissions including MOFCOM and the China Securities Regulatory Commission (the “**CSRC**”) jointly promulgated the Regulations on the Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》)(“**Circular No. 10**” or “**M&A Rules**”), which took effect on 8 September 2006 and were amended on 22 June 2009. In Circular No. 10, an overseas company with specific purpose refers to an overseas company directly or indirectly controlled by a non-foreign-invested PRC company or a PRC individual for the purpose of listing out of the PRC that non-foreign-invested PRC company’s or that PRC individual’s interest in a business in PRC. A non-foreign-invested PRC company, which intends to establish an overseas company with specific purpose, shall obtain approval from MOFCOM. Overseas listing of an overseas company with specific purpose is subject to the approval from the securities regulatory agency of the State Council (國務院證券監督管理機構).

REGULATORY OVERVIEW

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》)(the “**Trademark Law**”), which was promulgated on 23 August 1982 and with effect from 1 March 1983 and whose last amendment made on 30 August 2013 took effect from 1 May 2014. The right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Name

Pursuant to the Measures for the Administration of Internet Domain Names (《互聯網絡域名管理辦法》), which was promulgated on 24 August 2017 and became effective on 1 November 2017, “domain name” refers to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it.

CONSUMER PROTECTION

The principal legal provisions for the protection of consumer interests are set out in the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》)(the “**Consumer Protection Law**”), which was promulgated on 31 October 1993 and with effect from 1 January 1994. The Consumer Protection Law has been amended on 25 October 2013 and became effective on 15 March 2014. According to the Consumer Protection Law, the rights and interests of the consumers who buy or use commodities for the purposes of daily consumption or those who receive services are protected and all manufacturers and distributors involved must ensure that the products and services will not cause damage to persons and properties. Violations of the Consumer Protection Law may result in the imposition of fines. In addition, the operator will be ordered to suspend operations and its business license will be revoked. Criminal liability may be incurred in serious cases.

LABOUR LAWS

The Labour Contract Law

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》)(the “**PRC Labour Contract Law**”) was promulgated by the Standing Committee of the National People’s Congress on 29 June 2007 became effective as of 1 January 2008, and was amended on 28 December 2012 and came into effect on 1 July 2013, and the Implementation Rule of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was promulgated on 18 September 2008 by the State Council and became effective on the same day, set out the regulations on the conclusion, fulfillment, modifications and termination of a labour contract between the employer and the employee. A written labour contract shall be concluded for the establishment of a labour relationship between the employer and the employee. A labour contract shall contain clauses in relation to basic information of the employee and the employer, term of the labour contract, job responsibilities, workplace, working hours, remuneration, social insurance, labour protection, working conditions and any other issue that shall be listed in the labour contract in accordance with the laws. The employer failing to comply with these laws and regulations may be subject to ratification or compensation.

REGULATORY OVERVIEW

Law on Employment Promotion

The Law of the PRC on Employment Promotion (《中華人民共和國就業促進法》)(the “**Law on Employment Promotion**”) was promulgated by the Standing Committee of the National People’s Congress on 30 August 2007 and came into effect on 1 January 2008, and was subsequently amended on 24 April 2015 and came into effect on the same day. The Law on Employment Promotion contains provisions on policy support, fair employment, employment service and management, and vocational education and training. More particularly, the Law on Employment Promotion (i) states explicitly that employment discrimination should be eliminated, and the employees discriminated by acts in violation of the provisions may file a lawsuit with the people’s court; (ii) provides that public employment service agencies established by the People’s Government at the county level or above should provide free services to employees, including consultation of employment policies and regulations, vocational training, and price guidance for market wages; (iii) establishes an employment and unemployment registration system, stipulating that employers should provide necessary information to facilitate the registration.

SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the Standing Committee of the National People’s Congress on 28 October 2010 and was amended on 29 December 2018, Interim Regulations on Levying Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated and implemented by the State Council on 22 January 1999 and was amended on 24 March 2019, Regulations for Labour Injury Insurance (《工傷保險條例》) issued by the State Council on 27 April 2003 and amended on 20 December 2010, Regulations for Unemployment Insurance (《失業保險條例》) promulgated and implemented by the State Council on 22 January 1999 and Provisional Measures for Maternity of Employees Insurance (《企業職工生育保險試行辦法》) promulgated on 14 December 1994 by the former Ministry of Labour and Social Security (now known as Ministry of Human Resources and Social Security) and implemented on 1 January 1995, any employer shall, within 30 days after its establishment, register with the local social insurance agency. Within 30 days after the date of hiring, any employer shall register for the employee with the local social insurance agency. Employers are required to pay social insurance premiums for their employees on time and in full, including premiums for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance. Under the circumstance where an employer fails to pay social insurance premiums on time and in full, it might be subject to a rectification order by competent authorities and an overdue fine at the rate of 0.05% or 0.2%, at the discretion of the competent governmental authorities, of the outstanding amount on a daily basis may be imposed from the due date. In addition, if an employer still fails to make such payment in full amount within the prescribed time limit, a fine in the amount of one to three times of the outstanding payment might be imposed by the competent authorities.

Housing Provident Fund

According to the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》), which became effective on 3 April 1999 and was amended on 24 March 2002 and 24 March 2019, enterprises in the PRC must register with the housing provident fund management centre within 30 days after establishment, maintain housing provident fund accounts with designated banks for their employees, and deposit into the fund an amount not less than 5 per cent. of each employee’s average monthly salary in the previous year. If an enterprise fails to file the housing provident fund, the housing provident fund administration centre shall order such an enterprise to pay up the outstanding amount within a prescribed time limit, and if the enterprise still fails to pay up within the foregoing time limit, the housing provident fund administration centre may apply for court enforcement order to execute the outstanding amount.

REGULATORY OVERVIEW

TAXATION

Enterprise Income Tax

The Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or EIT Law, effective on 1 January 2008 and last amended on 29 December 2018 and became effective on the same day, imposes a uniform enterprise income tax at the rate of 25 per cent. on all domestic enterprises, including foreign-invested enterprises unless they qualify for certain exceptions, and terminates most of the tax exemptions, reductions and preferential treatments available under previous tax laws and regulations. Under the EIT Law and Circular of the State Council on the Implementation of Transitional Preferential Policies with Regard to Enterprise Income Tax (《國務院關於實施企業所得稅過渡優惠政策的通知》) issued by the PRC State Council which became enforceable from 1 January 2008, (i) those enterprises that were established before 16 March 2007 and were formerly entitled to preferential policies of lower taxation will undergo a gradual transition to statutory tax rates within five years; and (ii) those enterprises that were established before 16 March 2007 and were formerly entitled to preferential income tax reduction policies, such as “two-years exempt and three-years halved” and “five-years exempt and five-years halved”, shall continue to enjoy such preferential policies as stipulated in the former taxation laws, administrative regulations and relevant documents until the end of the terms of these policies, provided however that for those enterprises not profitable enough to enjoy the aforementioned tax preferences, the preference time limits shall commence from 2008.

Under the implementation rules of the EIT Law (《中華人民共和國企業所得稅法實施條例》), effective from 1 January 2008 and amended on 23 April 2019, a withholding tax of 10% will be applicable to dividends paid by FIEs to foreign investors, unless otherwise stipulated in tax treaties concluded between Chinese government and other jurisdictions. However, due to the Arrangement between the PRC and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) on 21 August 2006, a company incorporated in Hong Kong will be subject to a withholding tax at a rate of 5% on dividends received from a company incorporated in the PRC if it holds a 25% interest or more in the PRC company. In addition, according to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Tax Treaties (《非居民納稅人享受稅收協定待遇管理辦法》), effective from 1 November 2015 and was partially amended on 15 June 2018, to enjoy the preferential tax treatment under relevant tax treaties, a non-resident enterprise (as defined under the PRC tax laws) shall scrutinise by itself the eligibility to enjoy the preferential tax treatment and apply for approval or file with the competent tax authorities. Without such approval or filing record, the non-resident enterprise shall not enjoy any tax preferential treatment under tax treaties.

In addition, pursuant to the Circular of the State Administration of Taxation on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the State Administration of Taxation (the “SAT”) on 20 February 2009, all of the following requirements must be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (i) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (iii) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

REGULATORY OVERVIEW

Value-Added Tax

Pursuant to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》)(the “**VAT Interim Regulations**”) which was promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, 26 February 2016 and 19 November 2017, its Implementation Regulations (《中華人民共和國增值稅暫行條例實施細則》) which was last amended on 28 October 2011, and the Notice of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates (《財務部、稅務總局關於調整增值稅稅率的通知》) which was issued on 4 April 2018 and became effective from 1 May 2018, the Value-added Tax (the “VAT”) rate of 16% shall be applicable to taxpayers engaging in the sale or import of goods, provision of labour services, tangible movable property leasing services shall generally be 16%; the VAT rate of 10% shall be applicable to taxpayers providing transportation, postal, basic telecommunications, construction, or immovable leasing services, selling immovable, transferring the rights to use lands, or selling or importing goods specified by the VAT Interim Regulations; and the VAT rate of 6% shall be applicable to other modern service industries. Pursuant to the Announcement of the Ministry of Finance, SAT and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) which was issued on 20 March 2019 and became effective on 1 April 2019, the tax rate of 16% applicable to the VAT taxable sale or import of goods by a general VAT taxpayer shall be adjusted to 13%; and the tax rate of 10% applicable to such taxpayer shall be adjusted to 9%. Our business shall be subject to VAT with reference to the above rules.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and the SAT on 16 November 2011, the State began to launch taxation reforms in a gradual manner with effect from 1 January 2012, whereby the collection of value-added tax in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》)(Cai Shui 2016 No. 36) (“Circular 36”), which was promulgated by the MOF and the SAT on 23 March 2016, entities and individuals engaging in the sale of services, intangible assets or fixed assets within the territory of the PRC are required to pay value-added tax instead of business tax.

Urban Maintenance and Construction Tax and Education Surcharges

Pursuant to the Circular of the State Council on Unifying the System of Urban Maintenance and Construction Tax and Education Surcharge Paid by Domestic and Foreign-invested Enterprises and Individuals (《國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知》), effective on 1 December 2010, the Interim Regulations of the PRC on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅暫行條例》) which was promulgated on 8 February 1985 and took effect from 1 January 1985 and amended on January 8, 2011, and Circular of the State Administration of Taxation on Issues Concerning the Collection of the Urban Maintenance and Construction Tax (《國家稅務總局關於城市維護建設稅徵收問題的通知》) which was promulgated on 12 March 1994 and took effect from 1 January 1994, any enterprise or individual subject to consumption tax, VAT and business tax shall also be required to pay urban maintenance and construction tax. The amount of urban maintenance and construction tax shall be based on the consumption tax, VAT and business tax actually paid by a taxpayer, and shall be paid simultaneously with payment thereof. The rates of urban maintenance and construction tax shall be 7 per cent. for a taxpayer in city, 5 per cent. for a taxpayer in county or town and 1 per cent. for a taxpayer in places other than a city, county or town.

REGULATORY OVERVIEW

In accordance with the Interim Provisions on the Collection of Educational Surcharges (《徵收教育費附加的暫行規定》) which was last revised on 8 January 2011, any enterprise or individual subject to consumption tax, VAT and business tax shall also be required to pay educational surcharge. The rate of educational surcharge is 3 per cent., based on the amount of consumption tax, VAT and business tax actually paid by each enterprise or individual, and the educational surcharge shall be paid simultaneously with the payment of consumption tax, VAT and business tax.

RULES ON FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Regulations on Foreign Exchange Administration

The principal regulation governing foreign exchange in the PRC is the Regulations of the PRC on Foreign Exchange Administration (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996, effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008 respectively. Under these rules, RMB is freely convertible for payments of current account items, including trade and service-related foreign exchange transactions and dividend payments, but not for payments of capital account items, such as direct equity investment, loan, and investment in derivative products or securities outside the PRC, unless prior approval from State Administration of Foreign Exchange (國家外匯管理局)(“SAFE”) or its local offices has been obtained. Under the Regulations on Foreign Exchange Administration, foreign-invested enterprises in the PRC may purchase foreign currencies without the approvals of relevant foreign exchange administrative departments for trade and service-related foreign exchange transactions by providing commercial documents evidencing such transactions. They may also retain foreign currencies (subject to a cap approved by the foreign exchange administrative departments) to satisfy foreign exchange liabilities or to pay dividends. But foreign exchange transactions involving direct investment, loans and investment in securities outside the PRC are subject to limitations and require approvals from the foreign exchange administrative departments.

On 13 February 2015, SAFE published the Circular on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》)(the “SAFE Circular No. 13”) which became effective on 1 June 2015. Pursuant to the SAFE Circular No. 13, SAFE’s administrative approvals with respect to foreign exchange registration of domestic direct investments and overseas direct investments are not required. Instead, PRC banks assume the responsibility of foreign exchange registration in accordance with the Operating Guidelines for Foreign Exchange Business in Direct Investment (《直接投資外匯業務操作指引》) annexed to the SAFE Circular No. 13.

Regulations on Dividend Distribution

The principal regulations governing distribution of dividends by wholly foreign-owned enterprises include: the Company Law of the PRC, the WFOE Law and the Rules for the Implementation of the WFOE Law. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. After making up for any deficit in prior years pursuant to the PRC laws, a wholly foreign-owned enterprise in the PRC is required to set aside at least 10% of its after-tax profit calculated in accordance with PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a WFOE has the discretion to allocate a portion of its after-tax profits to its staff welfare and bonus funds, which is likewise not distributable to its shareholders except in the event of a liquidation of the foreign-owned enterprise.

HISTORY AND GROUP STRUCTURE

OUR BUSINESS DEVELOPMENT

Introduction

Our history can be traced back to 1987 when our founders, Dr. Wong, Mr. Tong, Mr. WY Chan and others set up the business of Newmark in 1986, which then was initially engaged in trading of educational and audiovisual equipment through its subsidiary, namely Eduserve International.

In late 1990s, we expanded our business into the provision of VCMA solution in Hong Kong with an initial focus in the educational field. Our major operating subsidiary, i-Control (Hong Kong), was incorporated in 1999 to expand the business of audiovisual solutions in the commercial market and interactive learning in the educational market.

With a view to have a more focused line of business and streamline the business activities of our Group for the purpose of Listing, our then Directors decided not to include the property investment business in our Group. Since Listing and during Track Record Period, other than the acquisition of Units Nos. 32-40 of Flat Roofs Nos. 39-40, 5/F, Pacific Trade Centre and Car parking space No. P27 on 2nd Floor, MG Tower for self-use and a car parking spaces for investment purpose, our Group has not engaged in any property investment.

BUSINESS MILESTONES

We believe the key milestones in the development of our Group are as follows:

Year	Event
1987	Our Group commenced to engage in trading of educational and audiovisual equipment through our subsidiary, namely Eduserve International
	Our Group became an authorised sole agent of a language lab provider then based in Norway, currently based in Japan
	Our Group became a sole authorised distributor in Hong Kong and Macau of a US-based company providing audiovisual technologies solution
1999	Incorporation of i-Control (Hong Kong)
2002	Our Group established a project department for its operation for VCMA solution and expanded our operation in this area of business

HISTORY AND GROUP STRUCTURE

Year	Event
2007	Our Group was certified by the Government as one of the Approved Suppliers for Materials and Specialist Contractors for Public Works
2010	Incorporation of i-Control (Shanghai) and extension of the scope of our Group’s business to China
2011	i-Control (Hong Kong) obtained ISO 9001:2008 certification
2012	Eduserve International obtained ISO 9001:2008 certification
	Our Group became an authorised seller for a video wall and digital signage manufacturer based in the United States
2014	Incorporation of i-Control (Singapore), a company mainly engaged in the provision of VCMA solution in Singapore and extension of the scope of our Group’s business to Singapore
2015	listing of the Shares in our Company on GEM
2016	Our Group established a unified communication team to expand our business services coverage to include enterprises mobility, data network infrastructure and advanced telephone system
2018	Our Group was awarded as “Elite Partner” of Supplier A, an U.S.-based automation solution and collaboration technologies production and sales company, for two consecutive years

HISTORY AND GROUP STRUCTURE

CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 21 August 2014. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$20,000,000 divided into 2,000,000,000 Shares of par value of HK\$0.01 each, [REDACTED] Shares of which have been issued.

For details of changes in the share capital of our Company, please refer to “General information – A. Further information about our Company and our subsidiaries – 2. Changes in the share capital of our Company” in Appendix V to this [REDACTED] document.

Our Company has a number of direct and indirect subsidiaries incorporated or established in BVI, Hong Kong, the PRC and Singapore. Details of the subsidiaries of our Group and their respective corporate history are set out below.

OUR SUBSIDIARIES

i-Control (ITAV)

i-Control (ITAV) was incorporated in BVI with limited liability on 17 June 2014. It is authorised to issue a maximum of 50,000 no par value shares of a single class. On 24 June 2014, one share was allotted and issued to MWMW at a consideration of US\$1.00 for cash, credited as fully paid.

On 29 June 2014, i-Control (ITAV) allotted and issued two ordinary shares and one ordinary share to MWMW to settle the consideration in relation to the acquisition of i-Control (Hong Kong) and Eduserve International by i-Control (ITAV), respectively.

i-Control (ITAV) is a direct wholly-owned subsidiary of our Company and is principally engaged in investment holding.

i-Control (Hong Kong)

i-Control (Hong Kong) was incorporated in Hong Kong with limited liability on 25 October 1999 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 25 October 1999, one ordinary share was allotted and issued to each of the two subscribers, both of whom are Independent Third Parties, at par and credited as fully paid. On 25 November 1999, each of the subscribers sold its share in i-Control (Hong Kong) to Newmark and Dr. Wong at par, respectively. Pursuant to a declaration of trust dated 25 November 1999, Dr. Wong held the one share (the “**Share Held on Trust**”) in i-Control (Hong Kong) on trust for the benefit of Newmark.

On 2 April 2001, (a) the authorised share capital of i-Control (Hong Kong) was increased to HK\$2,500,000 divided into 2,500,000 ordinary shares of HK\$1.00 each; and (b) 1,999,998 ordinary shares and 500,000 ordinary shares were allotted and issued to Newmark and Mr. WL Chan at a consideration of HK\$1,999,998 and HK\$500,000, respectively, and credited as fully paid. On 13 October 2008, Newmark sold 250,000 ordinary shares in i-Control (Hong Kong) to Mr. WL Chan at a consideration of HK\$1,184,000. On 27 June 2014, Dr. Wong transferred the legal title to the Share Held on Trust to Newmark at nil consideration.

HISTORY AND GROUP STRUCTURE

On 29 June 2014, Newmark and Mr. WL Chan sold 1,750,000 ordinary shares and 750,000 ordinary shares in i-Control (Hong Kong) to i-Control (ITAV) at a consideration of HK\$1,750,000 and HK\$750,000, respectively. As directed by Mr. WL Chan and Newmark, the consideration was settled by i-Control (ITAV) allotting and issuing two shares to MWMW, credited as fully paid.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of i-Control (Hong Kong) ceased to have any par value.

i-Control (Hong Kong) is an indirect wholly-owned subsidiary of our Company and is principally engaged in the business of the provision of VCMA solution services and VCMA maintenance services and investment holding, holding shares in i-Control (China) and i-Control (Singapore).

i-Control (China)

i-Control (China) was incorporated in Hong Kong with limited liability on 30 November 2009 with an authorised share capital of HK\$1,800,000 divided into 1,800,000 ordinary shares of HK\$1.00 each. On 30 November 2009, 1,260,000 ordinary shares and 540,000 ordinary shares were allotted and issued to i-Control (Hong Kong) and Mr. Wong To Yan, an ex-employee of our Group, at a consideration of HK\$1,260,000 and HK\$540,000, respectively, and credited as fully paid.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of i-Control (China) ceased to have any par value.

On 25 September 2015, Mr. Wong To Yan sold his 540,000 ordinary shares to i-Control (Hong Kong) at a consideration of HK\$1,000,000 and i-Control (China) became an indirect wholly-owned subsidiary of our Company. i-Control (China) is principally engaged in the business of the provision of VCMA solution services and VCMA maintenance services and investment holding, holding equity interests in i-Control (Shanghai).

i-Control (Shanghai)

i-Control (Shanghai) was established in the PRC as a limited liability company on 30 March 2010 with a registered capital of RMB1,000,000. The entire registered capital of RMB1,000,000 was paid up by i-Control (China).

i-Control (Shanghai) is an indirect wholly-owned subsidiary of our Company and is principally engaged in the business of the provision of VCMA solution services and VCMA maintenance services.

Eduserve International

Eduserve International was incorporated in Hong Kong with limited liability on 8 April 1987 with an authorised share capital of HK\$500,000 divided into 500,000 ordinary shares of HK\$1.00 each. On 8 April 1987, one ordinary share was allotted and issued to each of Newmark, Mr. WY Chan and Mr. Tong, at par and credited as fully paid.

On 11 May 1987, the authorised share capital of Eduserve International was increased to HK\$1,500,000 divided into 1,500,000 ordinary shares of HK\$1.00 each. On 16 April 1987, 499,997 ordinary shares were allotted and issued to Newmark at par and credited as fully paid. On 25 January 1988, 500,000 ordinary shares were allotted and issued to Newmark at par and credited as fully paid.

HISTORY AND GROUP STRUCTURE

On 21 June 1995, (a) the authorised share capital of Eduserve International was further increased to HK\$3,500,000 divided into 3,500,000 ordinary shares of HK\$1.00 each and; (b) 2,000,000 ordinary shares were allotted and issued to Newmark at par and credited as fully paid.

On 25 April 2012, Newmark, Mr. WY Chan and Mr. Tong sold 299,998 shares, 1 share and 1 share to Mr. Poon King Hang (“**Mr. Poon**”), one of our senior management, at a consideration of HK\$299,998, HK\$1.00 and HK\$1.00, respectively. On 30 October 2013, Newmark sold 300,000 ordinary shares to Mr. Poon at a consideration of HK\$300,000.

On 29 June 2014, Newmark sold 2,400,000 ordinary shares in Eduserve International to i-Control (ITAV) at a consideration of HK\$2,400,000. As directed by Newmark, the consideration was settled by i-Control (ITAV) allotting and issuing one share to MWMW, credited as fully paid.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Eduserve International ceased to have any par value.

On 24 September 2015, Mr. Poon sold his 600,000 shares to i-Control (ITAV) at a consideration of HK\$1,170,000 and Eduserve International became an indirect wholly-owned subsidiary of our Company. Eduserve International is principally engaged in the business of the provision of VCMA solution services and VCMA maintenance services.

i-Control Consultancy

i-Control Consultancy was incorporated in BVI with limited liability on 17 June 2014. i-Control Consultancy is authorised to issue a maximum of 50,000 no par value shares of a single class. On 24 June 2014, one share was allotted and issued to i-Control (ITAV) at a consideration of US\$1.00 for cash, credited as fully paid.

i-Control Consultancy is an indirect wholly-owned subsidiary of our Company and is principally engaged in the provision of consultancy and administrative services to our Group.

Modern China

Modern China was incorporated in Hong Kong with limited liability on 10 December 1991 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 10 December 1991, one ordinary share was allotted and issued to each of the two subscribers, both of them are Independent Third Parties, at par and credited as fully paid. On 20 July 1992, each of the subscribers sold its share in Modern China to Newmark and Dr. Wong at par, respectively.

HISTORY AND GROUP STRUCTURE

On 31 May 1994, (a) the authorised share capital of Modern China was increased to HK\$3,000,000 divided into 3,000,000 ordinary shares of HK\$1.00 each; (b) 1,499,999 ordinary shares, 150,000 ordinary shares, 150,000 ordinary shares, 300,000 ordinary shares, 150,000 ordinary shares and 749,999 ordinary shares were allotted and issued to Newmark, Ms. Chau Sing Lan (the spouse of Mr. WY Chan) (“**Ms. Chau**”), Mr. Tong, Mr. Lin, Mr. Leung Yin Lun (an Independent Third Party) (“**Mr. YL Leung**”) and Ranier Enterprises Limited (“**Ranier**”), a company incorporated in Hong Kong with limited liability on 8 January 1985 and at the time of Listing controlled by Dr. Wong and Mr. Lin, at a consideration of HK\$1,499,999, HK\$150,000, HK\$150,000, HK\$300,000, HK\$150,000 and HK\$749,999, respectively, and credited as fully paid. On 4 July 1994, Dr. Wong sold his one ordinary share in Modern China to an Independent Third Party at a consideration of HK\$1.00.

On 5 January 2000, (a) the authorised share capital of Modern China was further increased to HK\$4,500,000 divided into 4,500,000 ordinary shares of HK\$1.00 each; and (b) 1,425,000 ordinary shares and 75,000 ordinary shares were allotted and issued to Newmark and Mr. YL Leung at a consideration of HK\$1,425,000 and HK\$75,000, respectively, and credited as fully paid.

On 20 January 2000, Mr. Tong sold 150,000 ordinary shares in Modern China to Newmark at a consideration of HK\$1.00. On 28 January 2011, (a) Newmark sold 1,800,000 ordinary shares, 900,000 ordinary shares, 150,000 ordinary shares and 225,000 ordinary shares in Modern China to Dr. Wong, Mr. Tong, Mr. Lin and Mr. WL Chan, at a consideration of HK\$1,800,000, HK\$900,000, HK\$150,000 and HK\$225,000, respectively; (b) Mr. YL Leung sold 225,000 ordinary shares in Modern China to Mr. WL Chan at a consideration of HK\$225,000; and (c) Ranier sold 750,000 ordinary shares in Modern China to Ms. Chau at a consideration of HK\$750,000.

On 30 June 2014, Dr. Wong, Mr. Tong, Ms. Chau, Mr. WL Chan and Mr. Lin sold 1,800,000 ordinary shares, 900,000 ordinary shares, 900,000 ordinary shares, 450,000 ordinary shares and 450,000 ordinary shares in Modern China to EWEW Limited (formerly known as Supreme Plus Holdings Limited and i-Control Properties Limited) (“**EWEW**”), a company incorporated in BVI with limited liability on 2 May 2014 and at the time of Listing a wholly owned subsidiary of MWMW, at a consideration of HK\$1,800,000, HK\$900,000, HK\$900,000, HK\$450,000 and HK\$450,000, respectively. As directed by Dr. Wong, Mr. Tong, Ms. Chau, Mr. WL Chan and Mr. Lin, the consideration was settled by EWEW allotting and issuing five shares to MWMW, credited as fully paid.

On 30 September 2014, EWEW sold and i-Control (ITAV) purchased the entire shareholding interest owned by EWEW in Modern China at an aggregate consideration of HK\$4,500,000, which was settled by i-Control (ITAV) allotting and issuing one share to MWMW, credited as fully paid up.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Modern China ceased to have any par value.

Modern China is an indirect wholly-owned subsidiary of our Company and is principally engaged in investment holding.

View Mark

View Mark was incorporated in Hong Kong with limited liability on 6 September 2010 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 6 September 2010, one ordinary share was allotted and issued to the subscriber, an Independent Third Party, at par and credited as fully paid. On 16 November 2010, (a) the subscriber share was sold to i-Control (Hong Kong) at par value; and (b) 3,000 ordinary shares and 6,999 ordinary shares were allotted and issued to Newmark and i-Control (Hong Kong) at par, respectively, and credited as fully paid.

HISTORY AND GROUP STRUCTURE

On 30 June 2014, Newmark and i-Control (Hong Kong) sold 3,000 ordinary shares and 7,000 ordinary shares in View Mark to EWEW at a consideration of HK\$3,000 and HK\$7,000, respectively. As directed by Newmark and i-Control (Hong Kong), the consideration was settled by EWEW allotting and issuing two shares to MWMW, credited as fully paid.

On 30 September 2014, EWEW sold and i-Control (ITAV) purchased, the entire shareholding interest owned by EWEW in View Mark at an aggregate consideration of HK\$10,000, which was settled by i-Control (ITAV) allotting and issuing one share to MWMW, credited as fully paid up.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of View Mark ceased to have any par value.

View Mark is an indirect wholly-owned subsidiary of our Company and is principally engaged in investment holding.

Billion Peace

Billion Peace was incorporated in Hong Kong with limited liability on 4 March 2011 with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each. On 4 March 2011, one ordinary share was allotted and issued to the subscriber, an Independent Third Party, at par and credited as fully paid. On 3 June 2011, (a) the subscriber share was sold to Mr. WY Chan at par value; and (b) 2,000 ordinary shares, 4,000 ordinary shares, 1,999 ordinary shares and 2,000 ordinary shares were allotted and issued to Newmark, Dr. Wong, Mr. WY Chan and Mr. Tong at par, respectively, and credited as fully paid.

On 30 June 2014, Newmark, Dr. Wong, Mr. WY Chan and Mr. Tong sold 2,000 ordinary shares, 4,000 ordinary shares, 2,000 ordinary shares and 2,000 ordinary shares in Billion Peace to EWEW at a consideration of HK\$2,000, HK\$4,000, HK\$2,000 and HK\$2,000, respectively. As directed by Newmark, Dr. Wong, Mr. WY Chan and Mr. Tong, the consideration was settled by EWEW allotting and issuing four shares to MWMW, credited as fully paid.

On 30 September 2014, EWEW sold and i-Control (ITAV) purchased, the entire shareholding interest owned by EWEW in Billion Peace at an aggregate consideration of HK\$10,000, which was settled by i-Control (ITAV) allotting and issuing one share to MWMW, credited as fully paid up.

With effect from 3 March 2014, pursuant to section 135 of the Companies Ordinance, the shares of Billion Peace ceased to have any par value.

Billion Peace is an indirect wholly-owned subsidiary of our Company and is principally engaged in investment holding.

Deluxe Peace

Deluxe Peace was incorporated in Hong Kong with limited liability on 15 May 2015 with one Subscriber share. On 8 June 2015, (a) the subscriber share was transferred to i-Control (ITAV) Limited; and (b) 9,999 new ordinary shares were allotted and issued to i-Control (ITAV) Limited.

Deluxe Peace is an indirect wholly-owned subsidiary of our Company and is principally engaged in investment holding.

HISTORY AND GROUP STRUCTURE

i-Control (Singapore)

i-Control (Singapore) was incorporated in Singapore with limited liability on 4 September 2014 with an authorised share capital of S\$1,000 divided into 1,000 ordinary shares of S\$1.00 each. On 4 September 2014, 1,000 ordinary shares were allotted and issued to i-Control (Hong Kong), at par, fully paid.

i-Control (Singapore) is an indirect wholly-owned subsidiary of our Company and is principally engaged in the business of the provision of VCMA solution services.

i-Control BVI

i-Control BVI was incorporated in BVI with limited liability on 5 January 2018. It is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 5 January 2018, one share was allotted and issued to our Company at a consideration of US\$1.00 for cash, credited as fully paid.

i-Control BVI is a direct wholly-owned subsidiary of our Company and is principally engaged in investment holding.

Pristine Capital

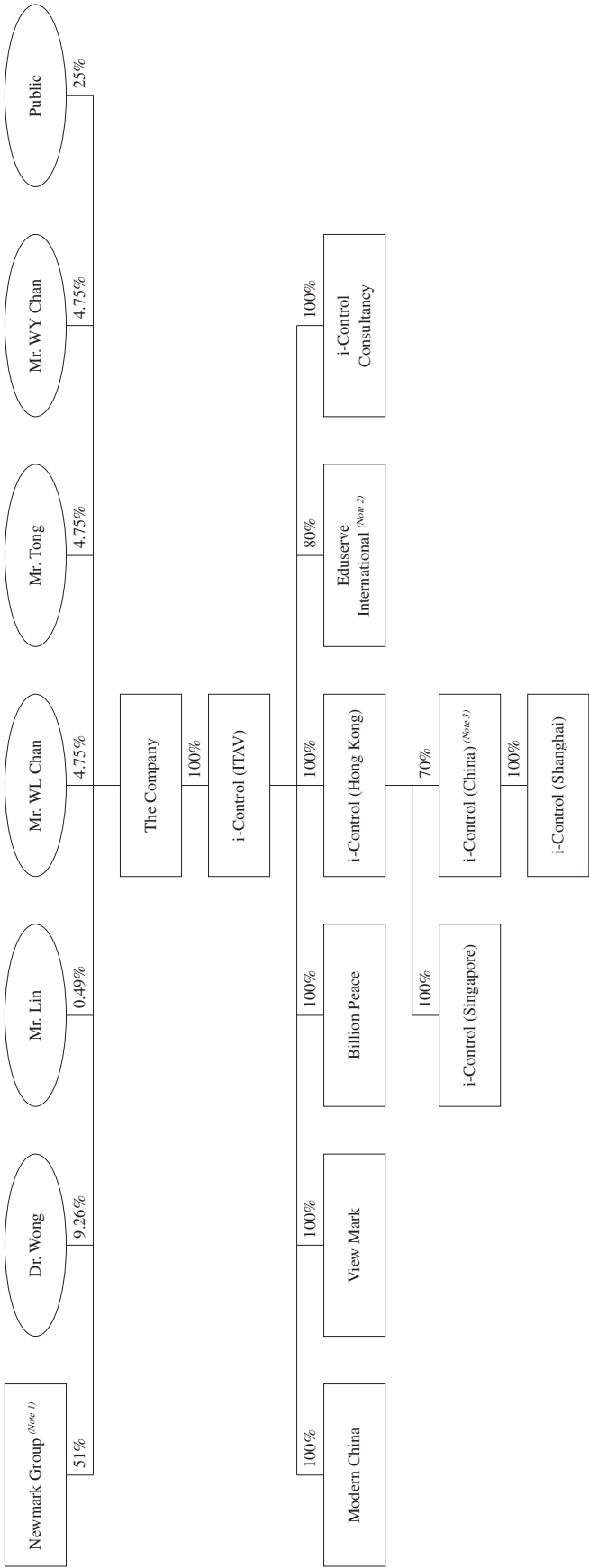
Pristine Capital was incorporated in BVI with limited liability on 28 December 2017 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. On 5 January 2018, one share was allotted and issued to i-Control BVI at a consideration of US\$1.00 for cash, credited as fully paid.

Pristine Capital is an indirect wholly-owned subsidiary of our Company intended to be deployed for the expansion of our Group’s business in the Greater Bay Area but has not yet commenced operation.

HISTORY AND GROUP STRUCTURE

CORPORATE STRUCTURE

The following diagram sets out the shareholding structure of our Group as at Listing:

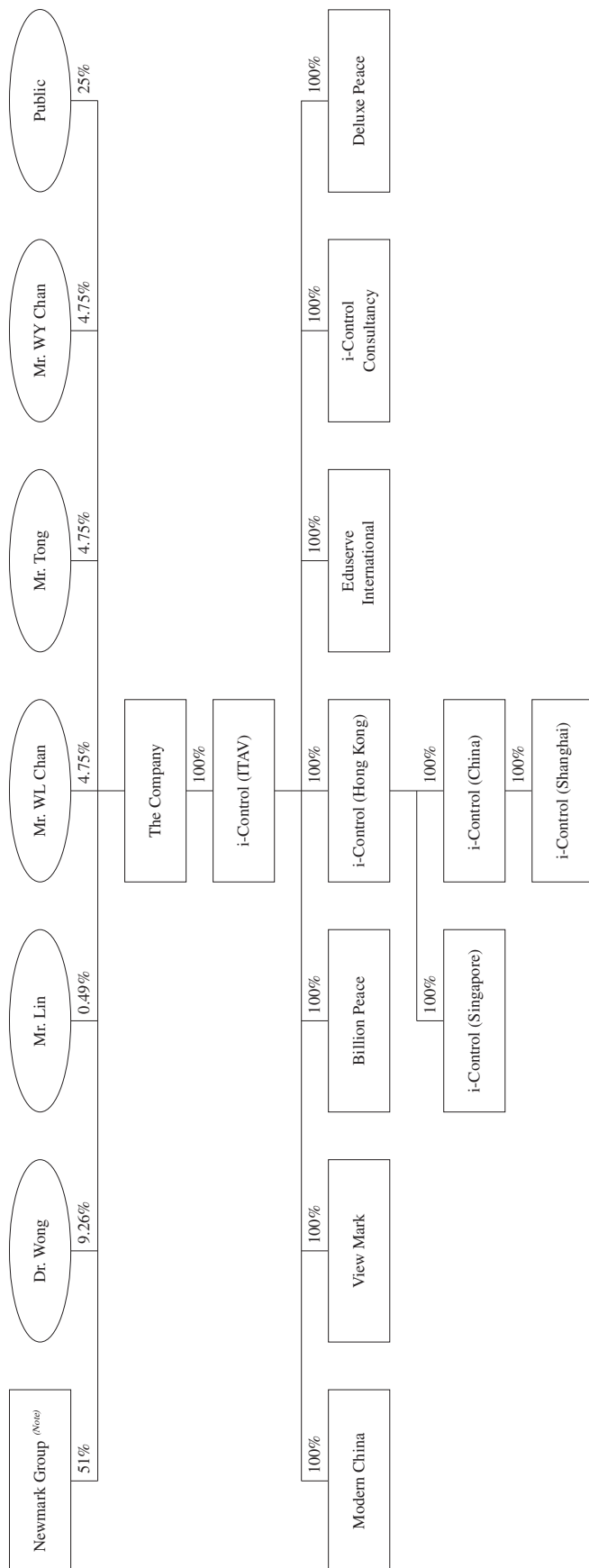


Notes:

- (1) Newmark Group is owned as to 38.6%, 19.8%, 19.8% and 2.0% by Dr. Wong, Mr. WL Chan, Mr. Tong, Mr. WY Chan and Mr. Lin, respectively.
- (2) The remaining 20% shareholding interest in Eduserve International was held by Mr. Poon King Hang, the manager of Eduserve International.
- (3) The remaining 30% shareholding interest in i-Control (China) was held by Mr. Wong To Yan, an ex-employee of our Group.

HISTORY AND GROUP STRUCTURE

The following diagram sets out the shareholding structure of our Group as at 1 April 2016 (being the commencement of the Track Record Period):

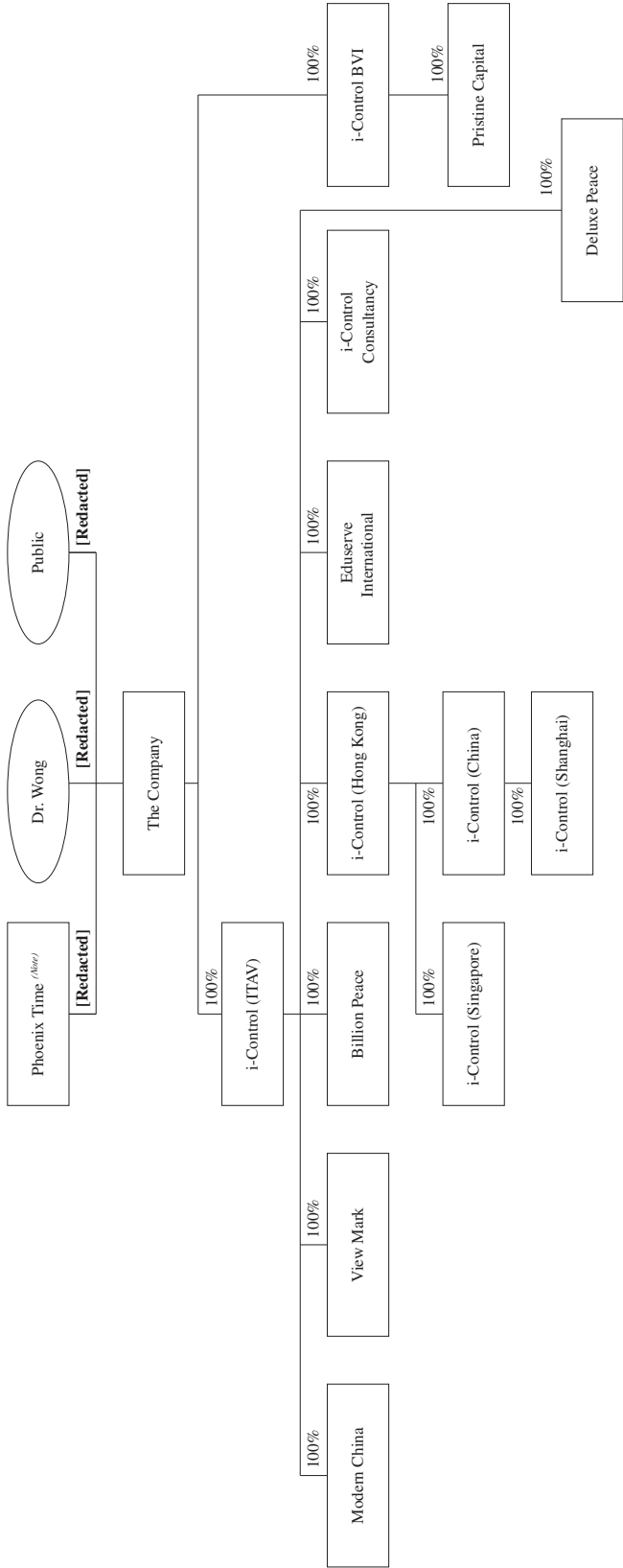


Note:

Newmark Group is owned as to 38.6%, 19.8%, 19.8% and 2.0% by Dr. Wong, Mr. WL Chan, Mr. Tong, Mr. WY Chan and Mr. Lin, respectively.

HISTORY AND GROUP STRUCTURE

The following diagram sets out the shareholding structure of our Group as at the Latest Practicable Date:



Note:

Phoenix Time acquired [REDACTED] of the Shares in issue on, and became a Controlling Shareholder of our Company with effect from, 6 October 2017. Phoenix Time is wholly-owned by Mr. Zhong, our Chairman and executive Director.

BUSINESS

BUSINESS OVERVIEW

We are a Hong Kong-based service provider of (i) VCMA solutions services; and (ii) VCMA maintenance services to our clients during the Track Record Period. We were founded in 1987 and have been in operation for over 32 years to date. Our operations are organised in the following areas: (i) consultation and design; (ii) project management and installation; and (iii) maintenance. According to the Ipsos Report, we accounted for approximately 12.1% of the total estimated revenue in respect of the VCMA solution industry in Hong Kong in 2018 and ranked second in this industry.

Our clients mainly comprise a leading global operator of exchanges and clearing houses in Hong Kong, an international property developer, multi-national enterprises, listed companies, financial services firms, institutions of tertiary education and various contractors during the Track Record Period. Our largest market is Hong Kong, which accounted for approximately 84.5%, 91.8% and 96.9% and 98.8% of our total revenue for the three years ended 31 March 2019 and the three months ended 30 June 2019 respectively. We also had clients based in the PRC, Singapore and Macau during the Track Record Period.

Our suppliers include local distributors of VCMA equipment in Hong Kong and overseas manufacturers and distributors headquartered in the United States, Singapore and Japan. As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers.

OUR COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths:

We are an established VCMA solution provider in Hong Kong

We have been engaged in the VCMA solution industry in Hong Kong since 1987. According to the Ipsos Report, we accounted for approximately 12.1% of the total estimated revenue in respect of the VCMA solution industry in Hong Kong in 2018 and ranked second in the VCMA solution industry in Hong Kong by the same benchmark. Our clients comprised, among others, a leading global operator of exchanges and clearing houses in Hong Kong, an international property developer, multi-national enterprises, listed companies, financial services firms, institutions of tertiary education and various contractors during the Track Record Period. Our Directors consider that with our operating history, reputation and proven track record, we are an established VCMA solution provider in Hong Kong. We believe that the long operating history of our Group and our reputation will assist our Group in obtaining future contracts.

We provide high quality, integrated and tailor-made VCMA solutions to our clients from various industries

Our Directors are of the view that our service quality is the key to our Group's success. We place emphasis on meeting the continuously evolving demands of our clients. Our operating procedures are controlled and monitored to ensure adherence to stringent quality standards. Our staff, including head of technical service, application manager, application engineer, project engineer, technical support manager, solution engineer and service engineer, attend courses organised by our suppliers to improve their technical and product knowledge on a regular basis. For the three years ended 31 March 2019 and the three months ended 30 June 2019, our staff attended 2, 22, 50 and 6 such training courses. The suppliers will award certificates to the staff members who have successfully attended and completed those courses, and are considered to be competent to operate the suppliers' relevant systems and use the relevant products.

BUSINESS

We seek to offer to our clients integrated and tailor-made VCMA solution services and VCMA maintenance services, which range from (i) consultation and design; (ii) project management and installation; to (iii) maintenance. We seek to tailor-make our solutions to suit various requirements and specifications of our clients from a wide spectrum of industries. This has helped us to develop an extensive clientele ranging from a leading global operator of exchanges and clearing houses in Hong Kong, an international property developer, multi-national enterprises to tertiary education institutions and various contractors. We believe that our commitment to high quality tailored services will allow us to better deliver satisfactory works to clients, thereby enhancing our reputation as a quality and reliable VCMA solution provider.

We have an extensive client base

Our top five clients for the three years ended 31 March 2019 and the three months ended 30 June 2019 included a leading global operator of exchanges and clearing houses in Hong Kong, multi-national enterprises, listed companies, a tertiary education institution and various contractors.

We have established long-term relationships with a number of our clients in our 32 years of operations. For example, 6 of our top five clients during the Track Record Period had business relationship with us for over at least 7 years and one of such clients had been doing business with us for over 13 years.

In addition to maintaining relationships with our existing clients, we have been expanding our client base. As at the Latest Practicable Date, we had 21 staff in our sales and marketing department, who are primarily responsible for promoting our services, approaching new clients, responding to enquiries and negotiating quotations with our clients.

With this client profile, we are confident that we can leverage on our reputation and experience to secure future projects and maintain our market position in the industry.

We have been able to secure a stable source of quality VCMA equipment. As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers

Our suppliers include local distributors of VCMA equipment in Hong Kong and overseas manufacturers and distributors which are headquartered in the United States, Singapore and Japan. As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers, 4 of whom had been our top five suppliers in each of the three years ended 31 March 2019 and the three months ended 30 June 2019. For details of the seller arrangement with our suppliers, please refer to the “Business – Our suppliers – Authorised seller” in this [REDACTED] document. Our established business relationships with quality suppliers has enabled us to secure a stable supply of quality VCMA equipment, which has enhanced our capability to provide quality services to our clients. At the same time, our long-term suppliers have been prepared from time to time to offer us discounted prices for their products, which enabled us to purchase such products at lowered prices with reduced costs.

BUSINESS

We have an experienced and dedicated management team

Our Directors believe that our past success and future prospects are based on our experienced management team, which has extensive experience and technical expertise in the VCMA solution business in Hong Kong.

Two of our founders and executive Directors, Mr. Tong and Mr. WY Chan, have more than 30 years of experience in the VCMA solution industry between them. They possess in-depth knowledge of, and insight, into market development and trends of the VCMA solution industry. Mr. Tong is currently responsible for managing the development of our audiovisual business and devising business strategies, while Mr. WY Chan is responsible for our Group’s financial management and is our compliance officer. Our other founder and non-executive Director, Dr. Wong, has extensive experience and knowledge of business management and is responsible for providing strategic advice to our Group.

Mr. WL Chan, another of our executive Directors, joined our Group in 1997 as a sales executive and was promoted to become an executive director of the Company in May 2015. With more than 22 years of VCMA solution industry experience in Hong Kong, Mr. WL Chan has in-depth knowledge of the industry locally and is familiar with our Group’s operations. He is principally responsible for marketing and business promotion of our Group and overseeing our general business operations including approving purchase orders to suppliers and contracts with clients and providing internal training to our Group’s sales staff on general marketing skills and techniques.

In December 2017, our Group appointed 2 additional executive Directors, namely, Mr. Zhong and Mr. Yau, both of whom have many years of business experience and established business networks. For such details, please refer to the “Directors and senior management – Executive Directors” in this [REDACTED] document.

Our Directors believe that our management team’s sound technical knowledge in the VCMA solution industry, extensive commercial experience and business acumen have enabled us to build an extensive clientele, and develop strong expertise in the industry. Going forward, our Directors believe that we will continue to benefit from the sound business judgment and managerial expertise of our management team for expansion of our business.

BUSINESS STRATEGIES

Our principal objectives are (i) to maintain and strengthen our position as one of the leading VCMA solution providers in Hong Kong; and (ii) to expand our market share in the VCMA solution industry in the PRC. We aim to achieve these objectives by implementing the following strategies:

To further expand our capability in respect of sales and marketing as well as engineering and maintenance and enhance their skills, expertise and service quality

Our Directors consider that it is important to maintain and strengthen our position as one of the leading VCMA solution providers in Hong Kong.

BUSINESS

Ever since our Company was listed on GEM in May 2015, our Directors have noted an upward shift in the size of our client base and project scale, which is evidenced by (i) the increase in the total number of clients and projects during the Track Record Period, and (ii) the award of large projects with contract sums of HK\$1 million or above to us during the same period. For example, in the year ended 31 March 2019, we were engaged by an international property investment, management and development group to provide VCMA solution services to one of its office properties in Central, Hong Kong, for a contract sum of approximately HK\$4.2 million. After completion of this engagement, the same client engaged us to upgrade the appearance of one of its Grade-A shopping malls in Central, Hong Kong, with multimedia audiovisual solution to enhance the visual appeal of the shopping mall for a contract sum of approximately HK\$10.7 million.

In the course of performing this client’s engagements, the Directors took note of the high service quality and standard requested by the client and our ability to meet its overall requirements. For the way forward, we would like to continue to enhance our skills level and expertise so that we would be able to deliver more quality products and services to our clients.

Our Directors have also taken note of the increase in demand from property management and development corporations to upgrade their shopping malls in different parts of Hong Kong. To satisfy this demand, we intend to expand our sales and marketing, engineering and maintenance capability with recruitment of additional qualified personnel for the years ending 31 March 2020 and 2021.

In addition, if the [REDACTED] is successfully completed, the Company’s shares would be [REDACTED] on a venue that has generally been perceived by investors to enjoy a premier status in Hong Kong. Our Directors believe that this would enhance the confidence of, and encourage more, domestic and international property investment, management and development groups to engage us for our services.

To expand our coverage in sales and marketing as well as engineering and maintenance in the PRC market

During the Track Record Period, we were engaged by several existing clients of the Group to provide VCMA solution services to their offices which were set up in different parts of the PRC including Shanghai, Beijing, and the Greater Bay Area. Such clients included, for example, (i) a leading global operator of exchanges and clearing houses in Hong Kong; (ii) a China-based financial services group; (iii) a Chinese state-owned telecommunication corporation that provides mobile voice and multimedia services through its nationwide mobile telecommunications network across the PRC; and (iv) a US-based financial services firm offering investment solutions.

BUSINESS

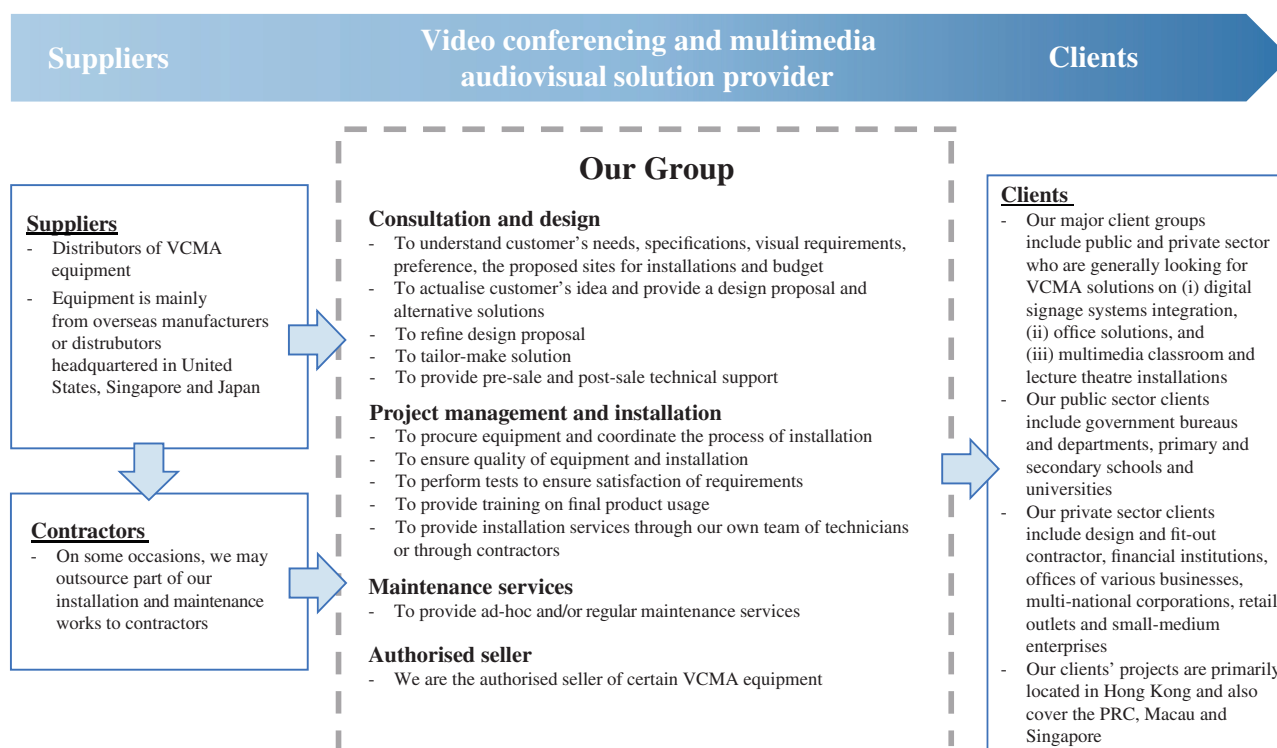
With the PRC Government’s decision to develop the Greater Bay Area, our Directors foresee increasing demand from Hong Kong-based companies to set up satellite offices in the Greater Bay Area and thus provide an opportunity for us to introduce our VCMA solution services to them. Due to the close proximity of Greater Bay Area to Hong Kong, our Directors believe that companies currently in operation (or to be set up) in the Greater Bay Area would adopt Hong Kong’s standard in establishing their office solution. As a result, we are confident of capturing the potential business opportunity which the Greater Bay Area may offer to the Group.

In December 2017, our Group appointed 2 executive Directors, namely, Mr. Zhong and Mr. Yau, both of whom have many years of experience and established business networks in the Greater Bay Area. As at the Latest Practicable Date, we were in negotiation with several companies in the Greater Bay Area for the provision of VCMA solution services.

We plan to expand our coverage for the PRC market and meet the above-mentioned increasing demand for our services in the Hong Kong market by hiring three additional staff in sales and marketing as well as in engineering and maintenance for the years ending 31 March 2020 and 2021. As at the Latest Practicable Date, we had hired a project planning manager, a solution specialist and a senior application manager for this purpose. Our Directors expect that the total expenditure for the expansion would amount to approximately HK\$1.5 million in aggregate for the years ending 31 March 2020 and 2021.

BUSINESS MODEL AND OUR OPERATION

The following diagram depicts our business model and the roles of clients, suppliers and contractors of our Group in the business model.



BUSINESS

During the Track Record Period we generated revenue primarily from the provision of VCMA solution services and VCMA maintenance services in Hong Kong. The following table sets forth the breakdown of our Group’s revenue by these two types of services during the Track Record Period:

Service type	Year ended 31 March						Three months ended 30 June			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
VCMA solution services (Note)	124,253	90.0	144,216	90.9	169,649	91.3	26,900	90.6	29,091	87.5
VCMA maintenance services	13,860	10.0	14,393	9.1	16,065	8.7	2,790	9.4	4,147	12.5
Total:	<u>138,113</u>	<u>100.0</u>	<u>158,609</u>	<u>100.0</u>	<u>185,714</u>	<u>100.0</u>	<u>29,690</u>	<u>100.0</u>	<u>33,238</u>	<u>100.0</u>

Note:

The scope of our services varies from project to project depending on our clients’ needs. Some of our clients may only require us to procure and deliver certain VCMA equipment but do not request us to provide any design or installation services. In carrying out our projects with such limited scope, our Directors do not consider that we are engaging in a separate business line for the following reasons:

- we position ourselves as a service provider of high quality, integrated and tailor-made VCMA solution services. The installation works, together with the consultation and design services that we provide to our clients, distinguish us from being a general equipment reseller, and sales of VCMA equipment constitute an integral part of our business but not a standalone business line;
- we would typically provide consultation of varying degrees to our clients, including, but not limited to: (i) making equipment recommendations; (ii) providing descriptions of the features and functions of certain equipment; (iii) providing equipment demonstrations services (including at the clients’ designated sites); (iv) advising our clients on whether the relevant equipment would be compatible with the existing or surrounding VCMA equipment or system of the clients’ designated sites, where applicable; and (v) providing technical support service in both pre-sale or post-sale stage when our clients face any difficulties in using the products (collectively, the “**Consultation Services**”); and
- clients of the Consultation Services were primarily VCMA solution service providers who would install the VCMA equipment. Such sales represent final sales to us and there would be no return for the equipment sold to them unless the equipment is defective. Hence, the Company has no control over the sales of those equipment by our clients to other parties.

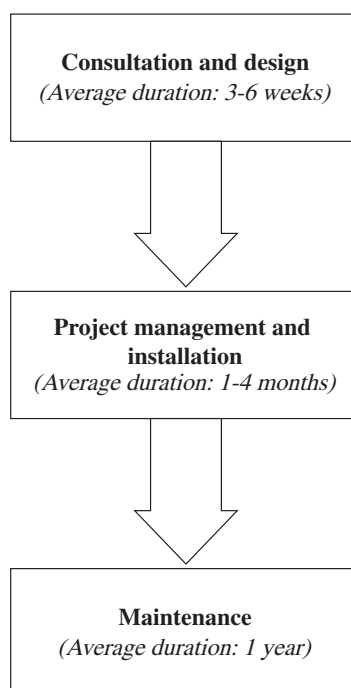
Given that a service element was involved in these projects, our Directors consider that it would not be appropriate to classify them as a separate business line of trading or reselling. During the Track Record Period, we had projects which required us to procure and deliver certain VCMA equipment and solely involved our Consultation Services to various degree as mentioned above (without requiring any design or installation services from our Group). For the same period, the revenue attributable to this kind of project was approximately 8.9%, 10.3%, 7.9% and 20.4% of our total revenue, respectively.

(i) VCMA solution services

We provide our clients with high quality, integrated and tailor-made VCMA solutions that we believe are simple to operate and maintain. We devise a suitable VCMA solution after discussion with our clients, and careful deliberation of our clients’ specific needs. We also recommend, procure and/or install the necessary VCMA equipment that best suits our clients’ requirements.

BUSINESS

Our general operational work-flow is set out in the pattern below:



In general, our project cycle may range from 2 to 6 months (excluding the relevant maintenance period), depending on the project size. We do not offer any fixed package of VCMA solution to our clients. Instead, we devise a wide range of VCMA solutions, that best suit the individual needs of our clients, including digital signage systems integration, multimedia classroom and lecture theatre installations, and office solutions. For the types of VCMA solution services that we provided to our clients during the Track Record Period, please refer to the “Business – Our services” in this [REDACTED] document.

Consultation and design

In general, when our clients approach us, our staff in the sales and marketing department will arrange a consultation with our clients to familiarise ourselves with: (i) their needs and specifications; (ii) the proposed sites for installation of equipment; (iii) their budgets; (iv) their existing VCMA equipment or system, if any; and (v) their desired visual effect requirements and preference.

We will then provide our clients with a design proposal, which is generally presented in the form of drawings and floor plan layouts together with illustrations. Our design proposal also generally includes recommendations in respect of items of equipment, and descriptions of the features and functions of such equipment. In certain cases, we may arrange for an equipment demonstration in order to allow our clients to better understand the operation and features of our suggested equipment. Upon our clients’ request, we may provide photos and catalogues of equipment for their consideration. We continue to refine our design proposal based on the feedback from our clients until they are satisfied with the same.

BUSINESS

When our clients accept our design proposal, we provide them with our quotation, which will generally include a fee breakdown for each item of the equipment and each type of our services to be provided. Our staff in the sales and marketing department are responsible for conducting negotiations with our clients in relation to the quoted fees and scope of services.

In other cases, our clients or their contractors may directly provide us with all the necessary specifications and drawings for us to prepare the quotation or tender for our clients' consideration.

If our clients are prepared to accept our quotation or tender, we may require our clients to settle on a range from 10% to 50% of the total amount of fee as prepayment. In determining whether to require our clients to settle such prepayment, we will generally take into account a number of factors, including (i) our relationship with our clients including the length of such relationship; (ii) the relevant contract sum; and (iii) our clients' background. We generally issue invoices to our clients for the remaining balance of our total fee upon delivery of equipment and completion of the installation. We generally allow an average credit period of 30 days to our clients. In some cases, our clients will request the right to withhold approximately 5% of our total agreed contract sum due to us as retention monies. The retention monies are generally released to us after the expiry of our standard one-year maintenance service period.

Project management and installation

After our client has confirmed its acceptance of our quotation or tender, we will generally form a project team to manage the project, which will usually comprise a project manager, a solution specialist, an engineer and a project co-ordinator.

In certain situations, our projects may only form part of our clients' entire refurbishment project, and the remaining parts will be handled by other contractors engaged by our clients, including interior designers and network and electrical engineers. In such cases, we co-operate with those contractors to ensure that our solutions provided to our clients would complement the works of such contractors and thereby conform to the overall design of the refurbishment project.

In this connection, we attend regular meetings with our clients and/or their contractors to refine our solutions to be provided to our clients, keep ourselves updated about the progress of our clients' entire refurbishment projects, raise any issues encountered and co-ordinate schedules to ensure smooth and prompt performance of our respective installation works.

After formation of our project team, we then generally proceed to procure the equipment required. We will firstly check our warehouse to determine if our inventory contains a sufficient number of the required equipment. If not, we will place orders with our suppliers to meet the shortfall. The ordered equipment is usually delivered to our warehouse but, in some situations, it may be delivered directly to our clients' sites for installation. In general, we only maintain inventory for certain items such as projectors and display systems, video conferencing systems and interactive systems, which can be sold and delivered to our clients immediately upon receipt of their orders. For details of our inventory control measures, please refer to the "Business – Our suppliers – Inventory" in this [REDACTED] document. The time required for delivery depends on the location of our suppliers' distribution points, and generally takes one to two weeks. We will inspect the equipment after it is delivered to our warehouse or clients' sites. If defective equipment is identified, it will be returned to our suppliers for replacement.

BUSINESS

If our clients require certain equipment of a particular brand, but it is out of stock or not readily available in the market, we will inform our clients and recommend other suitable equipment as substitutes, and, if applicable, variation orders with the fee quotes for the revised equipment and services will be negotiated between us and our clients. For some projects, our clients may request us to provide services or procure equipment beyond the original scope of our services, we will provide them with our supplemental quotations for the additional services or equipment.

As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers. Our Directors believe that, as a result of these arrangements, we have been able to procure quality VCMA equipment from a stable source of supply. In some cases, we had clients who placed purchase orders with us for VCMA equipment as we had entered into selling arrangements with suppliers in respect of such equipment in Hong Kong and Macau, with or without design or installation services from our Group, depending on our clients’ requests.

Depending on our clients’ specific needs, we may offer various types of customised solutions with flexible combinations of our services. For instance, some of our clients may only require us to procure and deliver certain VCMA equipment without our involvement in any design or installation works, whereas other clients may request to have all of our consultation and design, project management and installation services. During the Track Record Period, we had projects which required us to procure and deliver certain VCMA equipment involving our Consultation Services. For the same period, the revenue attributable to this kind of project was approximately 8.9%, 10.3%, 7.9% and 20.4% of our total revenue, respectively.

Our team of technicians generally carry out installation; however, on some occasions, we may outsource part of our work to contractors, who are Independent Third Parties. Upon completion of the installation work, we will carry out a user acceptance test which generally comprises a series of performance checks to ensure that the installed equipment and installation services that we have provided are able to meet the standards as agreed with our clients. We normally require our clients to sign a commissioning form which will evidence our completion of the user acceptance test. Our Directors believe that this arrangement can avoid future disputes concerning the quality and installation of the equipment. After our clients sign the commissioning form, we will issue invoices to them for the remaining balance of the total fee. We generally allow an average credit period of 30 days to our clients.

After the installed equipment is in operation, we will circulate to our clients a set of user manuals which sets out the functions and operational details of those equipment for their future reference. Depending on our clients’ needs and requests, we normally provide one to three sessions of free training to our clients on how to operate the installed equipment.

BUSINESS

Maintenance

Our quotation or tender will normally include a standard one-year maintenance service to our clients in relation to the equipment installed by us with unlimited visits. Subject to negotiation with our clients, after completion of the standard one-year maintenance services period, they may engage us to provide them with VCMA maintenance services (see (ii) below).

(ii) VCMA maintenance services

In general, our maintenance services include: (i) telephone calls support or repair visits; (ii) replacement and equipment on-loan services where any equipment becomes defective during the maintenance period; and (iii) monthly preventive maintenance visits, depending on our clients’ requirements. Our preventive maintenance generally refers to complete instrument cleaning services, functional inspections and checkings, as well as hardware adjustments and testings (excluding the cost of spare parts used for replacement). Through our service hotline, our clients may consult our staff on technical issues that they encounter during operation. In the event that the reported issues concern the operational usage of the equipment, we generally respond to our clients within the same day upon receipt of their calls. Based on the information available, we will provide suggestions or solutions for resolving the reported issues, and, where applicable, coordinate with our technicians to: (i) confirm the problems of the defective equipment; (ii) arrange for on-site remedial actions; (iii) schedule for the dismantling and return of the relevant equipment; and (iv) prepare a service or maintenance report after each on-site visit. Further, if the defective equipment cannot be immediately repaired, we will normally loan similar equipment temporarily to our client until the repair is completed. We also provide maintenance services to clients whose equipment are not installed by us.

We aim to provide on-site support to our clients within the next business day following our clients’ inquiries or requests. If our clients require on-site support after business hours or require emergency service, we will charge them an extra hourly fee based on the schedules set out in the maintenance service agreements. Depending on our clients’ needs, we may also station technicians at our clients’ designated venues for a specified period to provide on-site support services.

Hardware repair service is generally covered by the warranty provided by the relevant hardware suppliers, generally for one year. Therefore, for repairing hardware, our work scope is limited to: (i) liaising with the relevant suppliers on our clients’ behalf for replacement or repair services; and (ii) arranging for the installation of the hardware delivered by the relevant suppliers as replacement.

Operation mode in other jurisdictions

The PRC

During the Track Record Period, our PRC subsidiary, i-Control (Shanghai), a PRC Enterprise Income Tax taxpayer, was the party primarily executing the contracts in respect of our projects located in the PRC. Such projects were principally processed by our PRC staff member in our PRC subsidiary. The Directors confirm that we outsourced the system installation work for our PRC projects to contractors in the PRC who are Independent Third Parties, while PRC staff member would carry out day-to-day monitoring work to ensure if the contractors’ performance was in line with our standards. Our PRC subsidiary received income and bore the contracting fees in respect of such contracts.

BUSINESS

During the Track Record Period, the VCMA equipment installed by us for our projects in the PRC were principally procured locally by our PRC subsidiary. However, in some cases where such equipment is unavailable in China, it would be procured and shipped from Hong Kong.

Macau

During the Track Record Period, i-Control (Hong Kong) and Eduserve International, both being Hong Kong Profits Tax taxpayers, were the parties executing all the contracts of our projects located in Macau. Our Macau projects were processed by our staff in Hong Kong. i-Control (Hong Kong) and Eduserve International, as the case may be, outsourced the relevant system installation work to contractors in Macau who are Independent Third Parties.

During the Track Record Period, items of VCMA equipment installed were procured in Hong Kong and then shipped to Macau according to our clients’ instructions. Clients of the projects settled the payments to i-Control (Hong Kong) and Eduserve International, as the case may be, in Hong Kong.

Singapore

i-Control (Singapore), a Singapore Corporate Tax taxpayer, was the party executing all the contracts of our projects located in Singapore during the Track Record Period.

Our Singapore projects were processed by our staff member in Hong Kong as i-Control (Singapore) has no permanent staff. i-Control (Singapore) outsourced system installation work and maintenance services to contractors in Singapore who are Independent Third Parties.

The VCMA equipment to be installed were procured and shipped from Hong Kong. i-Control (Singapore) outsourced and will continue to outsource system installation work to contractors in Singapore who are independent Third Parties. If such equipment was unavailable in Hong Kong, it would be purchased by our Singapore dealer.

OUR SERVICES

The following paragraphs set out the typical types of the VCMA solutions we provided to our clients during the Track Record Period:

Digital signage systems integration

Our digital signage systems are generally used for advertising or delivering real-time information to viewers in public. Therefore, our clients usually have stringent requirements on the size, quality and functionality of the signage display we use. In the event that our clients demand an exceptionally large video display that is not readily available in the market, we may mount a number of display panels such as LCD, LED and OLED together to form a single large video wall in order to produce the visual effects required by our clients. In one of our projects, for example, we have decorated the entrance area of our client’s A-Grade shopping mall in Central, Hong Kong.

BUSINESS

Office solutions

The targeted clients of our office solution services include an international property developer, financial institutions including banks, investment companies and technology companies. We incorporate a number of audiovisual features in our solutions to enhance users’ interactive experience. For instance, our multi-source conferencing system enables presentations and video conferences to be conducted simultaneously. Users are able to read the presentation materials from a giant display panel on the main wall, and have a real-time distance meeting with other parties via displays on the side walls at the same time. Our system supports multi-site conferences and the number of site depends on equipment capacity. We believe that our office solutions would benefit our clients by reducing their travelling time and expenses.

Multimedia classroom and lecture theatre installations

Our multimedia classroom and lecture theatre installations services target educational institutions. Our solutions are designed to provide a digital training, seminar and discussion platform for our clients. We recognise from discussions with our clients that they may from time to time conduct training or seminar sessions with a significant number of overseas participants. To meet such needs, we have developed a special video conference system for use in public and in auditoriums whereby the speakers may access and control all the audiovisual equipment via a control panel. This could be demonstrated in the lecture theatre of a local university where among others, the different compartments/facilities/devices such as the audio visual system, projectors, microphones, lighting, curtain and translation system are connected to the control system to improve the user-friendliness of the lecture theatre. Such systems help to significantly reduce the time involved in setting up the equipment and enable presentations to be delivered in a smooth and efficient manner.

OUR PROJECTS

The following table summarises the types of projects of our VCMA solution services undertaken by the Group during the Track Record Period:

	Year ended 31 March									Three months ended 30 June					
	2017			2018			2019			2018			2019		
	Number of	Total	Revenue	Number of	Total	Revenue	Number of	Total	Revenue	Number of	Total	Revenue	Number of	Total	Revenue
	contracts	contract	recognised	contracts	contract	recognised	contracts	contract	recognised	contracts	contract	recognised	contracts	contract	recognised
	undertaken	sum	sum	undertaken	sum	sum	undertaken	sum	sum	undertaken	sum	sum	undertaken	sum	sum
		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000
												(unaudited)			
large projects	27	54,826	48,508	34	67,515	62,887	39	80,294	74,150	12	18,114	9,421	9	25,682	8,893
medium projects	182	53,281	47,769	192	55,850	53,471	222	64,529	61,101	52	14,427	10,488	70	18,667	11,393
small projects	2,128	28,936	27,976	1,966	28,656	27,858	2,081	35,266	34,398	476	7,651	6,991	538	10,023	8,805
Total	2,337	137,043	124,253	2,192	152,021	144,216	2,342	180,089	169,649	540	40,192	26,900	617	54,372	29,091

BUSINESS

During the Track Record Period, we mainly provided VCMA solution services to our clients in Hong Kong. We also have clients based in the PRC, Singapore and Macau. As at the Latest Practicable Date, we had one subsidiary in Shanghai, the PRC and one subsidiary in Singapore.

The following table sets forth the breakdown of the number of projects in respect of VCMA solution services undertaken by our Group during the Track Record Period based on geographical location:

Location	For the year ended 31 March			For the three months ended 30 June	
	2017	2018	2019	2018	2019
Hong Kong	2,262	2,154	2,276	526	604
The PRC	22	19	16	7	9
Singapore	3	–	13	4	–
Macau	50	19	37	3	4
Total:	<u>2,337</u>	<u>2,192</u>	<u>2,342</u>	<u>540</u>	<u>617</u>

Insofar as VCMA maintenance services are concerned, they were mainly performed in Hong Kong during the Track Record Period.

The following table sets forth the breakdown of our revenue by geographical locations of our clients during the Track Record Period:

	Year ended 31 March						Three months ended 30 June			
	2017		2018		2019		2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)									
Hong Kong	116,644	84.5	145,529	91.8	180,018	96.9	28,452	95.8	32,842	98.8
The PRC	14,111	10.2	12,239	7.7	3,865	2.1	1,072	3.6	229	0.7
Singapore	737	0.5	–	–	563	0.3	75	0.3	–	–
Macau	6,621	4.8	841	0.5	1,268	0.7	91	0.3	167	0.5
Total:	<u>138,113</u>	<u>100.0</u>	<u>158,609</u>	<u>100.0</u>	<u>185,714</u>	<u>100.0</u>	<u>29,690</u>	<u>100.0</u>	<u>33,238</u>	<u>100.0</u>

BUSINESS

OUR CLIENTS

The end-users of VCMA solutions can be generally divided into two categories, namely: (i) the public sector, which refers to Government bureaus and departments, primary and secondary schools, and universities; and (ii) the private sector, which refers to parties other than the public sector, including, but not limited to, banks, offices of various businesses, multi-national corporations, retail outlets and small-medium sized enterprises. During the Track Record Period, we primarily undertook projects in (i) both the public and private sectors in Hong Kong; and (ii) the private sector in the PRC, Singapore and Macau. The following table sets forth the breakdown of our revenue by our projects in public and private sectors during the Track Record Period:

	2017		Year ended 31 March 2018		2019		Three months ended 30 June 2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Private sector	114,392	82.8	134,458	84.8	160,196	86.3	25,616	86.3	29,251	88.0
Public sector	23,721	17.2	24,151	15.2	25,518	13.7	4,074	13.7	3,987	12.0
Total	<u>138,113</u>	<u>100.0</u>	<u>158,609</u>	<u>100.0</u>	<u>185,714</u>	<u>100.0</u>	<u>29,690</u>	<u>100.0</u>	<u>33,238</u>	<u>100.0</u>

In certain situations, end-users may not directly engage us for our VCMA solutions, but through their contractors. As such, during the Track Record Period, our clients generally included both (i) end-users; and (ii) contractors engaged by the end-users.

Our top five clients for the three years ended 31 March 2019 and the three months ended 30 June 2019 were Independent Third Parties and comprised a leading global operator of exchanges and clearing houses in Hong Kong, multi-national enterprises, listed companies, a tertiary education institution and various contractors. For the three years ended 31 March 2019 and the three months ended 30 June 2019, our total revenue attributable to our top five clients amounted to approximately HK\$48.3 million, HK\$46.1 million, HK\$65.0 million and HK\$10.6 million, respectively, accounting for approximately 35.0%, 29.1%, 35.0% and 31.8% of our total revenue, respectively. During the same period, our revenue generated from sales to our top client amounted to approximately 14.9%, 11.1%, 20.4% and 11.4% of our total revenue, respectively.

BUSINESS

The following tables set forth the details of our top five clients during the Track Record Period:

For the year ended 31 March 2017

Client	Background	Project nature (public/private sector)	Length of business relationship with our Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Approximate sales amount (HK\$'000)	Approximate % of our total revenue (%)
Client A	A leading global operator of exchanges and clearing houses in Hong Kong	Private	9	30 days	Bank transfer	20,568	14.89
Client B	A tertiary education institution in Hong Kong	Public	8	30 days	Bank transfer	7,504	5.43
Client C	A company providing ICT, ELV solutions in Hong Kong	Private	13	30 days	Cheque	7,264	5.26
Client D	A PRC-based insurance company in Hong Kong	Private	6	30 days	Cheque	7,145	5.17
Client E	A US-based casino in Macau	Private	5	30 days	Bank transfer	5,849	4.23

For the year ended 31 March 2018

Client	Background	Project nature (public/private sector)	Length of business relationship with our Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Approximate sales amount (HK\$'000)	Approximate % of our total revenue (%)
Client A	A leading global operator of exchanges and clearing houses in Hong Kong	Private	9	30 days	Bank transfer	17,608	11.10
Client F	A US-based company specialising in commercial property and investment management in Hong Kong	Private	2	30 days	Bank transfer	14,010	8.83
Client G	A US-based company offering investment solutions in Hong Kong	Private	7	30 days	Bank transfer	6,717	4.23
Client H	A global design company in Hong Kong	Private	9	30 days	Bank transfer	3,995	2.52
Client D	A PRC-based insurance company in Hong Kong	Private	6	30 days	Cheque	3,770	2.38

BUSINESS

For the year ended 31 March 2019

Client	Background	Project nature (public/private sector)	Length of business relationship with our Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Approximate sales amount (HK\$'000)	Approximate % of our total revenue (%)
Client A	A leading global operator of exchanges and clearing houses in Hong Kong	Private	9	30 days	Bank transfer	37,880	20.40
Client I	A global distributor, retailer, and marketer of lifestyle apparel, footwear, and accessories in Hong Kong	Private	6	30 days	Bank transfer	8,848	4.76
Client H	A global design company in Hong Kong	Private	9	30 days	Bank transfer	7,147	3.85
Client J	A manufacturing company for window frame, building and construction services in Hong Kong	Private	2	30 days	Cheque	6,093	3.28
Client C	A company providing ICT, ELV solutions in Hong Kong	Private	13	30 days	Cheque	4,988	2.69

For the three months ended 30 June 2019

Client	Background	Project nature (public/private sector)	Length of business relationship with our Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Approximate sales amount (HK\$'000)	Approximate % of our total revenue (%)
Client A	A leading global operator of exchanges and clearing houses in Hong Kong	Private	9	30 days	Bank transfer	3,792	11.41
Client H	A global design company in Hong Kong	Private	9	30 days	Bank transfer	2,204	6.63
Client K	A licensed bank in Hong Kong	Private	8	30 days	Cheque	1,616	4.86
Client L	A professional information technology and electrical and mechanical infrastructure service provider in Hong Kong	Private	1	30 days	Cheque	1,569	4.72
Client M	A decoration contractor in Hong Kong	Private	1	30 days	Cheque	1,375	4.14

BUSINESS

As at the Latest Practicable Date, save for an insignificant amount of shares held in Client A, which is a company whose shares are listed on the Stock Exchange, for investment purpose from time to time, each of our Directors, Shareholders (which to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) or his/its respective close associates do not hold any interest in any of our top five clients during the Track Record Period.

Major contractual terms

From time to time, we receive requests from our clients for quotations and invitations to tender and may subsequently be engaged to provide VCMA solutions based on our clients’ needs. Save and except that there may be variation orders or supplemental orders placed by our client in the same project, our engagements with our clients are on a project basis and are generally non-recurring in nature. Except for the maintenance service agreements with our clients which generally last for one year, we did not enter into any long-term agreements with our clients during the Track Record Period. The major contract terms with our clients typically include, amongst others, the following:

(i) VCMA solution services

Key terms

General description

Scope of work and equipment to be purchased

This is generally in the form of a price list with breakdown of the unit price of each equipment to be installed and the service fee for certain scope of work to be performed.

Completion date

A project is generally completed (excluding maintenance service) when our client has performed the user’s acceptance test and signs off the commissioning form.

Terms of payment

We may require our clients to settle on a range from 10% to 50% of the total fee upon their acceptance of our quotation as prepayment.

We generally issue an invoice to our clients for the outstanding payment upon delivery of equipment and completion of the projects. We generally allow an average credit period of 30 days to our clients.

In most scenarios, our clients settle our invoices by cheque or bank transfer. In general, our clients in Hong Kong and Macau settle our invoices in Hong Kong dollars, while our clients in the PRC and Singapore settle our invoices in RMB and Singapore dollars, respectively.

Anti-collusion

For projects obtained through tender, we are required not to communicate with any person other than our client the amount of any tender or otherwise collude with any other person to adjust the amount of any tender.

BUSINESS

Key terms	General description
Compensation	In the event that we are unable to complete our work to the satisfaction of our clients within the specified time period, we may be required to compensate our clients at a pre-agreed rate of damages.
Retention	Some of our clients may retain approximately 2.5% to 10% of the contract price until the one-year maintenance period expires.
Key terms	General description
Warranty period	Products provided to our clients are generally covered by a warranty period of 12 months.
Intellectual property rights	Some of our clients may require us to undertake that products supplied by us do not infringe the intellectual property rights of any third party.
(ii) VCMA maintenance services	
Key terms	General description
Scope of work	Description of the particular type of VCMA system, form of service required and the maintenance fee. Form of service required generally sets out the number of on-site service calls or repair visits and number of on-site preventive maintenance visits included in the service contract.
Duration	Our maintenance services typically last for a period of 12 months.
Terms of payment	We generally issue an invoice to our clients for the pre-paid service fee upon conclusion of a service contract.
Termination	Some of our clients may at any time at its option on giving us certain months’ prior written notice to terminate the service contract.

SALES AND MARKETING

As at 30 June 2019, we had 21 staff in our sales and marketing department who were primarily responsible for promoting our VCMA solution services, organising marketing activities, approaching new clients, responding to enquiries from our potential clients and negotiating quotations with our clients. We obtained the projects in the public sector during the Track Record Period by regularly checking the Government’s websites to identify potential projects and/or by receipt of invitations from the Government to submit tenders for its projects. According to the Directors, approximately 22% of our projects with contract value higher than HK\$1 million were obtained by way of tender. During the Track Record Period, we did not engage any external salesman, distributor or trading company for our VCMA solution services.

BUSINESS

During the Track Record Period, we carried out our marketing activities generally through the following channels: (i) search engine marketing; (ii) electronic direct marketing; (iii) social media; (iv) Company’s website update; and (v) co-hosting industry events, e.g. workshops and product showcase.

We adopt a sales incentive scheme for our staff in our sales and marketing department. Apart from the basic monthly salary, our staff in our sales and marketing department are generally entitled to a commission which is calculated by reference to the gross operating profit derived from the orders and projects handled by such staff in the relevant month. For details of our employees benefit schemes, please refer to the “Business – Our employees” in this [REDACTED] document.

For the three years ended 31 March 2019 and the three months ended 30 June 2019, our promotion and exhibition expenses amounted to approximately HK\$365,000, HK\$412,000, HK\$460,000 and HK\$81,000, respectively, representing approximately 5.8%, 5.9%, 7.0% and 4.3% of our other operating expenses for the same periods.

Notwithstanding that our engagements with clients are on a project basis, our Directors consider that we have recurring customers as the life cycle of the equipment installed is generally around three to four years because, based on their experience: (i) the term of tenancy in Hong Kong for office premises is generally around three years, and if clients need to relocate to new office premises upon expiry of the original tenancy, they may prefer having new equipment at the new offices rather than relocating the old one; (ii) equipment aged more than three years may not be compatible with the prevailing technology; and/or (iii) the maintenance costs for equipment aged more than three years are generally substantial. Further, according to the Ipsos Report, more schools in Hong Kong are going to use more VCMA products to improve teaching quality in the future, which our Directors believe will in turn create a stable source of business opportunities for the VCMA solution industry.

In addition, our Directors consider that providing maintenance services enables us to consolidate our business relationships with, and keep track of the changing needs of our existing clients, and to become familiar with our new clients’ needs. We are able to provide them with continuing consultation with updated information on VCMA technology, and therefore explore new business opportunities.

Our Directors consider that there is no seasonal fluctuation in the demand for our VCMA solutions.

PRICING

The equipment fee and service fee included in our quotation or tender are generally based on our cost estimates plus certain mark-up margins. Our cost estimates as to our equipment and services to be provided will generally take into account a number of factors, including (i) the scope of our services; (ii) complexity of the design and installation works; (iii) duration of the project; (iv) costs of equipment to be procured and installed; (v) the level of human resources to be involved; (vi) additional services to be provided such as training and on-site maintenance; and (vii) general market conditions. In determining the mark-up margins, we will generally take into account a number of factors, including (i) quantity of equipment ordered by our clients; (ii) our inventory of the equipment required; (iii) our relationship with our clients; (iv) risk factors; and (v) historical fees we received for similar equipment or services.

The amount of our annual maintenance service fee depends on a number of factors, including (i) the size and complexity of the equipment involved; (ii) the life cycle of the equipment; (iii) the number of our staff to be involved; and (iv) the scope of maintenance services.

In securing projects in the PRC, Macau and Singapore, in view of the difference in their operation environment as compared to Hong Kong, we will also consider certain additional factors arising from the differences in the tax systems and regulatory environment in the PRC, Macau and Singapore.

As such, our Directors adopt consistent pricing policy and operation mode with no material difference in respect of projects in Hong Kong, the PRC, Macau and Singapore.

BUSINESS

OUR SUPPLIERS

Our suppliers include local distributors of VCMA equipment in Hong Kong and overseas manufacturers and distributors headquartered in the United States, Singapore and Japan. Our total purchases for the year/period (“**Total Purchases**”) are calculated as the sum of purchases of equipment and outsourced installation costs, which amounted to approximately HK\$80.3 million, HK\$96.1 million, HK\$114.4 million and HK\$19.9 million for the three years ended 31 March 2019 and the three months ended 30 June 2019, respectively.

For the three years ended 31 March 2019 and the three months ended 30 June 2019, our top five suppliers were Independent Third Parties and our purchases from them amounted to approximately HK\$25.7 million, HK\$29.7 million, HK\$50.0 million and HK\$11.2 million, accounting for approximately 32.0%, 30.9%, 43.8% and 56.7% in aggregate of our Total Purchases, respectively. For the same periods, our top supplier accounted for approximately 7.7%, 8.6%, 14.2% and 19.6% of our Total Purchases, respectively.

The following tables set forth the details of our top five suppliers during the Track Record Period:

For the year ended 31 March 2017

Supplier	Background	Types of goods/services provided by our supplier	Length of business relationship with our Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Purchase amount (HK\$'000)	Approximate % of our Total Purchases (%)
Supplier A	A U.S.-based company engaged in the production and sales of automation solution and collaborative technologies in Hong Kong	Automation solution and collaborative technologies	7 years	30 days	Bank transfer	6,176	7.69
Supplier B	A PRC-based company engaged in the sales of conferencing system in Hong Kong	Conferencing system	7 years	30 days	Cheque	6,006	7.48
Supplier C (Acquired by Supplier G in June 2017)	A U.S.-based company engaged in the production and sales of projection system, mounting and storage accessories of projection, conferencing system in Hong Kong	Projection screen, mounting and storage accessories of projection equipment, conferencing system	32 years	90 days	Bank transfer	5,357	6.67
Supplier D	A Japan-based company engaged in the production and sales of projectors and printers in Hong Kong	Projectors and printers	8 years	30 days	Cheque	4,216	5.25
Supplier E	A Singapore-based company engaged in sales of professional displays of a Dutch brand in Hong Kong	Professional displays	8 years	30 days	Bank transfer	3,972	4.94

BUSINESS

For the year ended 31 March 2018

Supplier	Background	Types of goods/services provided by our supplier	Length of business relationship with our Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Purchase amount (HK\$'000)	Approximate % of our Total Purchases (%)
Supplier F	A U.S.-based company engaged in the production and sales of audio system in Hong Kong	Audio system	6 Years	30 days	Cheque	8,222	8.55
Supplier A	A U.S.-based company engaged in the production and sales of automation solution and collaborative technologies in Hong Kong	Automation solution and collaborative technologies	7 years	30 days	Bank transfer	6,169	6.42
Supplier E	A Singapore-based company engaged in sales of professional displays of a Dutch brand in Hong Kong	Professional displays	8 years	30 days	Bank transfer	5,210	5.42
Supplier G	A French-based company engaged in the production and sales of projection system, mounting and storage accessories of projection, conferencing system in Hong Kong	Projection screen, mounting and storage accessories of projection equipment, conferencing system	32 years	90 days	Bank transfer	5,133	5.34
Supplier H	A PRC-based company engaged in the production and sales of LED displays	LED displays	3 years	30 days	Cheque	4,931	5.13

BUSINESS

For the year ended 31 March 2019

Supplier	Background	Types of goods/services provided by our supplier	Length of business relationship with our Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Purchase amount (HK\$'000)	Approximate % of our Total Purchases (%)
Supplier F	A U.S.-based company engaged in the production and sales of audio system in Hong Kong	Audio system	6 years	30 days	Cheque	16,199	14.16
Supplier A	A U.S.-based company engaged in the production and sales of automation solution and collaborative technologies in Hong Kong	Automation solution and collaborative technologies	7 years	30 days	Bank transfer	11,464	10.02
Supplier E	A Singapore-based company engaged in sales of professional displays of a Dutch brand in Hong Kong	Professional displays	8 years	30 days	Bank transfer	8,058	7.05
Supplier B	A PRC-based company engaged in the sales of conferencing system in Hong Kong	Conferencing system	7 years	30 days	Cheque	7,280	6.37
Supplier G	A French-based company engaged in the production and sales of projection system, mounting and storage accessories of projection, conferencing system in Hong Kong	Projection screen, mounting and storage accessories of projection equipment, conferencing system	32 years	90 days	Bank transfer	7,044	6.16

BUSINESS

For the three months ended 30 June 2019

Supplier	Background	Types of goods/services provided by our supplier	Length of business relationship with out Group as at the Latest Practicable Date (approximate number of years)	Credit term	Payment method	Purchase amount (HK\$'000)	Approximate % of our Total Purchases (%)
Supplier F	A U.S.-based company engaged in production and sales of audio system in Hong Kong	Audio system	6 years	30 days	Cheque	3,888	19.58
Supplier A	A U.S.-based company engaged in production and sales of automation solution and collaborative technologies in Hong Kong	Automation solution and collaborative technologies	7 years	30 days	Bank transfer	2,337	11.77
Supplier E	A Singapore-based company engaged in sales of professional displays of a Dutch brand in Hong Kong	Professional displays	8 years	30 days	Bank transfer	2,208	11.12
Supplier D	A Japan-based company engaged in production and sales of projectors and printers in Hong Kong	Projectors and printers	8 years	30 days	Cheque	1,443	7.27
Supplier I	A Hong Kong-based company engaged in sales of audio-visual systems	Speakers and amplifiers	8 years	30 days	Cheque	1,372	6.91

As at the Latest Practicable Date, none of our Directors, Shareholders (which to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five suppliers during the Track Record Period.

We select our suppliers based on a number of factors, including their (i) equipment quality; (ii) reputation; (iii) price; (iv) supply capacity; (v) time of delivery; and (vi) market share. We also constantly monitor and evaluate the ability of our current and potential suppliers to meet our quality requirements and demands. We typically procure VCMA equipment from different suppliers so as to avoid reliance on a particular supplier, thereby minimising the risk of a supplier failing to deliver VCMA equipment of a particular type in a timely manner. During the Track Record Period, we did not experience any material difficulties in obtaining any of our VCMA equipment to meet our demands in a timely manner and did not have any material disputes with our suppliers.

BUSINESS

Major contractual terms

We normally place purchase orders with our suppliers for VCMA equipment. The major contractual terms with our suppliers typically include, amongst others, the followings:

Key terms

General description

Specifications and quantities of equipment to be purchased

This is generally in a form of price list showing the unit price and specifications of each equipment.

Delivery

The ordered equipment is usually delivered to our warehouse but in some situations, we may arrange for direct delivery of the same to our clients’ designated site for installation.

For overseas suppliers, the costs of transportation, including freight charges, international handling fees and insurance costs (where applicable), are generally borne by us. If the equipment is damaged during delivery, liability will generally rest with us and is covered by insurance.

Terms of payment

Our suppliers generally require us to settle 30-50% of the total purchase price upon their confirmation of our purchase orders as prepayment.

Our suppliers generally issue an invoice to us for the outstanding payment upon delivery of the equipment. The average credit period on purchase of goods is 30 days.

In most scenarios, we settle our invoice by cheque or telegraphic transfer. In general, for suppliers having distribution points in Hong Kong, we settle their invoices in Hong Kong dollars; and for suppliers in the United States, Singapore and Japan, we settle their invoices in local currencies, as the case may be.

Product return

After the arrival of the equipment, we will examine the same and report to the relevant suppliers if defective goods are found. Our suppliers then arrange for replacement of the equipment to us and bear all the relevant costs.

The defective goods is then delivered back to the relevant suppliers and we generally bear the costs of delivery incurred in the product return.

Product return is not common within our Group.

Warranty period

Our suppliers generally grant us a warranty period of one year for the equipment.

BUSINESS

Outsourcing

During the Track Record Period, we outsourced some of our system installation work to contractors who are Independent Third Parties because outsourcing would: (i) minimise the need to employ a large workforce including skilled labour in different specialised areas; and (ii) increase flexibility and cost effectiveness in carrying out the contracts. For the three years ended 31 March 2019 and the three months ended 30 June 2019, the cost for outsourcing our system installation work to contractors accounted for approximately 12.2%, 11.9%, 12.8%, and 8.9% of our cost of inventories sold including installation cost, respectively. Our Directors consider that we maintain a good business relationship with our contractors.

During the Track Record Period, we had maintained relationship with a number of contractors for the purpose of (i) closely monitoring if their performance met our standards; (ii) evaluating their performance in terms of efficiency, service quality, responsiveness to our requests and fee levels, after completion of each project; and (iii) continuously exploring establishment of relationship with potential new contractors. Having taken these steps, the Directors consider that the apparent risks of relying on these contractors for the provision of certain system installation work of our projects are minimal.

Inventory

Our inventory primarily includes, without limitation, projector and display system, audio and video conference system and professional audio-visual system.

In most situations, we place purchase orders with our suppliers for the VCMA equipment after finalising the specification and quantity of VCMA equipment to be installed and/or to be purchased by our clients. Therefore, our inventory is maintained at a minimal level for those commonly purchased VCMA equipment such as projector and display system, video conference system and interactive system. We maintain our inventory at a level which is sufficient to cope with the demands of our clients from time to time. By adopting such measures, we ensure that we do not stock up excessive equipment. For the three years ended 31 March 2019 and the three months ended 30 June 2019, our inventory turnover days were approximately 54.0 days, 39.5 days, 42.9 days and 74.8 days, respectively.

BUSINESS

Authorised seller

As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers, whose practice is to issue us with certificates to signify such appointments. A US-based VCMA equipment supplier has, however, entered into an authorised seller agreement (the “**Agreement**”) with us in respect of Hong Kong and Macau. Major contractual terms of the Agreement are summarised below.

Key terms

General description

Geographical exclusivity

Hong Kong and Macau. During the term of the Agreement, we are not allowed to sell the supplier’s products to or in any other territory.

Price and invoicing

The supplier will notify us the current prices for its products. All deliveries made by suppliers to us shall be invoiced by the supplier at prices determined by the supplier from time to time and notified to us by the supplier prior to the date of the acceptance of the order.

Payment and credit term

The supplier shall be paid in full for each order placed subject to the credit term of 30 days. The supplier has no obligation to extend credit.

Resale of products

In the event of resale, we have the exclusive rights to determine the prices or terms at which the products may be resold by us.

Minimum purchase amount

We shall purchase a minimum amount of products set by the supplier; if not, the supplier may terminate the Agreement.

Term and renewal of Agreement

The term of this Agreement shall last for one year unless terminated earlier. The Agreement may be renewed subject to negotiations.

Early termination

If we fail to make any payment to the supplier when due, or if we breach other provisions of the Agreement, the supplier may terminate the Agreement at any time during the term.

The Directors confirm that the Agreement was not terminated during the Track Record Period.

We have established stable working relationships with our suppliers who have authorised seller arrangements with us as at the Latest Practicable Date. Our Directors believe that our arrangements with these suppliers enable us to: (i) secure a stable supply of quality VCMA equipment from time to time; and (ii) reinforce our reputation as the preferred working party of overseas manufacturers or distributors of VCMA equipment. As at the Latest Practicable Date, we had business relationships with these suppliers for a period ranging from approximately 3 to 32 years.

BUSINESS

Our Directors are of the view that we do not overly rely on these suppliers who have entered into selling arrangements with us because: (i) there is a mutual reliance between us and these suppliers; and (ii) we also cooperated with these suppliers in providing product demonstrations, trainings for end-users, and organising marketing and promotional activities for their products. Further, our purchase of equipment from these suppliers accounted for 31.0%, 30.0%, 42.2% and 57.4% of our Total Purchases during the Track Record Period. In the event that any of these suppliers decides to terminate or refuses to renew its selling arrangements with us, our Directors consider that we would be able to procure VCMA equipment of comparable functions and features from other suppliers at similar prices, due to: (i) the availability of lower-cost substitutes associated with keen price competition among manufacturers; and (ii) our practice of having multiple suppliers of VCMA equipment.

CLIENTS AND SUPPLIERS

The following table depicts our major suppliers who are also our clients during the Track Record Period:

For the year/period ended	No. of major supplier who is also a client	Respective purchase as a percentage of our Total Purchases	Respective revenue as a percentage of our total revenue	Revenue-generating business activity	Approximate gross profit to our Group (HK\$)
31 March 2017	1	6.7%	<0.1%	We supplied certain VCMA equipment of which we are the authorised seller	1,000
31 March 2018	2	5.3% & 5.1%	<0.1%	We supplied certain VCMA equipment of which we are the authorised seller	71,000 (in aggregate)
31 March 2019	1	6.2%	<0.1%	We supplied certain VCMA equipment of which we are the authorised seller	3,000
30 June 2019	1	19.6%	0.7%	We provided VCMA solution services for their showroom	82,000

To the best knowledge and belief of our Directors, the above-mentioned major suppliers who are also our clients as well as their ultimate beneficial owners are Independent Third Parties and mainly provide VCMA equipment to us. Our Directors confirmed that the above-mentioned transactions had been entered into in the ordinary course of the Group’s business, and were of the view that it would not be uncommon for our suppliers to request our VCMA solution services when they needed such services.

During the Track Record Period, to the best knowledge and belief of our Directors, none of our major customers were also our suppliers.

QUALITY CONTROL

We place significant emphasis on quality control. Upon completion of the installation work, we will carry out a user acceptance test which generally comprises a series of performance checkings to ensure that the installed equipment and installation services we provided are up to the standards as agreed with our clients.

BUSINESS

Our project managers are responsible for our quality control. They control and monitor each step in our operating procedures to ensure the adherence to stringent quality standards.

We keep ourselves abreast with the latest VCMA technology and equipment, and constantly monitor and evaluate our current and potential suppliers on their ability to meet our equipment quality standards, to ensure the VCMA equipment we install and sell meets the requirements of our clients. We may negotiate with our suppliers and arrange for returns if the products supplied are found to be defective on arrival.

We have a computerised information management system to facilitate the management of our operations. All information in relation to our operations including our clients’ information, site information, specifications of the VCMA systems, quotations (whether confirmed or not), inventories, invoices issued or received, payment schedule, delivery schedule and installation schedule, are stored in this system. Such system helps us to facilitate our project management and allocation of manpower, and to remind us to issue invoices or arrange for payments in a timely manner.

MAJOR QUALIFICATIONS AND LICENCES

Our Directors after having made reasonable enquiries with the HK Legal Advisers, confirmed that during the Track Record Period and up to the Latest Practicable Date, there are no licences, consents, approvals, permits, authorisations, certificates or orders required in order for our Group to engage in the provision of VCMA solution services in Hong Kong under the Hong Kong laws.

Further, as advised by the PRC Legal Advisers, our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had obtained all the relevant licences, permits or approvals in relation to our operations in the PRC.

Further, as advised by the Singapore Legal Advisers, our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, there are no licences, permits or approval issued by any regulatory authority in Singapore specifically required for our Group’s provision of VCMA solution services, as well as VCMA maintenance services in Singapore under Singapore laws.

COMPETITION

Competition within the VCMA solution industry in Hong Kong is intense and fierce. For more information about the market of the VCMA solution industry in Hong Kong, please refer to the “Industry overview – Competitive environment” in this [REDACTED] document. According to the Ipsos Report, (i) lack of company reputation and track record; and (ii) industry-specific knowledge, are the entry barriers to the VCMA solution industry in Hong Kong. For details, please refer to the “Industry overview – Entry barriers” in this [REDACTED] document.

We consider that our competitive strengths have contributed to our success. As such, even though competition within the VCMA solution industry in Hong Kong will remain fierce and intense in the future, we are confident that we are able to withstand the intense competition based on our competitive strengths. For further details of our competitive strengths, please refer to the “Business – Our competitive strengths” in this [REDACTED] document.

BUSINESS

OUR EMPLOYEES

As at 30 June 2019, we had a total of 75 full-time employees in Hong Kong and the PRC and there were no employees in Singapore and Macau. The following table sets forth the number of our employees by functional area and geographical location:

	Number of employees		Total
	Hong Kong	The PRC	
Management	10	–	10
Procurement	1	–	1
Engineering and maintenance	27	–	27
Sales and marketing	21	–	21
Finance and administration	<u>15</u>	<u>1</u>	<u>16</u>
Total	<u>74</u>	<u>1</u>	<u>75</u>

We recruit our employees based on a number of factors such as their work experience, educational background, qualifications or certifications possessed and vacancies. We may recruit our employees by advertising on websites.

When considering applicants for senior positions, we usually give preference to existing employees who are considered eligible for being promoted to such positions. If no suitable candidate is identified within our Group for such positions, we will use professional online recruitment websites to advertise the vacancies. During the Track Record Period, we did not engage any human resources agency for recruitment purposes. As a result of our efforts on talent retention, 13 of the members of management including departments heads/supervisors have served us for over 15 years.

We also strive to train and retain talented employees through a comprehensive training programme, and offer to our employees performance based remuneration packages and career development opportunities. On-the-job training will be provided to our new employees. We also co-operate with our suppliers to organise training sessions, seminars and sharing sessions about the features, functions, operations and/or sales and marketing strategies about their new products and/or the latest VCMA technology for our employees. We conduct yearly reviews for our employees, and offer performance-based salaries and bonuses. We believe that these initiatives have enhanced our employees’ work ethics.

The remuneration package for our employees generally includes salary and bonuses. In addition, the staff in our sales and marketing department is entitled to a commission which is calculated by reference to the gross profit derived from the orders and projects handled by that staff in a particular year. Our employees also receive benefits, including medical care, study allowance, retirement benefits, occupational injury insurance and other miscellaneous items. Our staff cost, including wages, salaries and other employee’s benefits, amounted to approximately HK\$27.0 million, HK\$31.1 million, HK\$34.2 million and HK\$7.7 million for the three years ended 31 March 2019 and the three months ended 30 June 2019, respectively which amounted to approximately 19.5%, 19.6%, 18.4% and 23.2% of our revenue respectively for the same periods.

In considering whether to promote an employee to a higher position, our Directors would assess (i) his or her performance at work; and (ii) whether to do so (a) would be in the best interests of our Group; and (b) would be an appropriate commercial decision which facilitates our business development.

BUSINESS

We have also adopted the Share Option Scheme which is designed to provide incentives and rewards to our employees.

During the Track Record Period and up to the Latest Practicable Date, we had not set up any trade union for our employees. Neither had we had any strikes or other material labour disputes that had materially disrupted our operations, during this time period. Our Directors believe that we have maintained a good working relationship with our employees.

Health and occupational safety

We place emphasis on the health and safety of our employees in our operation. We also provide our employees with guidance from time to time on work safety to ensure that all of our employees are abreast of our safety procedures and policies, which includes guidelines for safety management and proper installation and usage of VCMA equipment.

For the three years ended 31 March 2019 and the three months ended 30 June 2019, we did not have any incidents of work injury. Hence, no costs were incurred for compensation of work injury during the Track Record Period. Further, as at the Latest Practicable Date, there was no outstanding or pending claims of work injury from our employees. As such, our Directors confirm that our Group did not have any material accident during the Track Record Period.

PROPERTY

Real properties

As at the Latest Practicable Date, our Group held 4 units as office and 5 car parking spaces at MG Tower, and 9 units as warehouse and 1 car parking space at Pacific Trade Centre. Apart from 1 car parking space at MG Tower, all the above-mentioned units and car parking spaces are for the Group’s self-use. Details of the real properties held by the Group are set out below:

BUSINESS

Address	Usage	Approximate gross floor area (sq. ft.)
For self use:		
Office A on 12th Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Office	3,722
Office B on 12th Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Office	2,058
Office K on 12th Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Office	2,180
Office L on 12th Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Office	2,118
Units Nos. 32-40 & Flat Roofs Nos. 39-40, 5/F, Pacific Trade Centre, No. 2 Kai Hing Road, Kowloon Bay, Kowloon	Warehouse	8,476
Car parking space No. P52 on 2nd Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Car park	136
Car parking space No. P53 on 2nd Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Car park	136
Car parking space No. P54 on 2nd Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Car park	136
Car parking space No. P85 on 2nd Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Car park	136
Car parking space L22, Basement, Pacific Trade Centre, No. 2 Kai Hing Road, Kowloon	Car park	239
For investment purpose:		
Car parking space No. P27 on 2nd Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon	Car park	136

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Our Directors after having made reasonable enquiries with the HK Legal Advisers, confirmed that all our properties in Hong Kong possess good and marketable title under the laws of Hong Kong as at the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, none of our properties was subject to compulsory order for sale or auction in public pursuant to the Land (Compulsory Sale for Redevelopment) Ordinance (Chapter 545 of the laws of Hong Kong).

As at the Latest Practicable Date, except for car parking space No. P27 on 2nd floor of MG Tower, all our properties have been mortgaged to secure the banking facilities granted to our Group.

For further details of the real properties owned by our Group, please refer to the “Property Valuation Report” set out in Appendix III to this [REDACTED] document.

Leased properties

The following table sets out the addresses, approximate gross floor area and the lease terms of the properties leased by us as at the Latest Practicable Date:

No.	Address	Usage	Approximate gross floor area (sq. ft.)	Current term	Monthly rent
1.	Space in Unit 7, Ground Floor, Pacific Trade Centre, 2 Kai Hing Road, Kowloon Bay, Kowloon, Hong Kong	Storage	410.0	From 13 December 2018 to 31 December 2020 (both days inclusive)	HK\$11,000 (inclusive of management fee, Government rates and rent)
2.	Suite 1306, Xin Da Building, 318-322 Xian Xia Road, Shanghai, PRC	Office	2,046.5	From 1 September 2018 to 31 August 2019 (note)	RMB21,252

Note: Extended for 1 year commencing from 1 September 2019 to 31 August 2020 at a monthly rent of RMB19,952.

INTERNAL CONTROL

Upon Listing, the Company has put in place an internal control system which is compatible with the Committee of Sponsoring Organisations of the Treadway Commission (“**COSO**”) 2013 framework.

The internal control system enables our Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the internal control system are shown as follow:

- Control environment: A set of standards, processes, and structures that provide the basis for carrying out internal control across our Group.
- Risk assessment: A dynamic and iterative process for identifying and analysing risks to achieve our Group’s objectives, forming a basis for determining how risks should be managed.

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- Control activities: Actions established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out.
- Information and communication: Internal and external communication to provide our Group with the information needed to carry out day-to-day controls.
- Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

Based on the annual internal control reviews conducted during the years ended 31 March 2017, 2018 and 2019, no significant control deficiency was identified.

In addition to engaging an internal auditor for the annual internal control reviews for the years ended 31 March 2017, 2018 and 2019, our Group also engaged an internal control consultant to review its internal control system for the purpose of the [REDACTED], which comprised a phase 1 review lasting from 2 May to 8 May 2019 and a phase 2 review lasting from 6 August to 9 August 2019.

Based on the findings from both the internal auditor and the internal control consultant, no material internal control weaknesses were noted during the reviewing period and the remaining weaknesses identified by the internal control consultant in its phase 1 review report were all rectified by our Group as at the Latest Practicable Date.

LITIGATION AND LEGAL COMPLIANCE

As at the Latest Practicable Date, no litigation or claims of material importance were ongoing, pending or threatened against any member of our Group. Our Directors confirm that, during the three years ended 31 March 2019 and the three months ended 30 June 2019 and up to the Latest Practicable Date, our Group had not had any material noncompliance.

Since Listing and up to the Latest Practicable Date, our Group (i) had complied with applicable laws and regulations in all material aspects for its business; and (ii) had not been subject to any disciplinary action or investigation by regulators in respect of serious or potentially serious breach of the GEM Listing Rules.

INTELLECTUAL PROPERTY RIGHTS

Information relating to the intellectual property rights of our Company is set out in the “General information – B. Further information about our business – 2. Intellectual property rights” in Appendix V to this [REDACTED] document.

As at the Latest Practicable Date, we had registered three trademarks in Hong Kong and the PRC and five domain names.

We were not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us as at the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

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INSURANCE

Our Group maintains fire, liability or other property insurance for the property, equipment, inventories or business interruption in relation to our operations. We have purchased personal injury insurance and work-related injury insurance for our Directors and employees. Unless otherwise required by our clients, our Group does not carry product liability insurance for any of our services. Our Directors are of the view that the cover from our insurance maintained during the Track Record Period and up to the Latest Practicable Date was adequate to cover our operations and was generally in line with industry practice.

The insurance expenses paid by us in the three years ended 31 March 2019 and the three months ended 30 June 2019 amounted to approximately HK\$0.3 million, HK\$0.3 million, HK\$0.4 million and HK\$0.2 million respectively. We had not made nor been the subject of any material insurance claim during the Track Record Period and up to the Latest Practicable Date.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that other than the non-recurring [REDACTED] expenses incurred/estimated, there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this [REDACTED] document. As far as we are aware, there was no material change in general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

DIRECTORS AND SENIOR MANAGEMENT

GENERAL

Our Board consists of ten Directors, comprising five executive Directors, one non-executive Director and four independent non-executive Directors, with one-third of our Board retiring from their office at each annual general meeting. Retiring Directors are eligible for re-election.

DIRECTORS

The following table sets forth certain information regarding our Directors:

Name	Age	Date of appointment as Director	Date of joining our Group	Position	Responsibilities in our Group
Mr. Zhong Naixiong (鍾乃雄)	55	7 December 2017	7 December 2017	Chairman and executive Director	Responsible for managing the overall business development and strategic planning of our Group
Mr. Yau Wing Keung (游永強)	59	7 December 2017	7 December 2017	Executive Director	Responsible for overall financial management and business planning of our Group
Mr. Tong Sai Wong (唐世煌)	68	21 August 2014	23 February 1987	Executive Director	Responsible for devising the business strategies and managing the development of our audiovisual business
Mr. Chan Wing Yiu (陳詠耀)	69	21 August 2014	23 February 1987	Executive Director	Responsible for our financial management, as the compliance officer of our Company for assisting our Board to ensure our Company’s compliance with the GEM Listing Rules, and upon the [REDACTED], the Listing Rules and other relevant laws and regulations
Mr. Chan Wing Lun (陳永倫)	44	21 August 2014	1 May 1997	Executive Director	Responsible for marketing and business promotion and overseeing our general business operations
Dr. Wong King Keung (黃景強)	74	21 August 2014	23 February 1987	Non-executive Director	Responsible for providing strategic advice to our Group
Mr. Fong Chi (方志)	34	7 December 2017	7 December 2017	Independent non-executive Director	Supervising and providing independent judgment to our Board, our audit committee and our remuneration committee

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Date of appointment as Director	Date of joining our Group	Position	Responsibilities in our Group
Mr. Fung Chan Man Alex (馮燦文)	56	7 December 2017	7 December 2017	Independent non-executive Director	Supervising and providing independent judgment to our Board, our nomination committee and our remuneration committee
Mr. Lum Pak Sum (林柏森)	58	11 May 2015	11 May 2015	Independent non-executive Director	Supervising and providing independent judgment to our Board, our audit committee, our nomination committee and our remuneration committee
Mr. Mong Cheuk Wai (蒙焯威)	59	13 November 2018	13 November 2018	Independent non-executive Director	Supervising and providing independent judgment to our Board, our audit committee and our nomination committee

Executive Directors

Mr. Zhong Naixiong (鍾乃雄), aged 55, was appointed as our executive Director and designated as chairman of the Board on 7 December 2017. He is also our Controlling Shareholder. Currently, he is in charge of managing the overall business development and strategic planning of our Group.

Mr. Zhong is an experienced investor in various businesses in both Hong Kong and the PRC. He has accumulated comprehensive experience in business management and investment services through working in the insurance, retail and auction industries during the period from 1984 to 2002. He also has more than 15 years of working experience in property development and in investment businesses. Mr. Zhong founded Guangdong Puxun Industry Investment Company Limited* (广东普迅实业投资有限公司), a company principally engaged in industrial investments, investment management, marketing planning, trade and commerce information consulting and business management consulting, and Foshan Xingpu Investment Company Limited* (佛山市兴普投资有限公司), a company principally engaged in industrial investments, investment management, domestic trading, marketing planning and commodities information consulting. Mr. Zhong has served as the chief executive officer at Guangdong Puxun Industry Investment Company Limited since 2006 and as the chief executive officer at Foshan Xingpu Investment Company Limited since 2008.

Since 2011, Mr. Zhong has served as the honorable chairman of the board of Nenking Holdings Group Company Limited* (能兴控股集团有限公司), a company which, together with its subsidiaries and affiliates, is principally engaged in property development, property management, financial services, pharmaceutical, sports and cultural activities, trading and procurement services and investment holding. He has served as the chairman of Long Lions Basketball Club Co., Ltd.* (龙狮篮球俱乐部股份有限公司), a company listed on the National Equities Exchange and Quotations (NEEQ stock code: 871888) in Beijing, since 2016. Mr. Zhong also served as an executive director and the chairman of the board of directors of SMI Culture & Travel Group Holdings Limited, a company listed on the Stock Exchange (stock code: 2366), from November 2016 to July 2017.

Mr. Zhong obtained a master’s degree in management in 2005 and subsequently a doctorate degree in industrial economics in 2008, both from Jinan University.

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhong was a director of the following companies which were dissolved (otherwise than by way of a members’ voluntary winding up), either when he was a director or within twelve months after he ceased to be director:

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Arrotex Limited	BVI	Investment Holding	15 November 2017	Dissolution	Cessation of business
Century Growth Limited 豪揚有限公司	Hong Kong	Investment Holding	17 April 2009	Deregistration	Cessation of business
China Friends Financial Holdings Limited 友誠金融控股有限公司	Bermuda	Investment Holding	5 January 2018	Deregistration	Cessation of business
China Friends Financial Holdings (HK) Limited 友誠金融控股(香港)有限公司	Hong Kong	Investment Holding	5 January 2018	Deregistration	Cessation of business
Foshan Nanhai Neng Wang Investment Mananagement Limited * 佛山市南海能旺投资管理有限公司	PRC	Consultancy Service	26 August 2015	Dissolved (注銷)	Cessation of business
Guangdong Huanan Guangxia Limited* 广东华南广夏实业有限公司	PRC	Investment Holding	20 October 2013	Dissolved (注銷)	Cessation of business
Huge Dragon Trading Limited 宏龍貿易有限公司	Hong Kong	Trading	29 August 2008	Striking off	Cessation of business
New Riches Limited 新富豪有限公司	Hong Kong	Investment Holding	15 May 2009	Deregistration	Cessation of business
Smarten Force Limited 建雄有限公司	Hong Kong	Investment	22 January 2016	Deregistration	Cessation of business
Star Heights Inc.	BVI	Investment Holding	15 November 2017	Dissolution	Cessation of business
Tianjin Puxin Trading Limited* 天津市普迅商贸有限公司	PRC	Trading	4 November 2009	Dissolved (注銷)	Cessation of business
Tianjin Dapu Trading Limited* 天津市达普商贸有限公司	PRC	Trading	4 November 2009	Dissolved (注銷)	Cessation of business
Yicui Overseas Investment Management Limited 怡翠海外投资管理有限公司	Hong Kong	Investment	4 January 2013	Deregistration	Cessation of business
Yicui Overseas Nonferrous Metals Trading Limited 怡翠海外有色金屬貿易有限公司	Hong Kong	Investment Holding	16 October 2015	Deregistration	Cessation of business
Yicui Overseas Operation Management Limited 香港怡翠海外經營管理有限公司	Hong Kong	Property Investment	1 November 2013	Deregistration	Cessation of business
Yicui Overseas Properties Investment Limited 香港怡翠海外置業投资有限公司	Hong Kong	Investment Holding	4 January 2013	Deregistration	Cessation of business

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhong is or was also a director of the following companies, which were all established in the PRC, which had its business license revoked during his tenure:

Name of company	Date of revocation	Reason for revocation	Outcome/Current position
Foshan Jingyue Real Estate Development Company Limited* (“Foshan Jingyue”) 佛山市京粵房地產發展有限公司	1 March 2011	failure to conduct annual inspection as required under the relevant PRC laws and regulations	the company ceased business prior to revocation of business license. It currently has no operation but not yet dissolved.
Guangdong Jingchan Used Goods Trade Company Limited* (“Guangdong Jingchan”) 廣東京禪舊貨交易調劑有限公司	11 August 2009	failure to conduct annual inspection as required under the relevant PRC laws and regulations	the company ceased business prior to revocation of business license. It currently has no operation but not yet dissolved.
Foshan Nanhai Guoan Economic Development Limited* (“Foshan Guoan”) 佛山市南海區國安經濟發展有限公司	8 March 2019	failure to conduct annual inspection as required under the relevant PRC laws and regulations	the company was put on the List of Enterprises with Serious Illegal and Dishonest Acts (嚴重違法失信企業名單) (“List of Serious Illegal and Dishonest Acts”) in August 2018 due to failure to remedy the non-compliance of the annual inspection within three years from the date of it being put on the List of Enterprises with Abnormal Operations (經營異常名錄) (“List of Abnormal Operations”).

Mr. Zhong has confirmed that (i) he was not responsible for company secretarial matters as such as conducting annual inspection of the above mentioned companies, which was assigned to certain specified staff in the respective company; (ii) there was no dishonest or fraudulent act on his part in respect of the license revocation of the above mentioned companies. Mr. Zhong further confirmed that up to the Latest Practicable Date, he has not received any (i) claims or legal proceedings made or commenced against him by any creditors of the above mentioned companies or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the above mentioned non-compliances; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies.

Save as disclosed herein, Mr. Zhong confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

Mr. Yau Wing Keung (游永強), aged 59, was appointed as our executive Director on 7 December 2017. He is responsible for overall financial management and business planning of our Group.

Mr. Yau has over 30 years of working experience in investment banking and financial management across Asia Pacific Region. He held key positions at various leading financial institutions and top investment banks including Citibank N.A., Morgan Stanley Asia Limited, China International Capital Corporation Limited and Credit Suisse Group AG in Hong Kong, Australia, Shanghai and Beijing.

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

He has been serving as principal at Cheetah Advisors Limited, an investment advisory company licensed by the Securities and Futures Commission of Hong Kong, since 2005.

Before founding his own business, Mr. Yau was an investment director of HSBC NF Investment Advisers Limited (now known as InfraRed NF Investment Advisers Limited), responsible for deal originating, structuring, deal closing and post investment monitoring, from 2007 to 2008. He founded Swiss Asia Investment Management (HK) Limited, a private investment holding and management company, in 2009 and has been serving as the managing director since then.

Mr. Yau obtained a bachelor’s degree of social sciences from the University of Hong Kong in 1983.

Mr. Yau was a director of the following companies which were dissolved (otherwise than by way of a members’ voluntary winding up), either when he was a director or within twelve months after he ceased to be director:

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Cartex Holdings Limited 嘉邦集團有限公司	Hong Kong	Investment Holding	5 August 2011	Deregistration	Cessation of business
China Friends Financial Holdings Limited 友誠金融控股有限公司	Bermuda	Investment Holding	5 January 2018	Deregistration	Cessation of business
China Friends Financial Holdings (HK) Limited 友誠金融控股(香港)有限公司	Hong Kong	Investment Holding	5 January 2018	Deregistration	Cessation of business
Guangzhou Dexing Software Technology Co., Ltd* 广州德兴软件科技有限公司	PRC	Consultancy Service	22 March 2010	Dissolved (注銷)	Cessation of business
Longtime Pharmaceutical Co., Limited 朗肽制药有限公司	Hong Kong	Manufacturing of Pharmaceutical Product	25 May 2007	Deregistration	Cessation of business
Shun View Limited 迅景有限公司	Hong Kong	Investment Holding	21 August 2009	Deregistration	Cessation of business
Sky Profit Limited 建盈興業有限公司	Hong Kong	Investment Holding	27 July 2012	Deregistration	Cessation of business
Swiss Fortune Asset Management Company Limited 瑞豐資產管理有限公司	Hong Kong	Asset Management	3 June 2016	Deregistration	Cessation of business

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yau is also a director of Chongqing Jiaxiang Shiye Development Limited* (重庆嘉祥实业发展有限公司)(“Chongqing Jiaxiang”), a company established in the PRC which was put on the List of Illegal and Dishonest Acts in January 2019 due to its failure to remedy the non-compliance of, Mr. Yau believes, annual inspection within three years from the date of its being put on the List of Abnormal Operations.

Mr. Yau has confirmed that (i) since the establishment of Chongqing Jiaxiang in January 2008, it has not received any paid up capital from its shareholder and Chongqing Jiaxiang has not commenced operation since establishment; (ii) he was not responsible for company secretarial matters as such as conducting annual inspection of Chongqing Jiaxiang which was assigned to certain specified management personnel in the company; and (iii) there was no dishonest or fraudulent act on his part in respect of the non-compliance of Chongqing Jiaxiang. Mr. Yau further confirmed that up to the Latest Practicable Date, he has not received any (i) claims or legal proceedings made or commenced against him by any creditors of the above mentioned companies or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the above mentioned non-compliances; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies.

Save as disclosed herein, Mr. Yau confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

Mr. Tong Sai Wong (唐世煌), aged 68, is one of our founders. He was appointed as our Director on 21 August 2014 and designated as executive Director on 11 May 2015. He also served as the chairman of the Board from 11 May 2015 to 7 December 2017. Currently, he is in charge of devising the business strategies and managing the development of our audiovisual business.

Mr. Tong founded our Group together with Dr. Wong and Mr. WY Chan in February 1987. Prior to founding our 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. WY Chan 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.

* English name for identification purpose only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong was a director of the following companies which were dissolved (otherwise than by way of a members’ voluntary winding up), either when he was a director or within twelve months after he ceased to be director:

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Agrotech International (Tianjin) Limited 國際漁農畜(天津)有限公司	Hong Kong	Agriculture & Aquaculture Products	28 November 2014	Deregistration	Cessation of business
Betatech Company Limited 比泰科技有限公司	Hong Kong	Trading	25 November 2016	Deregistration	Cessation of business
Dahua Optictech Limited 大華光學專業有限公司	Hong Kong	Trading	25 April 2008	Deregistration	Cessation of business
Eduserve China Limited 教育系統中國有限公司	Hong Kong	Trading	14 March 2014	Deregistration	Cessation of business
i-Control Smart Home Limited 超智能家居有限公司	Hong Kong	Trading	9 December 2005	Deregistration	Cessation of business
Maxway Investment Limited 偉士輝投資有限公司	Hong Kong	Investment Holding	22 August 2008	Deregistration	Cessation of business
Newmark Printing & Packaging Limited 新標誌印刷包裝有限公司	Hong Kong	Investment Holding	29 August 2008	Deregistration	Cessation of business
Tandberg International (Asia) Limited 天寶教育系統（亞洲）有限公司	Hong Kong	Producers Distributors & Trading	3 October 2014	Deregistration	Cessation of business

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tong is also a director of the following companies, which were established in the PRC, which had its business license revoked during his tenure:

Name of company	Date of revocation	Reason for revocation	Outcome/Current position
Shenzhen Newmark Audio Visual System Ems Co., Ltd* (“Shenzhen Newmark”) 深圳新标志视听设备有限公司	1 September 2009	failure to conduct annual inspection as required under the relevant PRC laws and regulations	the company ceased business prior to revocation of business license. It currently has no operation but not yet dissolved.
Shenzhen Yaoke Audio Visual Equipment Limited* (“Shenzhen Yaoke”) 深圳耀科视听器材有限公司	24 December 1999	failure to conduct annual inspection as required under the relevant PRC laws and regulations	the company ceased business prior to revocation of business license. It currently has no operation but not yet dissolved.
Dongguan Newmark Audio Visual Technology Limited* (“Dongguan Newmark”) 东莞市新标志视听科技 有限公司	15 December 1999	failure to conduct annual inspection as required under the relevant PRC laws and regulations	the company ceased business prior to revocation of business license. It currently has no operation but not yet dissolved.

Mr. Tong is also a director of Niuli Erde International Trade (Shenzhen) Limited* (纽力尔得国际贸易(深圳)有限公司)(“Niuli Erde”) a company established in the PRC which was put on the List of Abnormal Operations in August 2015 due to its failure to file 2014 annual report as required under the relevant PRC laws and regulations. It was further put on the List of Illegal and Dishonest Acts in November 2018 due to failure to its remedy the non-compliance with three years from the date of its being put on the List of Abnormal Operations.

Mr. Tong has confirmed that (i) he was not responsible for company secretarial matters as such as conducting annual inspection of the above mentioned companies which was assigned to certain specified staff in the respective company; (ii) there was no dishonest or fraudulent act on his part in inspect of the license revocation and non-compliance of the above mentioned companies. Mr. Tong further confirmed that up to Latest Practicable Date, he has not received any (i) claims or legal proceedings made or commenced against him by any creditors of the above mentioned companies or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the above mentioned non-compliances; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies.

Save as disclosed herein, Mr. Tong confirms with respect to himself that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wing Yiu (陳詠耀), aged 69, is one of our founders. He was appointed as our Director on 21 August 2014 and designated as our executive Director on 11 May 2015. He is also the compliance officer of our Company. He founded our Group together with Dr. Wong and Mr. Tong in February 1987. Mr. WY Chan is responsible for the management of our financial management. Mr. WY Chan has approximately 40 years of experience in the audiovisual industry.

Prior to setting up our Group, Mr. WY Chan had already gained expertise in the audiovisual field and management experience. In March 1976, Mr. 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 reported to the chief executive and was responsible 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* (深圳嘉年实业股份有限公司)(previously known as Shenzhen GoodYear Printing & Packaging Company Limited* (深圳嘉年印刷包装有限公司)) 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.

Mr. WY Chan was a director of the following companies which were dissolved (otherwise than by way of a members’ voluntary winding up), either when he was a director or within twelve months after he ceased to be director:

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Agrotech International (Tianjin) Limited 國際漁農畜(天津)有限公司	Hong Kong	Agriculture & Aquaculture Products	28 November 2014	Deregistration	Cessation of business
Betatech Company Limited 比泰科技有限公司	Hong Kong	Trading	25 November 2016	Deregistration	Cessation of business
China Camera Limited 照相器材中國有限公司	Hong Kong	Trading & Manufacturer	24 July 2015	Deregistration	Cessation of business
Dahua Optictech Limited 大華光學專業有限公司	Hong Kong	Trading & Manufacturer	25 April 2008	Deregistration	Cessation of business
Eduserve China Limited 教育系統中國有限公司	Hong Kong	Trading	14 March 2014	Deregistration	Cessation of business
i-Control Smart Home Limited 超智能家居有限公司	Hong Kong	Trading	9 December 2005	Deregistration	Cessation of business
Maxway Investment Limited 偉士輝投資有限公司	Hong Kong	Investment Holding	22 August 2008	Deregistration	Cessation of business
Newmark Printing & Packaging Limited 新標誌印刷包裝有限公司	Hong Kong	Investment Holding	29 August 2008	Deregistration	Cessation of business

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Tandberg International (Asia) Limited 天寶教育系統(亞洲)有限公司	Hong Kong	Producers Distributors & Trading	3 October 2014	Deregistration	Cessation of business

Mr. WY Chan is also a director of Shenzhen Newmark and Niuli Erde, which, as mentioned under the biography of Mr. Tong above, had its business license revoked for failing to conduct annual inspection (for Shenzhen Newmark), and (for Niuli Erde) was put on the List of Abnormal Operations in August 2015 for failing to file 2014 annual report. Mr. WY Chan has confirmed that (i) he was not responsible for company secretarial matters as such as conducting annual inspection of these companies which was assigned to certain specified staff in the respective company; (ii) there was no dishonest or fraudulent act on his part in respect of the license revocation and non-compliance of these companies. Mr. WY Chan further confirmed that up to Latest Practicable Date, he has not received any (i) claims or legal proceedings made or commenced against him by any creditors of these companies or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the above mentioned non-compliances of these companies; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies.

Save as disclosed herein, Mr. WY Chan confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

Mr. Chan Wing Lun (陳永倫), aged 44, was appointed as our Director on 21 August 2014 and designated as our executive Director on 11 May 2015. He is principally responsible for marketing and business promotion of our Group and overseeing our general business operations including approving purchase orders to our suppliers and contracts with clients and providing internal trainings to our Group’s sales staff in relation to, in particular, the characteristics of our services and general marketing skills and techniques.

Mr. WL Chan joined our Group in May 1997 as a sales executive in Eduserve International and was then promoted to a manager in April 2000. In April 2001, Mr. WL Chan was appointed as a director of i-Control (Hong Kong). In 2001, Dr. Wong, Mr. WY Chan and Mr. Tong Sai Wong invited Mr. WL Chan to become a shareholder of i-Control (Hong Kong). Mr. WL Chan has over 20 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, U.S..

Save as disclosed herein, Mr. WL Chan confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Dr. Wong King Keung (黃景強), aged 74, is one of our founders and a Substantial Shareholder, and was appointed as our Director on 21 August 2014 and designated as our non-executive Director on 11 May 2015. He founded our 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 our Group.

Dr. Wong took up the vice chairman position of Shenzhen GoodYear Enterprise Company Limited* (深圳嘉年实业股份有限公司)(previously known as Shenzhen GoodYear Printing & Packaging Company Limited* (深圳嘉年印刷包装有限公司)) 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 a Committee Member of The National Committee of the Chinese People’s Political Consultative Conference from February 1998 to February 2018. 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 from April 2010 to March 2013 and member of the board of management of the Chinese Permanent Cemeteries from February 2008 to January 2014.

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
University Assembly, The University of Macau	Member	August 2009 – Present
The University of Hong Kong	Council Member	March 2013 – Present

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.

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

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 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 also conferred an honorary doctoral degree by the University of Macau in 2010 and honorary doctoral degree of business administration 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.

Dr. Wong was a director of the following companies which were dissolved (otherwise than by way of a members’ voluntary winding up), either when he was a director or within twelve months after he ceased to be director:

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Aiou And Cp Educational Limited 亞洲商務教育有限公司	Hong Kong	Provide Educational Programs	25 January 2013	Deregistration	Cessation of business
Aiou Limited 亞公大有限公司	Hong Kong	Investment	25 January 2013	Deregistration	Cessation of business
Applause Oriental Limited 東采有限公司	Hong Kong	Investment & Trading	2 June 2017	Deregistration	Cessation of business
Betatech Company Limited 比泰科技有限公司	Hong Kong	Trading	25 November 2016	Deregistration	Cessation of business
China Land (Agency) Limited 中國地產(代理)有限公司	Hong Kong	Consultancy Development Investment & Management	24 January 2003	Deregistration	Cessation of business
China Land (Consultancy) Limited 中國地產(顧問)有限公司	Hong Kong	Consultancy Development Investment & Management	24 January 2003	Deregistration	Cessation of business
The Commercial Press Education Channel Limited 商務印書館教育頻道有限公司	Hong Kong	Online Course, Continuing Education, Course Organisation	26 April 2013	Deregistration	Cessation of business
Eastdelta Limited 定洲有限公司	Hong Kong	Printing & Publishing	1 August 2003	Deregistration	Cessation of business
Eduserve China Limited 教育系統中國有限公司	Hong Kong	Trading	14 March 2014	Deregistration	Cessation of business
Eju Examination And Training Centre Limited 日本大學入學試培訓中心有限公司	Hong Kong	Consultancy Development Investment & Management	2 March 2012	Deregistration	Cessation of business

DIRECTORS AND SENIOR MANAGEMENT

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Great China Enterprises Company Limited 大中華實業有限公司	Hong Kong	Consultancy Development Investment & Management	9 January 2015	Deregistration	Cessation of business
Great China Petroleum Industries Company Limited 大中華石油工業有限公司	Hong Kong	Petroleum Chemical Industrial	5 December 2014	Deregistration	Cessation of business
Hainan Development Limited 海南建設有限公司	Hong Kong	Investment Holding	21 March 2003	Striking off	Cessation of business
Hua Xia East Asia Development Limited 華夏東亞發展有限公司	Hong Kong	Investments	8 August 2003	Deregistration	Cessation of business
Kai Xuan Hotel (Hong Kong) Limited 凱旋大酒店(香港)有限公司	Hong Kong	Investment Holding	14 November 2003	Deregistration	Cessation of business
Lanzhou Yingbao Camera Co., Ltd.* 蘭州影寶照相機有限公司	PRC	Optical Equipment Manufacturer	Information not available (Note)	Dissolved (注銷)	Cessation of business
Maxway Investment Limited 偉士輝投資有限公司	Hong Kong	Investment Holding	22 August 2008	Deregistration	Cessation of business
Mei Cheong Ieong Hong (H.K.) Limited	Hong Kong	Investment Holding	6 November 2006	Dissolved by compulsory winding up	Cessation of business
Newmark Printing & Packaging Limited 新標誌印刷包裝有限公司	Hong Kong	Investment Holding	29 August 2008	Deregistration	Cessation of business
Pacific Base Development Limited 碧威發展有限公司	Hong Kong	Property & Investment	29 December 2006	Deregistration	Cessation of business
Saddle Investments Limited 華崇投資有限公司	Hong Kong	Corporation	27 March 2015	Deregistration	Cessation of business
Shanghai Overseas Chinese Cleaning Co., Ltd.* 上海華僑保潔有限公司	PRC	Investment Holding	16 January 2007	Dissolved (注銷)	Cessation of business
Study Group for Infrastructure Development Limited 基建研究組織有限公司	Hong Kong	Research	28 September 2001	Deregistration	Cessation of business

Note: No public information is available and Dr. Wong could not recollect the date of dissolution due to the lapse of time.

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DIRECTORS AND SENIOR MANAGEMENT

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Tanchi Investment Limited 景至投資有限公司	Hong Kong	Investment Holding	12 October 2001	Deregistration	Cessation of business
Tandberg International (Asia) Limited 天寶教育系統(亞洲)有限公司	Hong Kong	Producers Distributors & Trading	3 October 2014	Deregistration	Cessation of business
United Alliance (International) Enterprises Limited 鑫聯國際發展有限公司	Hong Kong	General Trading	14 February 2014	Deregistration	Cessation of business

As disclosed in the above table, on 8 November 1999, a winding-up order was granted by the High Court of Hong Kong against Mei Cheong Ieong Hong (H.K.) Limited (“MCIH”), which was incorporated in Hong Kong on 20 August 1985. Dr. Wong was appointed a director of MCIH with effect from 27 September 1988 and held a minority equity interest of 6.75% of MCIH’s then issued share capital. Further, Yueshou Environment Holdings Limited (previously known as China Rich Holdings Limited) (stock code: 1191) and Upbest Group Limited (stock code: 335) were involved in certain non-compliance incidents in respect of the then Listing Rules between 2003 and 2004 and between 2000 and 2007, respectively. During such periods, Dr. Wong had been an independent non-executive director and an non-executive director of these two companies, respectively.

Save as disclosed herein, Dr. Wong confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) and Rule 8.04 of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

Independent non-executive Directors

Mr. Fong Chi (方志)(“Mr. Fong”), aged 34, is our independent non-executive Director. He was appointed as our independent non-executive Director on 7 December 2017. Mr. Fong has in total over 10 years of working experience in an international accounting firm and in corporate finance role of a Hong Kong technology company and a Hong Kong financial technology company, with extensive experience in financial reporting, auditing, mergers and acquisitions and initial public offerings.

Mr. Fong obtained a bachelor’s degree of business administration from the University of Hong Kong in 2006. Mr. Fong has become a member of the HKICPA since 2010.

Save as disclosed herein, Mr. Fong confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fung Chan Man Alex (馮燦文) (“Mr. Fung”), aged 56, is our independent non-executive Director. He was appointed as our independent non-executive Director on 7 December 2017. He has over 15 years of working experience in financial market and corporate finance activities. Mr. Fung was an independent non-executive director of Great Wall Belt & Road Holdings Limited (previously known as e-Kong Group Limited) (stock code: 524) from February 2015 to December 2018. Currently, Mr. Fung is an independent non-executive director of Luxey International (Holdings) Limited (stock code: 8041) and On Real International Holdings Limited (stock code: 8245), all of which are listed companies in Hong Kong.

Mr. Fung obtained a bachelor’s degree of science in electrical and electronic engineering from the University of Bath, United Kingdom in 1986 and subsequently a master’s degree of business administration from Heriot-Watt University, United Kingdom in 2000 by way of distance learning.

Mr. Fung was a director of the following companies which were dissolved (otherwise than by way of a members’ voluntary winding up), either when he was a director or within twelve months after he ceased to be director:

Name of company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Bovey International Limited 寶富利國際有限公司	Hong Kong	Investment Holding	31 October 2014	Striking off	Cessation of business
Golden Vic International Group Holdings Limited 金域國際控股有限公司	Hong Kong	Investment Holding	20 July 2018	Striking Off	Cessation of business
Trinity Sun Limited 騰盈有限公司	Hong Kong	Investment Holding	10 November 2000	Deregistration	Cessation of business
Victory Ever Limited 偉績有限公司	Hong Kong	Investment Holding	26 October 2001	Deregistration	Cessation of business

Save as disclosed herein, Mr. Fung confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lum Pak Sum (林柏森) (“Mr. Lum”), aged 58, is our independent non-executive Director. He was appointed as our 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. Mr. Lum’s work experience in corporate finance business includes as a Responsible Officer of the following companies:

Company	Period
REXCAPITAL (Hong Kong) Limited	September 2004 to January 2009
AsiaVest Partners Limited (now known as SPDB International Holdings Limited)	September 2009 to June 2012
RaffAello Capital Limited	July 2012 to September 2016
RaffAello Asset Management (HK) Limited	October 2014 to December 2015
Asia Joyful Limited	September 2016 to present

Mr. Lum’s directorships in other listed companies in the last three years are listed as follows (all of which are listed on the Stock Exchange):

Company	Position	Period
Sunway International Holdings Limited (Stock Code: 0058)	Non-executive director	May 2019 to present
S. Culture International Holdings Limited (Stock Code:1255)	Independent non-executive director	June 2017 to present
Anxian Yuan China Holdings Limited (Stock Code: 0922)	Independent non-executive director	May 2017 to present
Kwan On Holdings Limited (Stock Code: 1559)	Independent non-executive director	August 2016 to present
Great China Properties Holdings Limited (formerly known as Wayfung Global Group Limited until 4 March 2013 and Beauforte Investors Corporation Limited until 8 November 2009) (Stock Code: 0021)	Independent non-executive director	August 2007 to present
Yuhua Energy Holdings Limited (formerly known as Shinhint Acoustic Link Holdings Limited) (Stock Code: 2728)	Independent non-executive director	December 2014 to April 2019
Beautiful China Holdings Company Limited (Stock Code: 0706)	Independent non-executive director	January 2014 to August 2018
Pearl Oriental Oil Limited (Stock Code: 0632)	Independent non-executive director	December 2017 to June 2018

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lum obtained his master degree of business administration from The University of Warwick, United Kingdom in July 1994 and his bachelor degree of laws from The University of Wolverhampton, United Kingdom in October 2002 by way of distance learning. He has become a fellow of the Hong Kong Society of Accountants (now known as 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.

Save as disclosed herein, Mr. Lum confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

Mr. Mong Cheuk Wai (蒙焯威) (“Mr. Mong”), aged 59, is our independent non-executive Director. He was appointed as our independent non-executive Director on 13 November 2018. He has over 25 years of working experience in direct investments, industrial investments, private equity funds and real estate developments. Mr. Mong started his career with Chase Manhattan Bank (now known as JPMorgan Chase Bank, N.A.) and joined Nan Fung Group in 1999, responsible for establishing the alternative investment business for Nan Fung Group.

Mr. Mong obtained a bachelor’s degree of social sciences from the University of Hong Kong in 1983.

Mr. Mong was a director of the following companies which were dissolved (otherwise than by way of a members’ voluntary winding up), either when he was a director or within twelve months after he ceased to be director:

Name of Company	Place of incorporation or establishment	Nature of business	Date of dissolution	Method of dissolution	Reason for dissolution
Beijing Huize Xinan Business Consulting Co., Ltd.* 北京惠泽信安商业顾问有限公司	PRC	Investment Holding	14 June 2007	Dissolved (注銷)	Cessation of business
Vineberg Finance Limited 萬寶財務有限公司	Hong Kong	Investment Holding	16 April 2010	Deregistration	Cessation of business

Save as disclosed herein, Mr. Mong confirms that: (a) he has not held any directorships in the last three years in any public companies the securities of which are listed on any securities market in Hong Kong or overseas; (b) he does not have any relationship with any other Directors, senior management of our Group or Substantial Shareholders or Controlling Shareholders; (c) there is no other information that should be disclosed for himself pursuant to the requirements under Rule 13.51(2) of the Listing Rules; and (d) there are no other matters that need to be brought to the attention of our Shareholders.

* English names for identification purposes only

DIRECTORS AND SENIOR MANAGEMENT

Non-Compliance of certain PRC companies of which some Directors are director

As disclosed in their respective biographies set out above, each of Mr. Zhong, Mr. Yau, Mr. Tong and Mr. WY Chan is a director of the abovementioned PRC companies which either has its business license revoked or being put on the List of Serious Illegal and Dishonest Acts by reason of the relevant PRC companies having failed to conduct annual inspection and/or file annual report as required under the relevant PRC laws and regulations.

PRC Legal Advice

Our Company has obtained a written opinion issued by our PRC Legal Advisers (“**PRC Legal Opinion**”) under which PRC Legal Advisers advised that:

1. PRC Companies Law provides that a person cannot serve as a company’s director, supervisor or senior management if he is the legal representative of a company or enterprise that had its business license revoked or is ordered to be closed down due to violation of law, for which such legal representative has personal liability, for a period of three years from the date on which the business license of the company or enterprise was revoked. If a company elects or appoints a director or supervisor or employs senior management in violation of the foregoing restriction, such election, appointment or employment shall be invalid. If a director, supervisor or senior officer falls under the foregoing circumstances during his term of office, the company shall dismiss him from his office.
2. The Interim Measures for the Administration of List of Enterprises with Serious Illegal and Dishonest Acts promulgated by the State Administration for Industry and Commerce (國家工商行政管理總局) on 30 December 2015 and effective on 1 April 2016 provides that (i) where an enterprise still failed to remedy the relevant non-compliance within three years after it is included in the List of Abnormal Operations, the Administration for Industry and Commerce shall include it in the List of Serious Illegal and Dishonest Acts; (ii) the legal representative and person in charge of the enterprise that has been put in the List of Serious Illegal and Dishonest Acts shall not serve as legal representative or person in charge of any other enterprise within three years; and (iii) where the legal representative or person in charge of such an enterprise is the legal representative or person in charge of another enterprise, the relevant enterprise shall remove such legal representative or person in charge.
3. As at the date of the PRC Legal Opinion, the State Administration for Market Regulation (國家市場監督管理總局) has not provided any definition of “person in charge (負責人)” mentioned in the Interim Measures for the Administration of List of Enterprises with Serious Illegal and Dishonest Acts.
4. The Rules for the Registration Administration of Legal Representatives of Legal Entities promulgated by the State Administration for Industry and Commerce on 23 June 1999 provides that a person cannot act as a legal representative of an enterprise, and no enterprise registration authority shall register such appointment, if such person is the legal representative of an enterprise the business license of which has been revoked for violation of law and for which such person has personal liability, for a period of three years from the date on which the business license of the enterprise was revoked. Where the foregoing circumstances occur to the legal representative of an enterprise, such enterprise should change its legal representative. If such enterprise fails to implement such change, the relevant enterprise registration authority may impose on the enterprise a deadline for such change.
5. As at the date of the PRC Legal Opinion, the State Administration for Market Regulation has not provided any definition of “having personal liability (負有個人責任)” mentioned in the PRC Companies Law.

DIRECTORS AND SENIOR MANAGEMENT

Our PRC Legal Advisers further advised in respect of each relevant Director that:

1. Mr. Zhong

For Foshan Jingyue and Guangdong Jingchan, as Mr. Zhong was not the legal representative of these companies, the revocation of their business license has no effect on the qualification of Mr. Zhong to act as director, supervisor and senior management of PRC companies.

For Foshan Guoan, if the Administration for Industry and Commerce concludes that Mr. Zhong was personally liable for the revocation of the business license of Foshan Guoan, Mr. Zhong will be disqualified from acting as director, legal representative, supervisor or senior management of all PRC companies within three years of the date of the revocation of the business license of Foshan Guoan.

Since Mr. Zhong is the legal representative of Foshan Guoan, Mr. Zhong is disqualified to act as legal representative of all PRC companies for three years from the date of Foshan Guoan being put on the List of Serious Illegal and Dishonest Acts. If the Administration for Industry and Commerce concludes that the definition of “person in charge”(負責人) includes director, supervisor and senior management, then Mr. Zhong will also be disqualified from acting as director, supervisor and senior management of all PRC companies for three years from the date of Foshan Guoan being put on the List of Serious Illegal and Dishonest Acts.

Our Company’s PRC Legal Advisers confirmed that (i) as at the date of the PRC Legal Opinion the information available to them did not indicate that Mr. Zhong has personal liability on the revocation of the business license of Foshan Guoan; and (ii) that upon making due enquiries, Foshan Guoan was put on the List of Abnormal Operations due to its failure to conduct annual inspection and not due to any published information being false or misleading.

2. Mr. Yau

If the Administration for Industry and Commerce revokes its business license and concludes that Mr. Yau was personally liable for the revocation of the business license of Chongqing Jiaxiang, Mr. Yau will be disqualified from acting as director, legal representative, supervisor or senior management of all PRC companies within three years of the date of the revocation of the business license of Chongqing Jiaxiang.

Since Mr. Yau is the legal representative of Chongqing Jiaxiang, Mr. Yau is disqualified to act as legal representative of all PRC companies for three years from the date of Chongqing Jiaxiang being put on the List of Serious Illegal and Dishonest Acts. If the Administration for Industry and Commerce concludes that the definition of “person in charge”(負責人) includes director, supervisor and senior management, then Mr. Yau will also be disqualified from acting as director, supervisor and senior management of all PRC companies for three years from the date of Chongqing Jiaxiang being put on the List of Serious Illegal and Dishonest Acts.

Our Company’s PRC Legal Advisers confirmed that, upon making due enquiries, Chongqing Jiaxiang was put on the List of Abnormal Operations due to its failure to conduct annual inspection and not due to any published information being false or misleading.

DIRECTORS AND SENIOR MANAGEMENT

3. Mr. Tong

For Shenzhen Newmark, Shenzhen Yaoke and Dongguan Newmark, although Mr. Tong was the legal representative of these companies, three years have passed since the business license revocation of these companies, therefore the revocation of their business license has no effect on the qualification of Mr. Tong to act as director, supervisor and senior management of PRC companies.

For Niuli Erde, since Mr. Tong is the legal representative of Niuli Erde, Mr. Tong is disqualified to act as legal representative of all PRC companies for three years from the date of Niuli Erde being put on the List of Serious Illegal and Dishonest Acts. If the Administration for Industry and Commerce concludes that the definition of “person in charge”(負責人) includes director, supervisor and senior management, then Mr. Tong will also be disqualified from acting as director, supervisor and senior management of all PRC companies for three years from the date of Niuli Erde being put on the List of Serious Illegal and Dishonest Acts. Furthermore, if the Administration for Industry and Commerce revokes the business license of Niuli Erde and concludes that Mr. Tong was personally liable for such revocation, Mr. Tong will be disqualified from acting as director, legal representative, supervisor or senior management of all PRC companies within three years of the date of the revocation of the business license of Niuli Erde.

Our Company’s PRC Legal Advisers confirmed that, upon making due enquiries, Niuli Erde was put on the List of Abnormal Operations due to its failure to conduct annual inspection and not due to any published information being false or misleading.

4. Mr. WY Chan

For Shenzhen Newmark, as Mr. WY Chan was not the legal representative of Shenzhen Newmark, the revocation of the business license of Shenzhen Newmark has no effect on the qualification of Mr. WY Chan to act as director, supervisor and senior management of PRC companies.

For Niuli Erde, if the Administration for Industry and Commerce revokes its business license and concludes that Mr. WY Chan was personally liable for the revocation of the business license of Niuli Erde, Mr. WY Chan will be disqualified from acting as director, legal representative, supervisor or senior management of all PRC companies within three years of the date of the revocation of the business license of Niuli Erde.

If the Administration for Industry and Commerce concludes that the definition of “person in charge”(負責人) includes director, supervisor and senior management, then Mr. WY Chan will also be disqualified from acting as director, supervisor and senior management of all PRC companies for three years from the date of Niuli Erde being put on the List of Serious Illegal and Dishonest Acts.

Views of the Directors

Taking into the consideration the following:

1. each of the relevant Directors has confirmed that (i) he was not responsible for company secretarial matters such as conducting annual industry and commerce inspection of the above mentioned companies which was assigned to specified staff or other management personnel; (ii) no dishonesty or fraudulent act on his part had been involved in the license revocation of relevant companies;

DIRECTORS AND SENIOR MANAGEMENT

2. each of the relevant Directors further confirmed that up to Latest Practicable Date, he has not received any (i) claims or legal proceedings made or commenced against him by any creditors of the above mentioned companies or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the above mentioned non-compliances; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies;
3. each of the relevant Directors has served as a Director for some time already, and nothing as at the date hereof suggests that they have at any time failed to discharge their duties and responsibilities in that capacity;
4. our Company’s PRC Legal Advisers confirmed that as at the date of the PRC Legal Opinion the information available to them did not indicate that the relevant Directors has personal liability on the revocation of the business license of the relevant PRC companies; and
5. there is nothing in the PRC Legal Opinion which indicates any dishonesty or fraud on the part of any of the relevant Director,

our Directors are of the view that the above non-compliances and potential disqualification as director of PRC companies do not impugn the character and integrity of Mr. Zhong, Mr. Yau, Mr. Tong and Mr. WY Chan and their ability to fulfill their duty as Director and do not affect their suitability as Directors under the Listing Rules.

SENIOR MANAGEMENT

The following table provides information on our senior management:

Name	Age	Date of joining our Group	Position/title in our Group	Responsibilities in our Group
Mr. Man Ho Yin Danny (文浩賢)	36	7 December 2017	Financial controller	Responsible for overseeing our Group’s finances and cost control
Mr. Sin Hing Yu Brian (冼慶餘)	44	18 January 1999	Senior solution manager of i-Control (Hong Kong)	Responsible for managing the commercial sales team of i-Control (Hong Kong)
Mr. Poon King Hang (潘景衡)	43	5 July 1999	Head of business development department of our Group	Responsible for managing the overall business development of our Group

Mr. Man Ho Yin Danny (文浩賢) (“Mr. Man”), aged 36, has been serving our Group as financial controller since December 2017. He is responsible for monitoring and supervising our Group’s finance department.

He has over 10 years of working experience in an international accounting firm and in group finance role of a Hong Kong conglomerate and a Hong Kong property development group, with extensive experience in financial reporting, auditing, mergers and acquisitions.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Man obtained his Intergrated Bachelor of Business Administration Programme from the Chinese University of Hong Kong in 2005. He has become a member of the HKICPA since 2010.

Mr. Sin Hing Yu Brian (冼慶餘) (“Mr. Sin”), aged 44, has been the senior solution manager of i-Control (Hong Kong) since April 2013. He is responsible for managing the commercial sales team. Mr. Sin joined Eduserve International in January 1999 initially as a sales executive, and he has more than 20 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, United Kingdom through distance learning.

Mr. Poon King Hang (潘景衡) (“Mr. Poon”), aged 43, is currently the head of business development department of our Group and has been the manager of Eduserve International since April 2006. Mr. Poon joined us as a sales engineer in July 1999 and he is responsible for managing the overall business development of our Group. Mr. Poon was a Certified Technology Specialist awarded by the International Communications Industries Association, Inc (currently known as the Audiovisual and Integrated Experience Association), 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 20 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

Ms. Ng Tsz Wai (伍芷慧) (“Ms. Ng”), aged 35, is our company secretary. She was appointed on 7 December 2017. Ms. Ng obtained a Bachelor of Business Administration (Honours) degree in accountancy from City University of Hong Kong in 2007. She is a member of the HKICPA. She has over 10 years of working experience in company secretarial work, financial reporting, auditing and accounting in a listed company and an international accounting firm.

AUTHORISED REPRESENTATIVES

Mr. Yau and Ms. Ng have been appointed as our authorised representatives under Rule 5.24 of the GEM Listing Rules and will remain as our authorised representatives under Rule 3.05 of the Listing Rules upon [REDACTED]. The authorised representatives will act as the principal communication channel with the Stock Exchange and will make themselves readily available in Hong Kong whenever necessary to deal with inquiries from the Stock Exchange. When the Stock Exchange contacts the authorised representatives, they will be able to contact all members of the Board immediately, ensuring an effective communication channel with the Stock Exchange.

COMPLIANCE OFFICER

Mr. WY Chan was appointed as the compliance officer of our Company on 6 October 2014. Please refer to “Directors” in this section above for his profile.

COMPLIANCE ADVISER

As the [REDACTED] is an Eligible [REDACTED] (as defined in Appendix 28 to the Listing Rules), the requirement under Rule 3A.19 of the Listing Rules on the appointment of a compliance adviser is not applicable to our Company pursuant to Paragraph 16 of Appendix 28 to the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

BOARD PRACTICES

In the absence of extraordinary events, it is the practice of our Board to meet at least four times a year. At such meetings, our Directors conduct, among other things, an operational review of our business.

BOARD COMMITTEES

Audit Committee

Our Board has established an audit committee on 11 May 2015, which operates under a terms of reference approved by our Board. It is our Board’s responsibility to ensure that an effective internal control framework 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. Our Board has delegated the responsibility for the initial establishment and the maintenance of a framework of internal controls and ethical standards for our management to our audit committee.

Our audit committee currently comprises three independent non-executive Directors, namely Mr. Fong, Mr. Mong and Mr. Lum. Mr. Lum is the chairman of our audit committee.

Nomination Committee

Our Board has established a nomination committee on 11 May 2015, which operates under a terms of reference approved by our Board. Our nomination committee is responsible for making recommendations to our Board regarding candidates to fill vacancies in our Board, as well as the management of our Board succession. Our nomination committee will, taking account of various factors including, but not limited to, age spread of individual Directors and our Group’s business development progress, conduct annual reviews in relation to the composition of our 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 our Directors indicate a plan to retire, our nomination committee, with the assistance of our staff responsible for human resources, will start to identify potential candidates, whether within our Group or otherwise, with the appropriate background and expertise to join our Board.

Our nomination committee currently comprises three independent non-executive Directors, namely Mr. Fung, Mr. Lum and Mr. Mong. Mr. Fung is the chairman of our nomination committee.

Remuneration Committee

Our Board has established a remuneration committee on 11 May 2015, which operates under a terms of reference approved by our Board. Our remuneration committee is responsible for determining and reviewing compensation arrangements for our key management executives. Our 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 our 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.

Our remuneration committee currently comprises three independent non-executive Directors, namely Mr. Fong, Mr. Fung and Mr. Lum. Mr. Fung is the chairman of our remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION POLICY

The remuneration policy of our 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 retirement benefit schemes and discretionary bonuses by reference 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 our Group. The Directors are entitled to statutory benefits as required by law from time to time such as retirement benefit.

DIRECTORS’ REMUNERATION

Mr. Zhong and Mr. Yau, both executive Directors did not receive any remuneration from the date of their appointment up to 31 March 2019. However, commencing from 1 April 2019, Mr. Zhong and Mr. Yau have started devoting more time to our Group as they both have established business networks to facilitate the expansion of our Group’s business in the Greater Bay Area and as a result of Mr. Tong and Mr. WY Chan both approaching retirement age and starting to commit less time to our Group’s business. Accordingly, for the year commencing from 1 April 2019, Mr. Zhong and Mr. Yau will be entitled to receive HK\$10,000 per month and HK\$15,000 per month respectively which is determined by the Remuneration Committee of the Company with reference to their duties, responsibilities and time commitment to our Group. Save for the above, our 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 aggregate remuneration paid to our Directors for the three year ended 31 March 2019 and the three months ended 30 June 2019 was approximately HK\$5.25 million, HK\$6.44 million, HK\$6.92 million and HK\$1.25 million, respectively.

The expected annual Directors’ fees and other emoluments to be paid by our Group for the financial year ending 31 March 2020 will be approximately HK\$5.01 million.

DIRECTORS’ COMPETING INTERESTS

Save as disclosed in “Relationship with Controlling Shareholders” in this [REDACTED] document, none of our Controlling Shareholders, Directors and their respective close associates are interested in any business which competes or is likely to compete with that of ours.

DIRECTORS AND SENIOR MANAGEMENT

BOARD DIVERSITY POLICY

Our 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. Our Company has therefore adopted a board diversity policy which sets out the approach to achieve and maintain diversity on our 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 our Board. These differences will be considered in determining the optimum composition of our 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 our Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations to our Board on appointment of new Directors based on our Company’s Nomination Policy. The Nomination Committee also oversees the conduct of the annual review of the effectiveness of our Board, the Nomination Committee will consider the balance of talents, skills, experience, independence and knowledge on our Board and the diversity of our Board.

In reviewing and assessing the composition of our 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 our Board.

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

Apart from our six executive Directors who have long experiences in business management, we have four independent non-executive Directors with different industry backgrounds, representing more than one-third of the members of our Board. Our company secretary, Ms. Ng Tsz Wai, having extensive experience in her field, contributes to gender diversity of our management team. Our Directors are therefore of the view that our Board and management at present have a balanced mix of knowledge and skills, including overall management, strategic development, human resources, accounting, financial advisory and planning. To enhance our corporate governance by diversifying our Board’s composition, our Group has set out the following targets and policies:

- Our Directors plan to appoint at least one female member on our Board within three years after the [REDACTED].
- Our Group will emphasise on training senior female staff who have long and relevant experience in our business, including but not limited to accounting and finance, operation and research and development. Our Directors believe that this policy will provide the required manpower resources to achieve gender diversity in our Board.

SHARE CAPITAL

SHARE CAPITAL

As at the Latest Practicable Date, (i) the authorised share capital of our Company was HK\$20,000,000 divided into 2,000,000,000 Shares and (ii) the issued share capital of our Company was [REDACTED] divided into [REDACTED] Shares.

RANKING

The Shares in issue rank *pari passu* in all respects with each other.

Save as disclosed in this [REDACTED] document, no share or loan capital of our Company or any of our subsidiaries is under any option or is agreed conditionally or unconditionally to be put under any option.

GENERAL MANDATE TO ISSUE NEW SHARES

At the Annual General Meeting, a general unconditional mandate (the “**Issuing Mandate**”) has been granted to our Directors authorising them to exercise our powers to allot, issue and deal with additional Shares or to make or grant any offers, agreements and/or options which would or might require Shares to be allotted and issued or disposed of, provided that the aggregate nominal value of the Shares allotted or agreed conditionally or unconditionally to be allotted shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue as at the date of the Annual General Meeting.

This Issuing Mandate does not apply to situations where our Directors allot, issue or deal with the Shares under any rights issue or the exercise of any option granted under the Share Option Schemes or any other option, scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares.

This Issuing Mandate will expire:

- at the conclusion of our next annual general meeting;
- at the expiration of the period within which our next annual general meeting is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such Issuing Mandate,

whichever is the earliest.

Particulars of this Issuing Mandate are set out in “General information – A. Further information about our Company and our subsidiaries – 3. Annual General Meeting held on 8 August 2019” in Appendix V to this [REDACTED] document.

SHARE CAPITAL

GENERAL MANDATE TO BUY-BACK SHARES

At the Annual General Meeting, a general unconditional mandate (the “**Buy-back Mandate**”) has been granted to our Directors authorising them to exercise all the powers for and on behalf of our Company to buy-back Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue as at the date of the Annual General Meeting.

This Buy-back Mandate only relates to buy-backs made on the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, and which are made in accordance with all applicable laws and/or the requirements of the SFC, the Stock Exchange or any other stock exchange as amended from time to time and all applicable laws in this regard. Further information regarding the Buy-back Mandate is set out in “General information – A. Further information about our Company and our subsidiaries – 5. Buy-back by our Company of our Shares” in Appendix V to this [REDACTED] document.

This Buy-back Mandate will expire:

- at the conclusion of our next annual general meeting;
- at the expiration of the period within which our next annual general meeting is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such Buy-back Mandate,

whichever is the earliest.

Particulars of this Buy-back Mandate are set out in “General information – A. Further information about our Company and our subsidiaries – 3. Annual General Meeting held on 8 August 2019” in Appendix V to this [REDACTED] document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by ordinary shareholders’ resolutions (i) increase our capital; (ii) consolidate and divide our capital into Shares of larger amount; (iii) divide our Shares into classes; (iv) subdivide our Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may reduce or redeem our share capital by Shareholders’ special resolution. Please refer to “Summary of the constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – 2(a)(iii) Alteration of capital” in Appendix IV to this [REDACTED] document.

SHARE CAPITAL

Pursuant to the Companies Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. Please refer to “Summary of the constitution of the Company and Cayman Islands Company Law – 2. Articles of Association – 2(a)(ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this [REDACTED] document.

SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme on 11 May 2015. Such Share Option Scheme will remain valid and effective following the [REDACTED] and will be implemented in full compliance with Chapter 17 of the Listing Rules. As at the Latest Practicable Date, no share options under the Share Option Scheme have been granted.

Details of the principal terms of our Share Option Scheme are summarised in “General information D. Share Option Scheme” in Appendix V to this [REDACTED] document.

SHAREHOLDING DISTRIBUTION

The Company has engaged an independent third party agent to confirm the Company’s shareholding distribution (*Note 1*). Based on the information received up to the Latest Practicable Date and to the best knowledge of the Directors upon due inquiry, as at 29 July 2019 (being the latest practicable date for the Company to ascertain the following information prior to the Latest Practicable Date), (i) the Controlling Shareholders held in aggregate [REDACTED] Shares, representing [REDACTED] of the entire issued share capital of the Company; (ii) the substantial Shareholder held [REDACTED] Shares, representing [REDACTED] of the entire issued share capital of the Company; (iii) the public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the entire issued share capital of the Company; and (iv) there were at least [REDACTED] Shareholders (*Note 2*). As at 29 July 2019, among the public Shareholders, (i) the three largest public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the Shares held in public hands; (ii) the top 20 public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the Shares held in public hands and [REDACTED] of the Shares; and (iii) the top 25 public Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the Shares held in public hands and approximately [REDACTED] of the Shares. As at 29 July 2019, when the non-public Shareholders are included, (i) the three largest Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the Shares; (ii) the top 20 Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the Shares; and (iii) the top 25 Shareholders held in aggregate [REDACTED] Shares, representing approximately [REDACTED] of the Shares.

Note 1: The search result from the independent third party agent was on best effort basis and the result does not include 100% of the shareholding of the Company.

Note 2: Based on information from the independent third party agent, for the purpose of calculating the number of Shareholders, a Shareholder who holds Shares through multiple brokerage accounts via different brokerage firms has been counted as a single Shareholder.

PUBLIC FLOAT

The Directors confirm that not less than 25% of the total issued share capital of the Company is held by the public (as defined in the Listing Rules) as at the Latest Practicable Date. Accordingly, the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, each of the following persons have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group as at the Latest Practicable Date:

Interests in our Company

Name	Capacity/Nature of interest	As at the Latest Practicable Date	
		Number of Shares (Note)	Approximate percentage of issued Shares
Phoenix Time	Beneficial owner (Note 2)	[REDACTED]	[REDACTED]
Mr. Zhong	Interest of controlled corporation (Note 2)	[REDACTED]	[REDACTED]
Ms. Chen Minling	Interest of spouse (Note 2)	[REDACTED]	[REDACTED]
Dr. Wong	Beneficial owner (Note 3)	[REDACTED]	[REDACTED]
Ms. Wong Lau Sau Yee Angeli	Interest of spouse (Note 3)	[REDACTED]	[REDACTED]

Notes:

- (1) All interests stated are long positions.
- (2) These Shares are held by Phoenix Time, which is 100% owned by Mr. Zhong, an executive Director. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong is deemed to have an interest in all Shares in which Phoenix Time has, or deemed to have, an interest. Ms. Chen Minling is the spouse of Mr. Zhong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chen Minling is deemed to have an interest in all Shares in which Mr. Zhong Naixiong has, or deemed to have, an interest.
- (3) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Lau is deemed to have an interest in all Shares in which Dr. Wong has, or deemed to have, an interest.

Save as disclosed above, so far as our Directors are aware, no person had any interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group as at the Latest Practicable Date.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Phoenix Time acquired [REDACTED] of the issued Share capital of the Company (“**Phoenix Time’s acquisition**”), and became a Controlling Shareholder of our Company with effect from 6 October 2017. As a result of Phoenix Time’s acquisition, Mr. Zhong also became a Controlling Shareholder of our Company. There has been no change in the Company’s core business activities following the Phoenix Time’s acquisition. As at the Latest Practicable Date, the following persons are the Controlling Shareholders of our Company:

Name	Capacity/Nature of interests	Number of Shares held (Note 1)	Approximately percentage of issued Shares
Phoenix Time	Beneficial owner (Note 2)	[REDACTED]	[REDACTED]
Mr. Zhong	Interests of controlled corporation (Note 2)	[REDACTED]	[REDACTED]

Notes:

- (1) All interests stated are long positions.
- (2) These Shares are held by Phoenix Time, which is 100% owned by Mr. Zhong, an executive Director. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong is deemed to have an interest in all Shares in which Phoenix Time has, or deemed to have, an interest.

MANAGEMENT INDEPENDENCE

Our Board comprises five executive Directors, namely, Mr. Zhong, Mr. Yau, Mr. Tong, Mr. WY Chan and Mr. WL Chan, one non-executive Director, namely, Dr. Wong and four independent non-executive Directors, namely, Mr. Fong Chi, Mr. Fung Chan Man Alex, Mr. Lum Pak Sum and Mr. Mong Cheuk Wai. Mr. Zhong is also a Controlling Shareholder of our Company.

To manage potential conflicts of interests between our Directors and us, according to our Articles of Association, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting.

Although our Controlling Shareholders will retain a controlling interest in our Company after the [REDACTED], our Company has full rights to make all decisions on, and to carry out, our own business operations independently. Our Group holds all relevant licences necessary to carry on business and has sufficient capital, equipment and employees to operate the business independently from our Controlling Shareholders.

Save for the fully exempted continuing connected transactions set out in “Connected transaction – (B) Fully exempted continuing connected transactions” our Directors do not expect that there will be any transactions between our Group on one side and our Controlling Shareholders and/or their respective close associates on the other side upon or shortly after the [REDACTED].

Having considered the above factors, our Directors are satisfied that the management team of our Company is able to perform its role in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Controlling Shareholders and their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OPERATIONAL INDEPENDENCE

We also have independent access to our clients, who are independent from our Controlling Shareholders and their respective close associates. We do not rely on our Controlling Shareholders and their respective close associates for accessing to clients.

Our Directors also confirm that our Group has carried out all its essential administrative operations, such as cash and accounting management, invoicing and billing and other financial and management control systems independently from our Controlling Shareholders (where applicable, other than in his capacity as an executive Director or an employee of the Group) and their respective close associates. We have established our own accounting, financial and treasury departments independent from our Controlling Shareholders (where applicable, other than in his capacity as an executive Director or an employee of our Group) and their respective close associates.

FINANCIAL INDEPENDENCE

Our Directors have confirmed that our Company will be financially independent from our Controlling Shareholders upon the [REDACTED]. There has been no outstanding loans and non-trade payables owed to and from, and/or outstanding financial guarantees or indemnities provided by our Controlling Shareholders and their respective close associates since they became our Controlling Shareholders and up to the Latest Practicable Date.

Our Directors believe that our Group will be able to obtain further financing such as bank loans, if necessary, upon market terms and conditions without relying on financial assistance from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE

Our Board consists of four independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. Our Group will ensure that our independent non-executive Directors are of sufficient calibre, knowledge and experience, have no prior connections or relationships with our Group or our connected persons and will carry weight in our Group’s decision-making process.

NON-COMPETITION UNDERTAKING

As at the Latest Practicable Date, none of our Controlling Shareholders and their respective close associates has any interest in a business which competes or is likely to compete either directly or indirectly with the business of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Phoenix Time and Mr. Zhong (the “**Covenantors**”) have entered into the Deed of Non-Competition in favour of our Company (for ourselves and on behalf of our subsidiaries) pursuant to which the Covenantors have undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that with effect from [REDACTED], they would not, would procure that none of the persons and companies in their control shall, and would use their best endeavours to procure that none of their close associates or associated companies not controlled by them shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is in any respect in competition with or similar to or is likely to be in competition with the principal business of our Group or any business in which any member of our Group is engaged or is otherwise involved in as our principal business from time to time (the “**Restricted Business**”); or provide support in any form to persons or entities other than our Group to engage in business that constitute or may constitute direct or indirect competition with the Restricted Business.

Each of the Covenantors has further undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that, with effect from the [REDACTED], in the event that any of them and/or any of their respective close associates (except any members of our Group) is offered or becomes aware of any future business opportunity directly or indirectly to engage or become interested in a Restricted Business (the “**Competing Business Opportunity**”), they:

- (a) shall promptly notify our Company in writing and refer such Competing Business Opportunity to our Company for consideration and provide such information as reasonably required by our Company in order to come to an informed assessment of such Competing Business Opportunity, and shall, upon request by our Company, assist our Group to obtain such Competing Business Opportunity in the terms no less favourable than those offered to any of the Controlling Shareholders; and
- (b) shall not and procure their respective close associates (other than members of our Group) shall not, invest or participate in any Competing Business Opportunity unless such Competing Business Opportunity has been rejected by our Company and such decision of our Company shall be approved by our independent non-executive Directors, and in respect of such Competing Business Opportunity invested or participated in, the principal terms on which our Controlling Shareholders or their respective close associates invest or participate are no more favourable than those made available to our Company.

Each of the Covenantors has further undertaken to our Company (for ourselves and for the benefit of our subsidiaries) that, with effect from the [REDACTED], they shall not and shall procure that none of their respective close associates (except for any members of our Group) shall directly or indirectly at any time induce or attempt to induce any director, manager or employee or consultant of any member of our Group to terminate his or her employment or consultancy (as applicable) with our Group, whether or not such act of that person would constitute a breach of that person’s contract of employment or consultancy (as applicable).

The above undertakings do not apply where the Covenantors and/or their respective close associates have interests in the shares or any securities of a company that engages in the Restricted Business whose shares are listed on a recognised stock exchange provided that (a) the total number of shares held by the Covenantors and/or their respective close associates in aggregate shall not exceed 5% of the issued shares of that class of the company in question; (b) the Covenantors and their respective close associates are not entitled to appoint a majority of the directors of that company; and (c) at any time there should exist at least another shareholder of that company whose shareholdings in that company is more than the total number of shares held by the Covenantors and their respective close associates in aggregate.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

The Covenantors represented and warranted that, as of the date of the Deed of Non-Competition, apart from the disclosures made in this [REDACTED] document, none of the Covenantors, their close associates or any of the persons or companies in their control is currently interested or engaging, directly or indirectly, in (whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) the Restricted Business otherwise through our Group or is otherwise engaged in any business which is in competition or is likely in competition to those of our Group.

Under the Deed of Non-Competition, the Covenantors further undertake to and covenant with our Company that during the period for which the Deed of Non-Competition is in force:

- (a) they shall allow, and shall procure that their respective close associates (excluding us) to allow our Directors (including the independent non-executive Directors) sufficient access (upon reasonable prior notice) to the records of the Covenantors and their respective close associates to ensure that they are in compliance with the Deed of Non-Competition;
- (b) they shall provide all information necessary for the annual review by the independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of the Deed of Non-Competition; and
- (c) they shall provide our Company with a confirmation annually for inclusion by our Company in our annual report, in respect of their compliance with the terms of the Deed of Non-Competition.

The undertakings given by the Covenantors under the Deed of Non-Competition shall lapse and the Covenantors shall be released from the restrictions imposed on them upon the occurrence of the earliest of any of the following events or circumstances:

- (a) the day on which the Shares cease to be listed on the Stock Exchange;
- (b) the day on which the relevant Covenantor and/or his/its close associates cease to hold, taken together, 30% or more of the issued share capital of our Company or otherwise the relevant Covenantor ceases to be a Controlling Shareholder of our Company; or
- (c) the day on which the relevant Covenantor beneficially owns or is interested in the entire issued share capital of our Company.

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into certain transactions with our connected persons (as defined under Chapter 14A of the Listing Rules), all of which are fully exempt under both Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules. One of these transactions has been completed and two of which, following the [REDACTED], will continue and constitute continuing connected transactions under Chapter 14A of the Listing Rules.

(A) COMPLETED CONNECTED TRANSACTION

Provision of VCMA solution service to Foshan Jinhe Real Estate Development Co., Ltd English name for identification purpose only (佛山市晋合房地产开发有限公司)(“Foshan Jinhe”)**

On 1 February 2018, i-Control (Hong Kong) entered into a service contract with Foshan Jinhe to provide consultation on the designs of multimedia audio-visual solution, including various indoor and exterior display screens in GBA International Sports and Cultural Center, Foshan, the PRC, of which Foshan Jinhe is the developer, at a total consideration of RMB1,800,000 (inclusive of PRC value-added tax).

Foshan Jinhe is a company incorporated in the PRC of which Ms. Chen Minling, the spouse of Mr. Zhong, our Chairman and executive Director, is the sole ultimate beneficial owner. Accordingly Foshan Jinhe is an associate of Mr. Zhong and our connected person pursuant to Rule 20.07(4) of the GEM Listing Rules.

The service fee was arrived at after arm’s length negotiation between the Group and Foshan Jinhe with reference to the scope of work required.

The service to Foshan under the service contract was completed in April 2018 and the service fee has been fully paid by Foshan Jinhe. Accordingly the Group recognised revenue of approximately HK\$1.5 million and HK\$542,000 for the year ended 31 March 2018 and 2019, respectively.

As all the applicable percentage ratios in respect of the service contract was less than 5% and the total consideration is less than HK\$3 million, by virtue of Rule 20.74(c) of the GEM Listing Rules, such transaction constitutes a de minimis connected transaction and was fully exempt from independent shareholders’ approval, reporting, annual review and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

(B) FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Secondment Agreement between the Company, Nenking Overseas Investment Management Limited (“Nenking Overseas”) and Mr. Man Ho Yin Danny (“Mr. Man”)

Since 7 December 2017, Mr. Man, our financial controller, has been seconded by Nenking Overseas to our Company to act as our financial controller at nil consideration given that Mr. Man was only required to devote limited time at our Company. To formalise the arrangement, on 1 April 2019, we entered into a secondment agreement with Nenking Overseas and Mr. Man pursuant to which Nenking Overseas agreed to second Mr. Man to our Company to act as our financial controller and perform duties as commonly expected of such position of a company listed on the Stock Exchange for a monthly fee of HK\$12,000 which was determined on a cost basis with reference to Mr. Man’s duties and time commitment towards our Group which duties are expected to increase with the [REDACTED]. The aggregate amount payable by our Group under the secondment agreement with Nenking Overseas for the years ending 31 March 2020, 2021 and 2022 shall be HK\$144,000, HK\$144,000 and HK\$144,000, respectively.

CONNECTED TRANSACTIONS

Nenking Overseas is a company incorporated in Hong Kong of which Ms. Chen Minling, the spouse of Mr. Zhong, our Chairman and executive Director, is the sole ultimate beneficial owner. Accordingly, Nenking Overseas is an associate of Mr. Zhong and our connected person pursuant to both Rule 20.07(4) of the GEM Listing Rules and Rule 14A.07(4) of the Listing Rules.

As the applicable percentage ratios in respect of the secondment agreement is less than 0.1%, by virtue of Rule 20.74(a) of the GEM Listing Rules and Rule 14A.76(1)(a) of the Listing Rules, the transaction thereunder constitutes a de minimis continuing connected transaction and is fully exempt from independent shareholders’ approval, reporting, annual review and all disclosure requirements under both Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules.

(2) Secondment Agreement between the Company, Swiss Asia Investment Management (HK) Limited (“Swiss Asia”) and Ms. Ng Tsz Wai (“Ms. Ng”)

Since 7 December 2017, Ms. Ng, our company secretary, has been seconded by Swiss Asia to our Company to act as our company secretary at nil consideration given that Ms. Ng was only required to devote limited time at our Company. To formalise the arrangement, on 1 April 2019, we entered into a secondment agreement with Swiss Asia and Ms. Ng pursuant to which Swiss Asia agreed to second Ms. Ng to our Company to act as our company secretary and perform duties as commonly expected of such position of a company listed on the Stock Exchange for a monthly fee of HK\$12,000 which was determined on a cost basis with reference to Ms. Ng’s duties and time commitment towards our Group which duties are expected to increase with the [REDACTED]. The aggregate amount payable by our Group under the secondment agreement with Swiss Asia for the years ending 31 March 2020, 2021 and 2022 shall be HK\$144,000, HK\$144,000 and HK\$144,000, respectively.

Swiss Asia is a company incorporated in Hong Kong of which Mr. Yau, our executive Director, is the sole ultimate beneficial owner. Accordingly, Swiss Asia is an associate of Mr. Yau and our connected person pursuant to both Rule 20.07(4) of the GEM Listing Rules and Rule 14A.07(4) of the Listing Rules.

As the applicable percentage ratios in respect of the secondment agreement is less than 0.1%, by virtue of Rule 20.74(a) of the GEM Listing Rules and Rule 14A.76(1)(a) of the Listing Rules, the transaction thereunder constitutes a de minimis continuing connected transaction and is fully exempt from independent shareholders’ approval, reporting, annual review and all disclosure requirements under both Chapter 20 of the GEM Listing Rules and Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

CONFIRMATION FROM THE DIRECTORS

Our Directors confirm that the above transactions were entered into in our Group’s ordinary and usual course of business and were undertaken on an arm’s length basis, on normal commercial terms and that the terms are fair and reasonable.

Save as disclosed above, our Directors currently do not expect our Group will entered into any transaction which will constitute a continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that the above transactions were entered into in our Group’s ordinary and usual course of business, are on normal commercial terms or better from the perspective of our Group and the terms of the abovementioned connected transactions are fair and reasonable.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group’s financial condition and results of operations together with our consolidated financial statements as at and for the three years ended 31 March 2019, three months ended 30 June 2018 (unaudited) and 30 June 2019 and the accompanying notes included in the accountants’ report set out in Appendix I to this [REDACTED] document. The accountants’ report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”). Potential investors should read the whole of the accountants’ report set out in Appendix I to this [REDACTED] document and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that may involve risks and uncertainties. These statements are based on assumptions, expectations and analysis of our Company in view of our previous experience and our perception of historical and future trends in the VCMA solution industry sector in which we operate. Whether or not our Company’s expectations are fulfilled in the future depend on factors and developments beyond our Company’s control. For additional information regarding these risks and uncertainties, please refer to “Risk factors” in this [REDACTED] document.

OVERVIEW

We are a Hong Kong-based service provider of (i) VCMA solutions services; and (ii) VCMA maintenance services to our clients during the Track Record Period. We were founded in 1987 and have been in operation for over 32 years to date. Our operations are organised in the following areas: (i) consultation and design; (ii) project management and installation; and (iii) maintenance. According to the Ipsos Report, we accounted for approximately 12.1% of the total estimated revenue in respect of the VCMA solution industry in Hong Kong in 2018 and ranked second in this industry.

Our clients mainly comprise a leading global operator of exchanges and clearing houses in Hong Kong, an international property developer, multi-national enterprises, listed companies, financial services firms, institutions of tertiary education and various contractors during the Track Record Period. Our largest market is Hong Kong, which accounted for approximately 84.5%, 91.8% and 96.9% and 98.8% of our total revenue for the three years ended 31 March 2019 and the three months ended 30 June 2019 respectively. We also had clients based in the PRC, Singapore and Macau during the Track Record Period.

Our suppliers include local distributors of VCMA equipment in Hong Kong and overseas manufacturers and distributors headquartered in the United States, Singapore and Japan. As at the Latest Practicable Date, we were the authorised seller for 7 of our VCMA equipment suppliers.

BASIS OF PREPARATION

The consolidated financial statements have been prepared by our Directors in accordance with HKFRSs issued by the HKICPA, on the basis of presentation as set out in Note 1 of the accountants’ report contained in Appendix I to this [REDACTED] document.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

FINANCIAL INFORMATION

SIGNIFICANT FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our revenue is mainly derived from non-recurring projects and any material decrease in the number of projects or orders may affect our operations and financial results

Our revenue is primarily derived from the provision of (i) VCMA solution services; and (ii) VCMA maintenance services. Notwithstanding variation orders or supplemental orders placed by our clients in the same project, our engagements with clients are on a project basis and generally non-recurring in nature. Except for the maintenance service agreements with our clients which generally last for one year, we do not enter into any long-term agreements with our clients. Our clients are not obliged to engage us again in any subsequent projects after completion of the current projects.

As such, our revenue derived in this manner is not recurring in nature. We cannot guarantee that our existing clients will engage us for new projects, and consequently there can be no assurance that we would be able to maintain our business relationships with them. In the event that we are unable to secure new engagements from existing clients or attract new clients, there may be a material decrease in the number of projects or orders, which may adversely affect our operations and financial results.

We depend on large projects for our business success, and failure to secure large projects may materially and adversely affect our business, results of operations and financial condition

The revenue derived from our large projects accounted for approximately 39.0%, 43.6%, 43.7% and 30.6% of our total revenue for the VCMA solution services for the three years ended 31 March 2017, 2018 and 2019 and the three month ended 30 June 2019, respectively. We expect that we will continue to derive a significant portion of our revenue from the large projects.

We generally provide our VCMA solution services or VCMA maintenance services to our clients on a project-by-project basis. We cannot assure you that our existing major clients will continue to engage us for the large projects at historical levels. Should our major clients decide not to do so, we cannot assure that we are able to secure a comparable number of large projects from other clients to offset the loss of revenue from losing one or more of the large projects. Further, we cannot assure you that we will be able to secure new clients to engage us for large projects. Therefore, if we fail to secure large projects for whatever reason, our business, results of operations and financial condition would be materially and adversely affected.

We determine our fee based on estimated time and costs, yet the actual time and costs incurred may deviate from our estimates due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine our total fee based on a certain mark-up on top of our cost estimates. For details of the factors we consider when we make our cost estimates, please refer to the “Business – Business model and our operation – (i) VCMA solution services” in this [REDACTED] document. The actual time and costs incurred by us, however, may be affected by various factors, including, but not limited to: (i) variations to the layout plans or design requested by our clients; (ii) delays by our suppliers in delivering VCMA equipment; (iii) delays or defects in the installation work provided by our contractors; (iv) departure of our key personnel; (v) disputes with our clients or suppliers; (vi) disputes among other parties involved in the projects; (vii) changes in market conditions; and (viii) other unforeseen problems and circumstances. Significant changes in any of these factors may lead to delays in completion or cost overruns by us, and there can be no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may reduce our expected profitability or expose us to potential litigation or claims from clients if we cause delay to their projects.

FINANCIAL INFORMATION

If a significant mark-up is added to our estimated costs, then our fee may be less competitive. There can be no assurance that we will always be able to price our tenders or quotations competitively and, if we fail to do so, our clients may not engage our services, resulting in a decrease in the number of projects or orders. In such event, our operations and financial results would be adversely affected.

On the contrary, if the fee set by us is too low, then if the actual time spent and costs significantly exceed our estimation during the actual implementation of the relevant project or order, our profitability may be materially and adversely affected.

OUR SIGNIFICANT ACCOUNTING POLICIES

Our Directors have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. The significant accounting policies which are important for an understanding of our financial condition and results of operation, are set forth in detail in Note 3 to the accountants’ report included in Appendix I to this [REDACTED] document. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. The determination of these items requires management judgments based on information and financial data that may change in future periods. Our Directors believe that accounting policies such as impairment of property and equipment and investment properties, provision for write-down of inventories, and impairment of trade receivables and contract assets are amongst the most significant estimates and judgments used in the preparation of our financial statements, please refer to Note 4 to the accountants’ report included in Appendix I to this [REDACTED] document for details.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following is selected financial information from our consolidated statements of profit or loss for the year/period:

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	138,113	158,609	185,714	29,690	33,238
Cost of inventories sold including installation cost	(77,962)	(96,166)	(112,399)	(18,050)	(17,534)
Staff cost	(26,953)	(31,128)	(34,221)	(7,016)	(7,722)
Depreciation	(3,216)	(3,258)	(3,249)	(815)	(841)
Other income and net gain	903	421	387	97	54
Other operating expenses	(6,254)	(7,005)	(6,612)	(1,787)	(1,876)
Finance costs	(1,159)	(882)	(1,083)	(240)	(294)
[REDACTED] expenses	—	—	—	—	(2,684)
Profit before taxation	23,472	20,591	28,537	1,879	2,341
Income tax expenses	(4,266)	(3,682)	(5,034)	(516)	(1,190)
Profit for the year/period attributable to owners of the Company	<u>19,206</u>	<u>16,909</u>	<u>23,503</u>	<u>1,363</u>	<u>1,151</u>

FINANCIAL INFORMATION

Revenue

Our Group’s revenue is derived from the provision of (i) VCMA solution services; and (ii) VCMA maintenance services to our clients. The following table sets out the breakdown of our revenue by type of services for the year/period:

	2017		Year ended 31 March 2018		2019		Three months ended 30 June 2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
VCMA solution services (Note)	124,253	90.0	144,216	90.9	169,649	91.3	26,900	90.6	29,091	87.5
VCMA maintenance services	13,860	10.0	14,393	9.1	16,065	8.7	2,790	9.4	4,147	12.5
Total	138,113	100.0	158,609	100.0	185,714	100.0	29,690	100.0	33,238	100.0

Note: The scope of our services varies from project to project depending on our clients’ needs. During the Track Record Period, some of our clients may only require us to procure and deliver certain VCMA equipment but did not request us to provide any design or installation services, which involve our Consultation Services. For the same period, the revenue attributable to these kind of projects was approximately 8.9%, 10.3%, 7.9%, 8.5% and 20.5% of our total revenue, respectively.

(i) VCMA solution services

For the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, our revenue derived from this type of services amounted to approximately HK\$124.3 million, HK\$144.2 million, HK\$169.6 million, HK\$26.9 million and HK\$29.1 million, respectively.

The following table summarises our projects and the corresponding contract sum and revenue recognised for the stated year/period:

	2017			Year ended 31 March 2018			2019			Three months ended 30 June 2018			2019		
	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised	Number of contracts undertaken	Total contract sum	Revenue recognised
		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000		HK\$'000	HK\$'000
												(unaudited)			
large projects	27	54,826	48,508	34	67,515	62,887	39	80,294	74,150	12	18,114	9,421	9	25,682	8,893
medium projects	182	53,281	47,769	192	55,850	53,471	222	64,529	61,101	52	14,427	10,488	70	18,667	11,393
small projects	2,128	28,936	27,976	1,966	28,656	27,858	2,081	35,266	34,398	476	7,651	6,991	538	10,023	8,805
Total	2,337	137,043	124,253	2,192	152,021	144,216	2,342	180,089	169,649	540	40,192	26,900	617	54,372	29,091

Our total number of projects undertaken in relation to our VCMA solution services were 2,337, 2,192, 2,342, 540 and 617 for the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, respectively.

(ii) VCMA maintenance services

For the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, our revenue derived from our VCMA maintenance services amounted to approximately HK\$13.9 million, HK\$14.4 million, HK\$16.1 million, HK\$2.8 million and HK\$4.1 million, respectively.

FINANCIAL INFORMATION

We mainly provided VCMA solution services and VCMA maintenance services to our clients in Hong Kong. We also have clients based in the PRC, Singapore and Macau. The following table sets out the breakdown of our revenue by geographical location based on our understanding of the location of the project undertaken for the stated year/period:

	2017		Year ended 31 March				Three months ended 30 June			
	HK\$'000	%	2018	%	2019	%	2018	%	2019	%
			HK\$'000		HK\$'000		(unaudited)		HK\$'000	
Hong Kong	116,644	84.5	145,529	91.8	180,018	96.9	28,452	95.8	32,842	98.8
The PRC	14,111	10.2	12,239	7.7	3,865	2.1	1,072	3.6	229	0.7
Singapore	737	0.5	–	–	563	0.3	75	0.3	–	–
Macau	6,621	4.8	841	0.5	1,268	0.7	91	0.3	167	0.5
Total	138,113	100.0	158,609	100.0	185,714	100.0	29,690	100.0	33,238	100.0

For the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, our revenue generated from Hong Kong was approximately HK\$116.6 million, HK\$145.5 million, HK\$180.0 million, HK\$28.5 million and HK\$32.8 million, respectively, while our revenue from the PRC was approximately HK\$14.1 million, HK\$12.2 million, HK\$3.9 million, HK\$1.1 million and HK\$0.2 million, respectively. Our revenue from Singapore and Macau in aggregate amounted to approximately HK\$7.4 million, HK\$0.8 million, HK\$1.8 million, HK\$0.2 million and HK\$0.2 million for the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, respectively. During the Track Record Period, our Group increasingly allocated more resources and manpower to our sales to clients based in Hong Kong, and derived a significant portion of our overall revenue from our sales to Hong Kong. On the other hand, our revenue derived from the PRC continuously decreased over the Track Record Period which was mainly due to (i) change in management personnel in our PRC subsidiary in 2019; and (ii) certain large projects undertaken in 2017 and 2018 did not recur in 2019. The decrease in the revenue derived from Macau over the Track Record Period was mainly due to a large project for Client E being undertaken and completed during the year ended 31 March 2017.

Our clients can be divided into two types: (i) public sector and (ii) private sector. The public sector includes government bureaus and departments, primary and secondary schools, and universities, while the private sector includes banks, offices of various businesses, international corporations, retail outlets and small-medium enterprises. The following table sets out a breakdown of our total revenue by our client type for the year/period:

	2017		Year ended 31 March				Three months ended 30 June			
	HK\$'000	%	2018	%	2019	%	2018	%	2019	%
			HK\$'000		HK\$'000		(unaudited)		HK\$'000	
Private sector	114,392	82.8	134,458	84.8	160,196	86.3	25,616	86.3	29,251	88.0
Public sector	23,721	17.2	24,151	15.2	25,518	13.7	4,074	13.7	3,987	12.0
Total	138,113	100.0	158,609	100.0	185,714	100.0	29,690	100.0	33,238	100.0

Our revenue derived from the public sector was approximately HK\$23.7 million, HK\$24.2 million, HK\$25.5 million, HK\$4.1 million and HK\$4.0 million for the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, respectively, and our revenue derived from the private sector was approximately HK\$114.4 million, HK\$134.5 million, HK\$160.2 million, HK\$25.6 million and HK\$29.3 million for the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, respectively. The majority of our sales were derived from the private sector during the Track Record Period.

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Cost of inventories sold including installation cost

For the years ended 31 March 2017, 2018, 2019 and the three months ended 30 June 2018 and 2019, our cost of inventories sold including installation cost was approximately HK\$78.0 million, HK\$96.2 million, HK\$112.4 million, HK\$18.1 million and HK\$17.5 million, respectively. Our cost of inventories sold including installation cost primarily consists of (i) cost of equipment sold or used in provision of VCMA solution services to our clients; and (ii) the associated outsourced installation costs. As we do not have an advance cost allocation system, we cannot accurately and fairly allocate direct staff cost to our projects. For our VCMA maintenance services, our costs comprise mainly staff cost, with immaterial amount of inventories used; therefore the cost of inventories sold including installation cost mainly related to our VCMA solution services. The following table sets out the breakdown of our cost of inventories sold including installation cost for the stated year/period:

	2017		Year ended 31 March 2018		2019		Three months ended 30 June 2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
For VCMA solution services										
– Cost of equipment sold	66,361	85.1	82,609	85.9	95,890	85.3	15,991	88.6	15,541	88.6
– Outsourced installation costs	9,537	12.2	11,397	11.9	14,377	12.8	1,685	9.3	1,557	8.9
For VCMA maintenance services										
– Cost of equipment sold	2,064	2.7	2,160	2.2	2,132	1.9	374	2.1	436	2.5
Total	77,962	100.0	96,166	100.0	112,399	100.0	18,050	100.0	17,534	100.0

Gross operating profit and gross operating profit margin

Gross operating profit is calculated based on our revenue for the year/period minus cost of inventories sold including installation cost for the year/period. Gross operating profit margin is calculated based on the gross operating profit for the year/period divided by our revenue for the year/period and multiplied by 100%. Our gross operating profit was approximately HK\$60.2 million, HK\$62.4 million, HK\$73.3 million, HK\$11.6 million and HK\$15.7 million for the years ended 31 March 2017, 2018, 2019 and the three months ended 30 June 2018 and 2019, respectively.

The following table sets out our gross operating profit and gross operating profit margin from our VCMA solution services, categorised by the contract sum, for the stated year/period:

	2017		Year ended 31 March 2018		2019		Three months ended 30 June 2018		2019	
	Gross operating profit HK\$'000	Gross operating profit margin %	Gross operating profit HK\$'000	Gross operating profit margin %	Gross operating profit HK\$'000	Gross operating profit margin %	Gross operating profit HK\$'000 (unaudited)	Gross operating profit margin %	Gross operating profit HK\$'000	Gross operating profit margin %
large projects	22,066	45.5	20,665	32.9	25,263	34.1	3,375	35.8	3,354	37.7
medium projects	16,797	35.2	20,776	38.9	22,525	36.9	3,598	34.3	4,956	43.5
small projects	9,492	33.9	8,769	31.5	11,594	33.7	2,251	32.2	3,683	41.8
Total/Overall	48,355	38.9	50,210	34.8	59,382	35.0	9,224	34.3	11,993	41.2

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For our VCMA solution services, our gross operating profit was approximately HK\$48.4 million, HK\$50.2 million, HK\$59.4 million, HK\$9.2 million and HK\$12.0 million for the years ended 31 March 2017, 2018, 2019 and the three months ended 30 June 2018 and 2019, respectively. The gross operating profit margin was approximately 38.9%, 34.8%, 35.0%, 34.3% and 41.2% for the years ended 31 March 2017, 2018, 2019 and the three months ended 30 June 2018 and 2019, respectively.

For our VCMA maintenance services, the major cost incurred was staff cost, with minimal amount of inventories being used. The gross operating profit from our VCMA maintenance services was approximately HK\$11.8 million, HK\$12.2 million, HK\$13.9 million, HK\$2.4 million and HK\$3.7 million for the years ended 31 March 2017, 2018, 2019 and the three months ended 30 June 2018 and 2019, respectively. The gross operating profit margin was approximately 85.1%, 85.0%, 86.7%, 86.6% and 89.5% for the years ended 31 March 2017, 2018, 2019 and the three months ended 30 June 2018 and 2019, respectively.

Staff cost

Our staff cost comprises salaries and other staff benefits paid to our staff, which includes employees from management, procurement, engineering and maintenance, sales and marketing and finance and administration, for carrying on and in support of our business operations. For the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, our staff cost amounted to approximately HK\$27.0 million, HK\$31.1 million, HK\$34.2 million, HK\$7.0 million and HK\$7.7 million, respectively.

Depreciation

Our depreciation mainly includes depreciation of leasehold land and buildings. Both our property and equipment and investment property are depreciated on a straight-line basis over their respective useful lives. For the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2018 and 2019, our depreciation expenses amounted to approximately HK\$3.2 million, HK\$3.3 million, HK\$3.2 million, HK\$0.8 million and HK\$0.8 million, respectively.

Other income and net gain

Our other income and net gain primarily consists of rental income from investment properties. For the years ended 31 March 2017, 2018, 2019 and three months ended 30 June 2019, our other income and net gain amounted to approximately HK\$0.9 million, HK\$0.4 million, HK\$0.4 million, HK\$0.1 million and HK\$0.1 million, respectively.

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Other operating expenses

Our other operating expenses mainly comprise legal and professional fees and rental, management and utility fees, which in aggregate accounted for approximately 56.8%, 53.9%, 53.6%, 57.8% and 63.5% of our total other operating expenses for the years ended 31 March 2017, 2018, 2019 and the three months ended 30 June 2018 and 2019, respectively. The following table sets out the breakdown of our other operating expenses for the Track Record Period:

	2017		Year ended 31 March 2018		2019		Three months ended 30 June 2018		2019	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
Legal and professional fees	2,416	38.6	2,600	37.1	2,374	35.9	747	41.8	904	48.2
Rental, management and utility fees	1,137	18.2	1,177	16.8	1,171	17.7	286	16.0	287	15.3
Trip and travelling expenses	562	9.0	867	12.4	649	9.8	121	6.8	108	5.8
Entertainment and insurance expenses	500	8.0	518	7.4	644	9.7	316	17.7	271	14.4
Promotion and exhibition	365	5.8	412	5.9	460	7.0	99	5.5	81	4.3
Others	1,274	20.4	1,431	20.4	1,314	19.9	218	12.2	225	12.0
	<u>6,254</u>	<u>100.0</u>	<u>7,005</u>	<u>100.0</u>	<u>6,612</u>	<u>100.0</u>	<u>1,787</u>	<u>100.0</u>	<u>1,876</u>	<u>100.0</u>

Our other operating expenses were approximately HK\$6.3 million, HK\$7.0 million, HK\$6.6 million, HK\$1.8 million and HK\$1.9 million for the years ended 31 March 2017, 2018, and 2019 and three months ended 30 June 2018 and 2019, respectively. Our legal and professional fees mainly included audit fee and other professional fees incurred as a listed company on the Stock Exchange. Our rental, management and utility fees were mainly incurred for our leased warehouse and office premises.

Finance costs

Our finance costs represent interest expenses on bank borrowings. Our finance costs amounted to approximately HK\$1.2 million, HK\$0.9 million, HK\$1.1 million, HK\$0.2 million and HK\$0.3 million for the years ended 31 March 2017, 2018, and 2019 and three months ended 30 June 2018 and 2019, respectively.

Income tax expenses

Our income tax expenses amounted to approximately HK\$4.3 million, HK\$3.7 million, HK\$5.0 million, HK\$0.5 million and HK\$1.2 million for the years ended 31 March 2017, 2018, and 2019 and three months ended 30 June 2018 and 2019, respectively.

During the Track Record Period, our Group was subject to profit tax in Hong Kong (“**Hong Kong Profits Tax**”); enterprise income tax in the PRC (“**PRC Enterprise Income Tax**”); and corporate tax in Singapore (“**Singapore Corporate Tax**”).

FINANCIAL INFORMATION

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 March 2019 and three months ended 30 June 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the years ended 31 March 2017 and 2018, Hong Kong profits tax was calculated at a flat rate of 16.5% of the estimated assessable profits.

PRC Enterprise Income Tax is calculated at 25% of our estimated assessable profits generated in the PRC, and Singapore Corporate Tax is calculated at 17% of our estimated assessable profits in the Singapore.

Under the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and BVI.

For more details, please see note 10 to the accountants’ report set out in Appendix I to this [REDACTED] document.

Our effective tax rate, calculated based on income tax expenses divided by profit before tax, was approximately 18.2%, 17.9%, 17.6%, 27.5% and 50.8% for the years ended 31 March 2017, 2018 and 2019, and the three months ended 30 June 2018 and 2019, respectively.

Our Directors confirm that our Group has paid all relevant taxes and was not subject to any tax-related disputes, administrative enquiries or investigations during the Track Record Period.

[REDACTED] expenses

During the three months ended 30 June 2019, an approximately [REDACTED] of [REDACTED] expenses were incurred in relation to the [REDACTED].

PERIOD TO PERIOD COMPARISON OF HISTORICAL RESULTS OF OPERATIONS

Three months ended 30 June 2019 compared to three months ended 30 June 2018

Revenue

Our revenue increased by approximately 11.8% or HK\$3.5 million from approximately HK\$29.7 million for the three months ended 30 June 2018 to approximately HK\$33.2 million for the three months ended 30 June 2019, which was mainly due to (i) the increase in revenue by approximately 8.2% or HK\$2.2 million, from the provision of our VCMA solution services; and (ii) the increase in revenue by approximately 46.4% or HK\$1.3 million from provision of our VCMA maintenances services.

FINANCIAL INFORMATION

(i) VCMA solution services

Our revenue generated from our VCMA solution services increased by approximately 8.2% or HK\$2.2 million from approximately HK\$26.9 million for the three months ended 30 June 2018 to HK\$29.1 million for the three months ended 30 June 2019, which was mainly due to (a) the increase in contract sum of projects undertaken from approximately HK\$40.2 million for the three months ended 30 June 2018 to approximately HK\$54.4 million for the three months ended 30 June 2019; and (b) the increase in total number of projects undertaken from 540 for the three months ended 30 June 2018 to 617 for the three months ended 30 June 2019.

(ii) VCMA maintenance services

Our revenue from the provision of our VCMA maintenance services increased by approximately 46.4% or HK\$1.3 million from approximately HK\$2.8 million for the three months ended 30 June 2018 to HK\$4.1 million for the three months ended 30 June 2019, which was mainly due to the increase in VCMA maintenance services provided by us to certain major clients during the period.

Cost of inventories sold including installation cost

Our cost of inventories sold including installation cost remained stable at approximately HK\$18.1 million and HK\$17.5 million for the three months ended 30 June 2018 and 2019, respectively. Each of the proportion of the cost of equipment sold and outsourced installation costs remained stable for the three months ended 30 June 2018 and 2019.

Gross operating profit and gross operating profit margin

Our overall gross operating profit increased by approximately 35.3% and HK\$4.1 million from approximately HK\$11.6 million for the three months ended 30 June 2018 to approximately HK\$15.7 million for the three months ended 30 June 2019 which was mainly due to (i) increase in overall revenue by approximately 11.8% during the period; and (ii) the increase in overall gross operating profit margin from approximately 39.2% for the three months ended 30 June 2018 to approximately 47.2% for the three months ended 30 June 2019.

For our VCMA solution services projects, the related gross operating profit margin increased from approximately 34.3% for the three months ended 30 June 2018 to approximately 41.2% for the three months ended 30 June 2019 which was primarily due to the increase in the gross operating profit margin of both medium projects and small projects undertaken during the period. Based on the best understanding of the Directors, the higher gross operating profit margin was mainly caused by (i) a higher degree of engineering or design service element involved in these projects undertaken during the period, which enabled us to charge at higher margin; and (ii) the increase in volume discount received from certain suppliers.

FINANCIAL INFORMATION

For our VCMA maintenance services, the gross operating profit increased by approximately 54.2% or HK\$1.3 million from approximately HK\$2.4 million for the three months ended 30 June 2018 to HK\$3.7 million for the three months ended 30 June 2019, which was mainly due to the increase in related revenue of our VCMA maintenance services by approximately 46.4% while the gross operating profit margin remained stable during the period.

Staff cost

Our staff cost increased by approximately 10.0% or HK\$0.7 million from approximately HK\$7.0 million for the three months ended 30 June 2018 to approximately HK\$7.7 million for the three months ended 30 June 2019 which was mainly attributable to the increase in sales commission which was in line with the revenue increase for the same period.

Depreciation

Our depreciation remained stable at approximately HK\$0.8 million and HK\$0.8 million for the three months ended 30 June 2018 and 2019, respectively.

Other income and net gain

Our other income and net gain remained stable at approximately HK\$0.1 million and HK\$0.1 million for the three months period ended 30 June 2018 and 2019, respectively.

Other operating expenses

Our other operating expenses remained stable at approximately HK\$1.8 million and HK\$1.9 million for the three months ended 30 June 2018 and 2019, respectively.

Finance costs

Our finance costs remained stable at approximately HK\$0.2 million and HK\$0.3 million for the three months ended 30 June 2018 and 2019, respectively.

Income tax expenses

Our income tax expenses increased by approximately 140.0% or HK\$0.7 million from approximately HK\$0.5 million for the three months ended 30 June 2018 to approximately HK\$1.2 million for the three months ended 30 June 2019 which was mainly due to increase in taxable profit.

The effective tax rate increased from approximately 27.5% for the three months ended 30 June 2018 to approximately 50.8% for the three months ended 30 June 2019 which was mainly due to an approximately [REDACTED] of [REDACTED] expenses in relation to [REDACTED] being incurred only during the three months period in 2019, which was non-deductible for tax purpose.

FINANCIAL INFORMATION

Net profit and net profit margin

Our net profit decreased by approximately 14.3% or HK\$0.2 million from approximately HK\$1.4 million for the three months ended 30 June 2018 to approximately HK\$1.2 million for the three months ended 30 June 2019, while our net profit margin decreased from approximately 4.6% for the three months ended 30 June 2018 to approximately 3.5% for the three months ended 30 June 2019 due to a combine effect of (i) the increase in gross operating profit of approximately HK\$4.1 million for the period; and being offset by (ii) approximately [REDACTED] of [REDACTED] expenses incurred in relation to the [REDACTED] during the period.

Year ended 31 March 2019 compared to year ended 31 March 2018

Revenue

Our revenue increased by approximately 17.1% or HK\$27.1 million from approximately HK\$158.6 million for the year ended 31 March 2018 to approximately HK\$185.7 million for the year ended 31 March 2019, which was attributable to (i) the increase in revenue, by approximately 17.6% or HK\$25.4 million, from the provision of our VCMA solution services for the year; and (ii) the increase in revenue, by approximately 11.8% or HK\$1.7 million, from the provision of our VCMA maintenance services during the same year.

(i) VCMA solution services

Revenue generated from our VCMA solution services increased by 17.6% or HK\$25.4 million from approximately HK\$144.2 million for the year ended 31 March 2018 to approximately HK\$169.6 million for the year ended 31 March 2019. Such increase was mainly attributable to:

- (a) the increase in the number of large projects from 34 for the year ended 31 March 2018 to 39 for the year ended 31 March 2019; and
- (b) the increase in the total number of projects undertaken from 2,192 for the year ended 31 March 2018 to 2,342 for the year ended 31 March 2019 during the year.

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(ii) VCMA maintenance services

Revenue generated from our VCMA maintenance services increased by 11.8% or HK\$1.7 million from approximately HK\$14.4 million for the year ended 31 March 2018 to approximately HK\$16.1 million for the year ended 31 March 2019. Such increase was mainly attributable to the increase in VCMA maintenance services provided by us to certain major clients. The Group will normally provide a standard one-year maintenance services to our clients after the completion of our VCMA solution services, and some of the major clients would extend the maintenance services at extra cost.

Cost of inventories sold including installation cost

Our cost of inventories sold including installation cost increased by approximately 16.8% or HK\$16.2 million from approximately HK\$96.2 million for the year ended 31 March 2018 to approximately HK\$112.4 million for the year ended 31 March 2019, which was generally in line with the 17.1% revenue increase over the same year. Each of the proportion of cost of equipment sold and outsourced installation costs remained stable during the year.

Gross operating profit and gross operating profit margin

Our gross operating profit increased by approximately 17.5% or HK\$10.9 million from approximately HK\$62.4 million for the year ended 31 March 2018 to approximately HK\$73.3 million for the year ended 31 March 2019, which was primarily due to an increase in overall revenue of approximately 17.1% for the year, while the gross operating profit margin remained stable at approximately 39.4% and 39.5% for the years ended 31 March 2018 and 2019, respectively.

For our VCMA solution services projects, the relevant gross operating profit increased by approximately 18.3% or HK\$9.2 million from approximately HK\$50.2 million for the year ended 31 March 2018 to approximately HK\$59.4 million for the year ended 31 March 2019, which was mainly attributable to the increase in both total number of projects undertaken by approximately 6.9% and the total contract sum of projects undertaken by approximately 18.5% during the year ended 31 March 2019 as compared to the projects undertaken for the year ended 31 March 2018, while the relevant gross operating profit margin remained stable for the same periods.

For our VCMA maintenance services, the gross operating profit increased by approximately HK\$1.7 million or 13.9% from approximately HK\$12.2 million for the year ended 31 March 2018 to approximately HK\$13.9 million for the year ended 31 March 2019, as a result of the increase in number of projects during the year. The related gross operating profit margin remained stable at approximately 85.0% and 86.7% for the years ended 31 March 2018 and 2019, respectively.

Staff cost

Our staff cost increased by approximately 10.0% or HK\$3.1 million from approximately HK\$31.1 million for the year ended 31 March 2018 to approximately HK\$34.2 million for the year ended 31 March 2019. Such increase was mainly due to (i) an increase of bonus payment; and (ii) an increase in salary primarily due to annual salary increment and increase in staff headcount for the year.

FINANCIAL INFORMATION

Depreciation

Depreciation remained stable at approximately HK\$3.3 million and HK\$3.2 million for the years ended 31 March 2018 and 2019, respectively.

Other income and net gain

Our other income and net gain remained stable at approximately HK\$0.4 million and HK\$0.4 million for the years ended 31 March 2018 and 2019, respectively.

Other operating expenses

Our other operating expenses remained stable at approximately HK\$7.0 million and HK\$6.6 million for the years ended 31 March 2018 and 2019, respectively.

Finance costs

Our finance costs remained stable at approximately HK\$0.9 million and HK\$1.1 million for the years ended 31 March 2018 and 2019, respectively.

Income tax expenses

Our income tax expenses increased by approximately 35.1% or HK\$1.3 million from approximately HK\$3.7 million for the year ended 31 March 2018 to approximately HK\$5.0 million for the year ended 31 March 2019, which was generally in line with the increase in profit before tax over the years. Our effective tax rates remained stable at approximately 17.9% and 17.6% for the years ended 31 March 2018 and 2019, respectively.

Net profit and net profit margin

Our net profit increased by 39.1% or HK\$6.6 million from approximately HK\$16.9 million for the year ended 31 March 2018 to approximately HK\$23.5 million for the year ended 31 March 2019, and our net profit margin increased from approximately 10.7% for the year ended 31 March 2018 to approximately 12.7% for the year ended 31 March 2019, which is mainly due to the increase in overall gross operating profit as discussed above.

Year ended 31 March 2018 compared to year ended 31 March 2017

Revenue

Our revenue increased by approximately 14.8% or HK\$20.5 million from approximately HK\$138.1 million for the year ended 31 March 2017 to approximately HK\$158.6 million for the year ended 31 March 2018, which was attributable to (i) the increase in revenue, by approximately 16.0% or HK\$19.9 million, from the provision of our VCMA solution services during the same year; and (ii) the increase in revenue, by approximately 3.6% or HK\$0.5 million, from the provision of our VCMA maintenance services during the same year.

FINANCIAL INFORMATION

(i) *VCMA solution services*

Revenue generated from our VCMA solution services increased by approximately 16.0% or HK\$19.9 million from approximately HK\$124.3 million for the year ended 31 March 2017 to approximately HK\$144.2 million for the year ended 31 March 2018. Such increase was mainly attributable to an overall increase in the total contract sum of projects in relation to our VCMA solution services undertaken of approximately 10.9% or HK\$15.0 million from approximately HK\$137.0 million for the year ended 31 March 2017 to HK\$152.0 million for the year ended 31 March 2018. Also, the aggregated number of medium projects and large projects undertaken by the Group increased from 209 for the year ended 31 March 2017 to 226 for the year ended 31 March 2018, which had contributed an approximately HK\$20.1 million revenue to the Group during the year ended 31 March 2018.

(ii) *VCMA maintenance services*

Revenue generated from our VCMA maintenance services remained stable at approximately HK\$13.9 million and HK\$14.4 million for the year ended 31 March 2017 and 2018, respectively.

Cost of inventories sold including installation cost

Our cost of inventories sold including installation cost increased by approximately 23.3% or HK\$18.2 million from approximately HK\$78.0 million for the year ended 31 March 2017 to approximately HK\$96.2 million for the year ended 31 March 2018, which was generally in line with the increase in revenue over the same period. Each of the proportion of cost of equipment sold and outsourced installation costs remained stable during the year.

Gross operating profit and gross operating profit margin

Our overall gross operating profit increased by approximately 3.7% or HK\$2.2 million from approximately HK\$60.2 million for the year ended 31 March 2017 to approximately HK\$62.4 million for the year ended 31 March 2018, which was due to an increase in overall revenue during the year as discussed above, and offset by a decrease in overall gross operating profit margin from approximately 43.6% for the year ended 31 March 2017 to approximately 39.4% for the year ended 31 March 2018.

The gross operating profit for our VCMA solution services increased by approximately HK\$1.8 million, or 3.7% from approximately HK\$48.4 million for the year ended 31 March 2017 to approximately HK\$50.2 million for the year ended 31 March 2018, which was mainly due to an increase in revenue as a result of increase in total contract sum of projects undertaken during the year ended 31 March 2018 as compared to the projects undertaken during the year ended 31 March 2017; which was partially offset by a decrease of gross operating profit margin from 38.9% for the year ended 31 March 2017 to 34.8% for the year ended 31 March 2018.

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The decrease in the gross operating profit margin of our VCMA solution services was mainly because the gross operating profit margin for those large projects decreased from approximately 45.5% for the year ended 31 March 2017 to 32.9% for the year ended 31 March 2018. Based on the best understanding and knowledge of the Directors, the higher gross operating profit margin of large projects for the year ended 31 March 2017 as compared to that for the year ended 31 March 2018 was primarily attributable to (i) higher rate of discounts were given by our certain suppliers for large projects; and (ii) higher fees charged on certain large projects due to higher complexity of the design and installation processes. On the other hand, certain large projects undertaken during the year ended 31 March 2018 by our Group were generally with lower gross operating profit margin, which was mainly due to more competitive pricing being adopted for certain large projects of a long-term major client and a charitable organisation.

The gross operating profit and gross operating profit margin of our VCMA maintenance services remained stable for the years ended 31 March 2017 and 2018.

Staff cost

Our staff cost increased by approximately 15.2% or HK\$4.1 million from approximately HK\$27.0 million for the year ended 31 March 2017 to approximately HK\$31.1 million for the year ended 31 March 2018, which was mainly due to the increase of sales commissions to our sales staff as a result of revenue increase during the year.

Depreciation

Depreciation remained stable at approximately HK\$3.2 million and HK\$3.3 million for the years ended 31 March 2017 and 2018, respectively.

Other income and net gain

Our other income and net gain remained stable at approximately HK\$0.9 million and HK\$0.4 million for the years ended 31 March 2017 and 2018, respectively.

Other operating expenses

Our other operating expenses remained stable at approximately HK\$6.3 million and HK\$7.0 million for the years ended 31 March 2017 and 2018, respectively.

Finance costs

Our finance costs decreased by approximately 25.0% or HK\$0.3 million from approximately HK\$1.2 million for the year ended 31 March 2017 to approximately HK\$0.9 million for the year ended 31 March 2018, mainly as a result of the partial repayment of bank borrowings during the year.

Income tax expenses

Our income tax expenses remained stable at approximately HK\$4.3 million and HK\$3.7 million for the year ended 31 March 2017 and 2018, respectively. Our effective tax rates remained relatively stable at approximately 18.2% and 17.9% for the years ended 31 March 2017 and 2018, respectively.

Net profit and net profit margin

Our net profit decreased by approximately 12.0% or HK\$2.3 million from approximately HK\$19.2 million for the year ended 31 March 2017 to approximately HK\$16.9 million for the year ended 31 March 2018, and our net profit margin decreased from approximately 13.9% for the year ended 31 March 2017 to approximately 10.7% for the year ended 31 March 2018. Such decrease in both net profit and net profit margin was mainly attributable to the decrease in gross operating profit margin as discussed above and the increase in staff cost.

FINANCIAL INFORMATION

DISCUSSION OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Non-current assets				
Property and equipment	86,052	84,704	89,117	88,519
Investment properties	11,060	9,192	1,568	1,558
Deferred tax assets	<u>175</u>	<u>267</u>	<u>388</u>	<u>404</u>
	<u>97,287</u>	<u>94,163</u>	<u>91,073</u>	<u>90,481</u>
Current assets				
Inventories	10,121	9,170	11,518	13,133
Trade receivables and contract assets	27,194	34,046	55,727	39,026
Prepayments, deposits and other receivables	1,638	1,493	1,539	5,586
Tax recoverables	–	157	43	115
Bank balances and cash	<u>54,052</u>	<u>64,463</u>	<u>76,636</u>	<u>76,883</u>
	<u>93,005</u>	<u>109,329</u>	<u>145,463</u>	<u>134,743</u>
Current liabilities				
Trade payables	9,165	13,446	25,159	17,514
Other payables and accruals	7,303	13,626	22,175	17,861
Lease liability	–	–	–	191
Bank borrowings	44,101	39,680	35,259	34,154
Tax payables	<u>930</u>	<u>641</u>	<u>2,472</u>	<u>2,849</u>
	<u>61,499</u>	<u>67,393</u>	<u>85,065</u>	<u>72,569</u>
Net current assets	<u>31,506</u>	<u>41,936</u>	<u>60,398</u>	<u>62,174</u>
Non-current liability				
Deferred tax liabilities	<u>642</u>	<u>769</u>	<u>896</u>	<u>929</u>
Net assets	<u>128,151</u>	<u>135,330</u>	<u>150,575</u>	<u>151,726</u>
Capital and reserves				
Share capital	10,000	10,000	10,000	10,000
Reserve	<u>118,151</u>	<u>125,330</u>	<u>140,575</u>	<u>141,726</u>
Total equity	<u>128,151</u>	<u>135,330</u>	<u>150,575</u>	<u>151,726</u>

FINANCIAL INFORMATION

Property and equipment and investment properties

Our property and equipment are mainly related to land and buildings with carrying amounts of approximately HK\$86.1 million, HK\$84.7 million, HK\$89.1 and HK\$88.5 as at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, respectively. As of 30 June 2019, our land and buildings included 4 units as office, 9 units as warehouse, and 5 carpark spaces, which were for our business use.

As at 30 June 2019, our investment property included a carpark space. Such premise is situated at the same building as our office premises in Hong Kong. As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, our investment properties had carrying amounts of approximately HK\$11.1 million, HK\$9.2 million, HK\$1.6 million and HK\$1.6 million, respectively.

LCH (Asia-Pacific) Surveyors Limited, an independent property valuer, has valued interests of our properties in Hong Kong as at 30 June 2019. Please refer to Appendix III to this [REDACTED] document for the full text of the property valuation report with regard to such property interests.

The statement below shows the reconciliation of the net book value of the properties of the Group as at 30 June 2019 with the valuation of the properties of the Group as at 30 June 2019 as shown in Appendix III to this [REDACTED] document.

	HK\$'000
Net book value as at 30 June 2019	90,007
Valuation surplus as at 30 June 2019	<u>102,623</u>
Valuation as at 30 June 2019	<u><u>192,630</u></u>

Inventories

As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, our inventories were all finished goods, which amounted to approximately HK\$10.1 million, HK\$9.2 million, HK\$11.5 million and HK\$13.1 million, respectively. The following table sets out details of our inventories by nature as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Projector and display system	5,686	4,796	4,957	4,901
Central control and switcher system	1,242	1,740	2,248	2,641
Interactive system	1,163	227	149	163
Video conference system	671	297	535	599
Professional sound system	631	1,374	2,592	3,892
Others	<u>728</u>	<u>736</u>	<u>1,037</u>	<u>937</u>
	<u><u>10,121</u></u>	<u><u>9,170</u></u>	<u><u>11,518</u></u>	<u><u>13,133</u></u>

Inventories are stated at the lower of cost and net realisable value. Cost is calculated by 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.

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Our inventories remained stable at approximately HK\$10.1 million, HK\$9.2 million and HK\$11.5 million as at 31 March 2017, 31 March 2018 and 31 March 2019, respectively. The balance increased to HK\$13.1 million as at 30 June 2019 due to increase in purchase of equipment near the period end for upcoming projects.

The following table sets out the inventory turnover days during the Track Record Period:

	For the year ended 31 March			For the three months ended 30 June
	2017	2018	2019	2019
Inventory turnover days (<i>Note</i>)	54.0	39.5	42.9	74.8

Note: Inventory turnover days is calculated based on the ending balance of inventory divided by total cost of equipment sold for the relevant year/period and multiplied by the number of calendar days of year/period.

For the years ended 31 March 2017, 2018 and 2019, our inventory turnover days remained relatively stable at approximately 54.0 days, 39.5 days, 42.9 days, respectively, as we generally maintained an inventory level of approximately one-month volume of the usage. Our inventory turnover days increased from approximately 42.9 days for the year ended 31 March 2019 to approximately 74.8 days for the three months ended 30 June 2019 which was mainly due to the increase in inventories balances near the period end of 30 June 2019.

The following table sets out the ageing analysis of inventories as at the dates indicated:

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 60 days	7,130	4,941	8,183	9,937
61 – 120 days	691	1,618	1,468	1,198
121 – 365 days	891	1,401	795	1,044
Over 1 year	<u>1,893</u>	<u>2,062</u>	<u>2,576</u>	<u>2,363</u>
Total before provision of write-down for inventories	10,605	10,022	13,022	14,542
Less: provision of write-down for inventories	<u>(484)</u>	<u>(852)</u>	<u>(1,504)</u>	<u>(1,409)</u>
Total inventories	<u><u>10,121</u></u>	<u><u>9,170</u></u>	<u><u>11,518</u></u>	<u><u>13,133</u></u>

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Our management regularly monitors the inventory level in our warehouses, tracks inventory movement and sales progress and adjust levels of inventory accordingly. Our management reviews the ageing analysis at the end of each reporting period and makes provision for obsolete and slow-moving items identified that are no longer suitable for sale or use. The provision amount involves assessment of the net realisable value, which the management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. For the years ended 31 March 2017, 31 March 2018 and 31 March 2019 and the three months ended 30 June 2019, the provision for write-down of inventories made during the year/period was approximately HK\$87,000, HK\$0.4 million, HK\$0.7 million and nil, respectively.

Trade receivables and contract assets

Trade receivables and contract assets constituted a major component of our current assets and represented primarily the balances due from our clients throughout the Track Record Period. The following table sets out the breakdown of trade receivables and contract assets as at the dates indicated:

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	26,158	33,330	53,851	37,509
Contract assets	<u>1,036</u>	<u>716</u>	<u>1,876</u>	<u>1,517</u>
	<u>27,194</u>	<u>34,046</u>	<u>55,727</u>	<u>39,026</u>

In some cases, our clients may request the right to withhold a range of 2.5% to 10% of our total agreed contract sum as retention money. The retention money would generally be released to us upon completion of retention period which is generally 12 months. Such retention money is recognised by us as contract assets.

The trade receivables increased by approximately 27.1% or HK\$7.1 million from approximately HK\$26.2 million as at 31 March 2017 to approximately HK\$33.3 million as at 31 March 2018 which was generally in line with the increase in revenue for the year. The trade receivables further increased by approximately 61.9% or HK\$20.6 million from approximately HK\$33.3 million as at 31 March 2018 to approximately HK\$53.9 million as at 31 March 2019, which was mainly attributable to (i) the completion of certain large projects in the last quarter of the year ended 31 March 2019 and (ii) a longer time of repayment requested by certain major clients.

The trade receivables decreased by approximately 30.4% or HK\$16.4 million from approximately HK\$53.9 million as at 31 March 2019 to approximately HK\$37.5 million as at 30 June 2019 mainly due to certain long outstanding trade receivables as of 31 March 2019 being fully settled during the period.

During the Track Record Period, we did not encounter any difficulties in collection of trade receivables and contract assets, and no allowance for doubtful debts was recognised by us.

FINANCIAL INFORMATION

The ageing analysis of our trade receivables presented based on date of acknowledgement of receipt of goods by clients as at the dates indicated, is as follows:

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
0 – 30 days	9,670	14,003	20,480	13,090
31 – 60 days	6,073	8,071	12,572	5,368
61 – 120 days	5,241	7,526	8,073	9,285
121 – 365 days	4,906	2,744	11,216	7,635
Over 365 days	<u>268</u>	<u>986</u>	<u>1,510</u>	<u>2,131</u>
	<u>26,158</u>	<u>33,330</u>	<u>53,851</u>	<u>37,509</u>

In general, the credit terms given to our clients averaged at 30 days. As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, no provisions had been made in respect of trade receivables.

The following table sets out our trade receivables turnover days during the Track Record Period:

	Year ended 31 March			Three months ended 30 June
	2017	2018	2019	2019
	day(s)	day(s)	day(s)	day(s)
Trade receivables turnover days (<i>Note</i>)	69.1	76.7	105.8	102.7

Note: Trade receivables turnover days are calculated based on the ending balance of trade receivables (net of allowance for doubtful debt) of the given year/period divided by revenue for the corresponding year/period and multiply by the number of calendar days of year/period.

Our trade receivables turnover days for each of the years ended 31 March 2017, 2018 and 2019, and three months ended 30 June 2019 were approximately 69.1 days, 76.7 days, 105.8 days and 102.7 days, respectively. Our trade receivables turnover days stayed above 70 days mainly because certain major clients took longer time to repay, which, in our Directors' view, generally required more time to process their payments.

The increase in trade receivables turnover days from approximately 76.7 days for the year ended 31 March 2018 to approximately 105.8 days for the year ended 31 March 2019 was mainly due to completion of certain large projects during the last quarter of the year ended 31 March 2019.

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The trade receivables turnover days remained stable at approximately 105.8 days and 102.7 days for the year ended 31 March 2019 and for the three months ended 30 June 2019, respectively.

As at the Latest Practicable Date, approximately HK\$13.7 million, or approximately 36.6%, of the trade receivables as at 30 June 2019 had been settled.

Prepayment, deposits and other receivables

The following is a breakdown of prepayment, deposits and other receivables as at the respective dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Prepayment	1,237	1,326	1,230	5,417
Deposits and other receivables	<u>401</u>	<u>167</u>	<u>309</u>	<u>169</u>
	<u>1,638</u>	<u>1,493</u>	<u>1,539</u>	<u>5,586</u>

During the Track Record Period, our prepayment, deposits and other receivables mainly represented equipment prepayment to suppliers, rental deposits, building management fee deposits and utility deposits for office premises. As at 31 March 2017, 31 March 2018 and 31 March 2019, our prepayment, deposits and other receivables remained relatively stable at approximately HK\$1.6 million, HK\$1.5 million and HK\$1.5 million, respectively. Our prepayment, deposits and other receivables increased by approximately 2.7 times or HK\$4.1 million from approximately HK\$1.5 million as at 31 March 2019 to HK\$5.6 million as at 30 June 2019 which was primarily due to (i) an amount of approximately HK\$1.8 million of prepayment being made to a supplier for certain large projects commenced near the period end; and (ii) an approximately HK\$1.5 million of professional fee prepaid in relation to the [REDACTED].

Trade payables

Our trade payables mainly included amounts due to suppliers in relation to (i) our purchases of equipment and parts; and (ii) outsourced installation costs. Our trade payables increased from approximately HK\$9.2 million as at 31 March 2017 to approximately HK\$13.4 million as at 31 March 2018 and the balances further increased to approximately HK\$25.2 million as at 31 March 2019. The increasing trend was generally in line with the increase in both the revenue and the trade receivables during the years. The trade payables decreased by approximately 30.6% or HK\$7.7 million from approximately HK\$25.2 million as at 31 March 2019 to approximately HK\$17.5 million as at 30 June 2019, which was generally in line with the extent of decrease in trade receivables during the period.

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Our trade payables were due according to the terms on the relevant purchase orders. In general, our suppliers normally grant us a credit term of 30 days and we settle our payment by cheque or bank transfer. The following table sets forth the ageing analysis of our trade payables based on the date of recognition as at the dates indicated:

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 60 days	5,248	9,293	11,812	6,353
61 – 90 days	378	1,324	5,423	2,566
Over 90 days	<u>3,539</u>	<u>2,829</u>	<u>7,924</u>	<u>8,595</u>
Total	<u>9,165</u>	<u>13,446</u>	<u>25,159</u>	<u>17,514</u>

The following table sets out our trade payables turnover days during the Track Record Period:

	Year ended 31 March			Three months ended
	2017	2018	2019	30 June
	day(s)	day(s)	day(s)	2019
Trade payables turnover days (<i>Note</i>)	42.9	51.0	81.7	90.9

Note: Trade payables turnover days is calculated based on the ending balance of trade payables divided by cost of inventories sold, including installation costs for the year/period, and multiplied by the number of calendar days of year/period.

Our trade payables turnover days were approximately 42.9 days, 51.0 days, 81.7 days and 90.9 days for the years ended 31 March 2017, 31 March 2018, 31 March 2019 and the three months ended 30 June 2019, respectively. The increase in the trade payables turnover days for the year ended 31 March 2019 as compared to 31 March 2018 was mainly due to the increase in trade payables as a result of increase in purchases in the last quarter of the year ended 31 March 2019.

At the Latest Practicable Date, approximately HK\$6.4 million or approximately 36.4%, of our trade payables as at 30 June 2019 were subsequently settled.

FINANCIAL INFORMATION

Other payables and accruals

Our other payables and accruals consisted of (i) accrued salary; (ii) commission payable which represents sales commission payable to our staff; (iii) contract liabilities which represented advance payments from clients pursuant to the respective sales contracts; and (iv) accrued expenses and other payables. The following table sets out a summary of our other payables and accruals balance as at the dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Accrued salary	1,720	4,580	5,068	3,431
Commission payable	1,133	2,525	3,790	2,416
Contract liabilities	3,230	4,974	12,047	10,862
Accrued expenses and other payables	<u>1,220</u>	<u>1,547</u>	<u>1,270</u>	<u>1,152</u>
	<u>7,303</u>	<u>13,626</u>	<u>22,175</u>	<u>17,861</u>

Our other payables and accruals decreased by approximately HK\$4.3 million or 19.4% from approximately HK\$22.2 million as at 31 March 2019 to approximately HK\$17.9 million as at 30 June 2019, mainly due to (i) the decrease in accrued salary of approximately HK\$1.7 million due to payment of annual bonus balance as at 31 March 2019 during the period; and (ii) the decrease in commission payable of approximately HK\$1.4 million.

Our other payables and accruals increased by approximately HK\$8.6 million or 63.2% from approximately HK\$13.6 million as at 31 March 2018 to approximately HK\$22.2 million as at 31 March 2019, mainly due to the increase in contract liabilities from approximately HK\$5.0 million as at 31 March 2018 to approximately HK\$12.0 million as at 31 March 2019, as a result of more client deposits received for upcoming projects subsequent to 31 March 2019 as compared to the upcoming projects on hand as of 31 March 2018.

Our other payables and accruals increased by approximately HK\$6.3 million or 86.3% from approximately HK\$7.3 million as at 31 March 2017 to approximately HK\$13.6 million as at 31 March 2018, mainly due to the increase in the aggregated balances of accrued salary and commission payable by approximately HK\$4.3 million due to increase in bonus and sales commission for the year.

FINANCIAL INFORMATION

WORKING CAPITAL

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand, cash generated from our operation and bank borrowings. We manage our cash flow and working capital by closely monitoring and managing our operations. We also diligently review future cash flow requirements and adjust our operations and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations and expansion plans.

Our Directors are of the opinion that, taking into consideration the internal resources and banking facilities presently available to our Group, and cash generated from our operation, our Group has sufficient working capital for our present requirements, that is, for at least the next 12 months commencing from the date of this [REDACTED] document.

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Current assets				
Inventories	10,121	9,170	11,518	13,133
Trade receivables and contract assets	27,194	34,046	55,727	39,026
Prepayments, deposits and other receivables	1,638	1,493	1,539	5,586
Tax recoverables	–	157	43	115
Bank balances and cash	<u>54,052</u>	<u>64,463</u>	<u>76,636</u>	<u>76,883</u>
	<u>93,005</u>	<u>109,329</u>	<u>145,463</u>	<u>134,743</u>
Current liabilities				
Trade payables	9,165	13,446	25,159	17,514
Other payables and accruals	7,303	13,626	22,175	17,861
Lease liability	–	–	–	191
Bank borrowings	44,101	39,680	35,259	34,154
Tax payables	<u>930</u>	<u>641</u>	<u>2,472</u>	<u>2,849</u>
	<u>61,499</u>	<u>67,393</u>	<u>85,065</u>	<u>72,569</u>
Net current assets	<u>31,506</u>	<u>41,936</u>	<u>60,398</u>	<u>62,174</u>

Our net current assets position increased from approximately HK\$60.4 million as at 31 March 2019 to approximately HK\$62.2 million as at 30 June 2019 primarily as a result of (i) the decrease in trade payables of approximately HK\$7.7 million; (ii) the decrease in other payables and accruals of approximately HK\$4.3 million; (iii) the decrease in trade receivables and contract assets of approximately HK\$16.7 million; and (iv) the increase in prepayments, deposits and other receivables of approximately HK\$4.1 million.

Our net current assets position increased from approximately HK\$41.9 million as at 31 March 2018 to approximately HK\$60.4 million as at 31 March 2019 mainly due to (i) the increase in trade receivables and contract assets of approximately HK\$21.7 million; (ii) the increase of bank balances and cash of approximately HK\$12.1 million; (iii) the decrease in bank borrowings of approximately HK\$4.4 million; which were partially offset by (i) the increase in trade payables of approximately HK\$11.8 million; (ii) the increase in other payables and accruals of approximately HK\$8.6 million; and (iii) the increase in tax payables of approximately HK\$1.9 million.

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Our net current assets position increased from approximately HK\$31.5 million as at 31 March 2017 to approximately HK\$41.9 million as at 31 March 2018 which was mainly due to (i) the increase in trade receivables and contract assets of approximately HK\$6.8 million; (ii) the increase of bank balances and cash of approximately HK\$10.4 million; (iii) the decrease in bank borrowings of approximately HK\$4.4 million; which were partially offset by (i) the increase in trade payables of approximately HK\$4.2 million; and (ii) the increase in other payables and accruals of approximately HK\$6.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

During the Track Record Period, our primary use of cash are to pay for purchases of audiovisual equipment as well as to fund our working capital and normal operating expenses. Historically, we have financed our liquidity requirements through a combination of cash flows generated by our operating activities. Our principal use of cash has been, and is expected to continue to be, for operational costs and capital expenditure.

Cash flows

The following table presents selected cash flows data from our consolidated statements of cash flows for the Track Record Period.

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Net cash from operating activities	15,937	25,477	25,934	2,906	1,656
Net cash (used in) from investing activities	(2,275)	(20)	(7)	(7)	22
Net cash used in financing activities	<u>(16,580)</u>	<u>(15,303)</u>	<u>(13,504)</u>	<u>(1,345)</u>	<u>(1,430)</u>
Net (decrease) increase in cash and cash equivalents	(2,918)	10,154	12,423	1,554	248
Cash and cash equivalents at the beginning of the year/period	57,036	54,052	64,463	64,463	76,636
Effect of exchange rate changes	<u>(66)</u>	<u>257</u>	<u>(250)</u>	<u>(14)</u>	<u>(1)</u>
Cash and cash equivalents at the end of the year/period	<u>54,052</u>	<u>64,463</u>	<u>76,636</u>	<u>66,003</u>	<u>76,883</u>

Cash flows generated from operating activities

We derive our cash inflow generated from operating activities principally from cash inflows generated from our VCMA solution services and our VCMA maintenance services. Our cash outflow from operating activities is principally for our purchases of equipment and payment for outsourced installation costs.

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For the three months ended 30 June 2019, our net cash generated from operating activities was approximately HK\$1.7 million, and our net cash generated from operating activities after adjustment for non-cash and non-operating items but before the movements in working capital amounted to approximately HK\$3.3 million. The difference of approximately HK\$1.6 million was primarily due to the combined effect of (i) decrease in the trade receivables and contract assets of approximately HK\$16.7 million; (ii) decrease in trade payables of approximately HK\$7.6 million; (iii) increase in the prepayments, deposits and other receivables of approximately HK\$4.0 million mainly due to prepayments made for certain suppliers for upcoming large projects, and [REDACTED] expenses in relation to the [REDACTED]; and (iv) decrease in other payables and accruals of approximately HK\$4.3 million mainly due to payment of annual bonus and commission accrued as of 31 March 2019.

For the year ended 31 March 2019, our net cash generated from operating activities was approximately HK\$25.9 million, while our net cash generated from operating activities after adjustment for non-cash and non-operating items but before movements in working capital amounted to approximately HK\$33.5 million. The difference of approximately HK\$7.6 million was primarily due to the combined effect of (i) increase in trade receivables and contract assets of approximately HK\$21.7 million, which was due to completion of certain large projects during the last quarter; (ii) increase in inventories of approximately HK\$3.0 million; (iii) increase in trade payables of approximately HK\$11.7 million as a result of the increase in purchases close to the end of financial year; and (iv) increase in other payables and accruals of approximately HK\$8.5 million primarily resulting from increase in clients deposits for upcoming large projects subsequent to the year end date.

For the year ended 31 March 2018, our net cash generated from operating activities was approximately HK\$25.5 million, while our net cash generated from operating activities after adjustment for non-cash and non-operating items but before movements in working capital amounted to approximately HK\$25.1 million. The difference of approximately HK\$0.4 million was primarily due to the combined effect of (i) increase in trade receivables and contract assets of approximately HK\$6.9 million, which was in line with the increase in revenue during the year; (ii) increase in other payables and accruals of approximately HK\$6.3 million primarily resulting from the increase in accrued salary of HK\$2.9 million; and (iii) increase in trade payables of approximately HK\$4.3 million, as a result of the increase in purchase for the last quarter of the financial year.

For the year ended 31 March 2017, our net cash generated from operating activities was approximately HK\$15.9 million, while our net cash generated from operating activities after adjustment for non-cash and non-operating items but before movements in working capital amounted to approximately HK\$27.8 million. The difference of approximately HK\$11.9 million was primarily due to the combined effect of (i) decrease in other payables and accruals of approximately HK\$8.1 million as a result of decrease in accrued salary of approximately HK\$4.2 million; (ii) decrease in trade receivables and contract assets of approximately HK\$3.7 million; and (iii) increase in inventories of approximately HK\$3.9 million.

Cash flows (used in) generated from investing activities

Our cash used in investing activities is primarily for the acquisitions of property and equipment and investing properties, while our cash generated from investing activities mainly represents interest income received by us from bank deposits.

For the three months ended 30 June 2019, our net cash generated from investing activities amounted to approximately HK\$22,000 which was mainly contributed by interest income for our bank deposits during the period.

FINANCIAL INFORMATION

For the year ended 31 March 2019, our net cash used in investing activities amounted to approximately HK\$7,000 which was mainly related to the combined effect of acquisitions of property and equipment, and bank interest received.

For the year ended 31 March 2018, our net cash used in investing activities amounted to approximately HK\$20,000 which was mainly related to acquisitions of property and equipment.

For the year ended 31 March 2017, our net cash used in investing activities amounted to HK\$2.3 million which was mainly related to (i) acquisitions of property and equipment of approximately HK\$1.1 million mainly for motor vehicles and computer equipment; and (ii) acquisitions of investment properties of approximately HK\$1.7 million.

Cash flows used in financing activities

Our cash used in financing activities is mainly for repayment of bank borrowings, interest on bank borrowings and payment of dividend, while our cash generated from financing activities is proceeds from newly raised bank borrowings.

For the three months ended 30 June 2019, our net cash used in financing activities amounted to approximately HK\$1.4 million, which was resulting from repayment of bank borrowings and the periodic interest payment for bank borrowings of approximately HK\$1.1 million and HK\$0.3 million, respectively.

For the year ended 31 March 2019, our net cash used in financing activities amounted to approximately HK\$13.5 million which was mainly related to (i) dividends paid to Shareholders of approximately HK\$8.0 million; (ii) repayment of bank borrowings of approximately HK\$4.4 million; and (iii) interest payment for bank borrowings of approximately HK\$1.1 million.

For the year ended 31 March 2018, our net cash used in financing activities amounted to approximately HK\$15.3 million which was mainly related to (i) dividends paid to Shareholders of approximately HK\$10.0 million; (ii) repayment of bank borrowings of approximately HK\$4.4 million; and (iii) interest payment for bank borrowings of approximately HK\$0.9 million.

For the year ended 31 March 2017, our net cash used in financing activities amounted to approximately HK\$16.6 million which was mainly related to (i) repayment of bank borrowings of approximately HK\$19.4 million; (ii) interest payment for bank borrowings of approximately HK\$1.2 million; and (iii) dividends paid to Shareholders of approximately HK\$6.0 million; partially offset by (iv) the proceeds from bank borrowings of approximately HK\$10.0 million.

COMMITMENTS

Capital Commitments

As at 30 June 2019 and as at the Latest Practicable Date, we did not have material capital commitments.

FINANCIAL INFORMATION

Operating Lease Commitments

Our Group as lessee

Our 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. The following table sets out our total future minimum lease payments under non-cancellable operating leases as at the respective financial position dates below:

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	242	162	256	280
After one year but within five years	<u>97</u>	<u>–</u>	<u>99</u>	<u>47</u>
	<u>339</u>	<u>162</u>	<u>355</u>	<u>327</u>

Our Group as lessor

We leased out to Independent Third Parties our investment properties, which were an office unit and a car park in Hong Kong, for the purpose of earning rental income during the Track Record Period. Rental income earned from leasing out our investment properties for the three years ended 31 March 2017, 2018 and 2019 and the three months ended 30 June 2019 amounted to approximately HK\$0.5 million, HK\$0.5 million, HK\$0.4 million and HK\$6,000, respectively.

RELATED PARTY TRANSACTIONS

The table below sets out the material related parties transactions entered by our Group.

	Year ended 31 March			Three months period ended 30 June	
	2017	2018	2019	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Provision of consulting services to a related company	<u>–</u>	<u>1,500</u>	<u>542</u>	<u>–</u>	<u>–</u>
Service fee to a related company	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>36</u>
Service fee to a related company	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>36</u>

Please refer to “Connected transactions” for details of the related party transactions. Our Directors confirm that all transactions with related parties described in “Note 32 – Related party transactions” of the accountants’ report set out in Appendix I to this [REDACTED] document were conducted on normal commercial terms and/or on terms not less favorable than terms available from/to Independent Third Parties, which are considered fair, reasonable and in the interest of the Shareholders as a whole.

FINANCIAL INFORMATION

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies.

FINANCIAL INSTRUMENTS

Please refer to “Note 6 – Financial instruments” of the accountants’ report set out in Appendix I to this [REDACTED] document for further details on financial instruments.

INDEBTEDNESS

As at 30 June 2019, being the latest practicable date for this indebtedness statement, saved as disclosed below, we did not have any bank borrowings or other facilities, or any other outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, lease liabilities, hire purchase commitments, guarantees or other material contingent liabilities. We have neither experienced any difficulty in obtaining bank borrowings to finance our operations. Our Directors confirm that we had not materially defaulted or delayed in payments of trade and non-trade payables and borrowings, nor had we breached any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that, up to the Latest Practicable Date, except for the below disclosure of material changes, there has been no other material changes in our indebtedness, capital commitments and contingent liabilities since 30 June 2019.

Bank borrowings

Our outstanding bank borrowings as at 31 March 2017, 2018, 2019 and 30 June 2019 were approximately HK\$44.1 million, HK\$39.7 million, HK\$35.3 million and HK\$34.2 million, respectively. Our outstanding bank borrowings were denominated in HK\$ and were repayable on demand. For the years ended 31 March 2017, 2018, 2019 and for the three months ended 30 June 2019, our Group’s borrowings carried interest at rates ranging from approximately 1.90% to 2.71%, 1.75% to 2.64%, 2.28% to 3.73%, and 3.20% to 3.52% per annum, respectively. Our bank borrowings during the Track Record Period were secured mortgage loans in respect of land and buildings and investment properties.

As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, our banking facilities were secured by:

- (i) corporate guarantee of our Group; and
- (ii) land and buildings and investment properties of our Group with aggregated carrying amounts of approximately HK\$93.3 million, HK\$90.7 million, HK\$88.0 million and HK\$87.4 million, respectively.

FINANCIAL INFORMATION

Set out below is the maturity profile of our borrowings as at the respective dates indicated:

	As at 31 March			As at
	2017	2018	2019	30 June
	<i>HK\$000</i>	<i>HK\$000</i>	<i>HK\$000</i>	2019
				<i>HK\$000</i>
Within one year	4,421	4,421	4,421	4,421
More than one year but not exceeding two years	4,421	4,421	4,421	4,421
More than two years but not exceeding five years	30,040	27,382	24,440	23,705
After five years	<u>5,219</u>	<u>3,456</u>	<u>1,977</u>	<u>1,607</u>
	<u>44,101</u>	<u>39,680</u>	<u>35,259</u>	<u>34,154</u>

The decrease in bank borrowings over the Track Record Period was due to continuing repayment of bank borrowings without raising new bank borrowings.

As at 30 June 2019, we had unutilised banking facilities of HK\$24.0 million, out of which there is a maximum limit of HK\$18.0 million for each of import facilities, post-shipment buyer loans and revolving loan available for draw down.

Contingent liabilities

As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, we did not have any contingent liabilities.

Our Directors confirmed that there was no material adverse change in our Group’s indebtedness and contingent liabilities since 30 June 2019, being the latest practicable date for determining our Group’s indebtedness.

Lease liability

As at 30 June 2019, our lease liability of the Group amounted to approximately HK\$191,000, which represented future lease payments to a landlord.

FINANCIAL INFORMATION

[REDACTED] EXPENSES

Our Group’s financial performance for the year ended 31 March 2020 will be affected by the non-recurring [REDACTED] expenses incurred in relation to the [REDACTED]. The [REDACTED] expenses are estimated to be approximately [REDACTED], in which approximately [REDACTED] was charged to profit or loss of our Group for the three months ended 30 June 2019 and approximately [REDACTED] would be charged to profit or loss of our Group for the nine months ending 31 March 2020. Such expenses are current estimates and for reference only. The final amount to be recognised to the profit or loss of our Group is subject to adjustment based on audit and the changes in variables and assumptions.

Our Directors are of the view that there has been no fundamental deterioration in the commercial and operational viability in our Group’s business despite the expected non-recurring [REDACTED] expenses.

SUMMARY OF KEY FINANCIAL RATIOS

	Year ended or as at 31 March			Three months ended or as at 30 June
	2017	2018	2019	2019
Return on equity (<i>Note 1</i>)	15.0%	12.5%	15.6%	3.0%
Return on total assets (<i>Note 2</i>)	10.1%	8.3%	9.9%	2.0%
Current ratio (<i>Note 3</i>)	1.5	1.6	1.7	1.9
Quick ratio (<i>Note 4</i>)	1.3	1.5	1.6	1.7
Gearing ratio (<i>Note 5</i>)	34.4%	29.3%	23.4%	22.6%
Debt to equity ratio (<i>Note 6</i>)	N/A	N/A	N/A	N/A
Interest coverage (<i>Note 7</i>)	21.3 times	24.3 times	27.3 times	9.0 times

Notes:

- Return on equity is calculated by the profit of the year divided by the total equity as at the respective year end and multiplied by 100%. For the purpose of ratio calculation, profit for the three months ended 30 June 2019 is annualised to reflect a full-year result.
- Return on total assets is calculated by the profit for the year divided by the total assets as at the respective year end and multiplied by 100%. For the purpose of ratio calculation, profit for the three months ended 30 June 2019 is annualised to reflect a full-year result.
- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end date.
- Quick ratio is calculated by dividing current assets net of inventories by current liabilities as at the respective year/period end date.
- Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/period end and multiplied by 100%.
- Debt to equity ratio is calculated by the net debts (being interest-bearing liabilities net of bank balances and cash) divided by the total equity as at the respective year/period end and multiplied by 100%. As at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019, net debt to equity ratio was not applicable as our bank balances and cash was more than sufficient to cover our interest-bearing liabilities.
- Interest coverage is calculated by the profit before interest and tax divided by the finance costs for the respective year/period end.

FINANCIAL INFORMATION

Return on equity

Our return on equity decreased from approximately 15.0% for the year ended 31 March 2017 to approximately 12.5% for the year ended 31 March 2018 primarily due to the decrease in net profit for the year as a result of decrease of gross operating profit and increase in staff costs during the year. Our return on equity increased to approximately 15.6% for the year ended 31 March 2019 which was mainly due to an increase in net profit for the year as a result of increased in revenue for the year as we undertook more projects as compared to the year ended 31 March 2018. Our return on equity decreased to approximately 3.0% for the three months ended 30 June 2019 based on the annualised figure of profit for the period, which was primarily due to non-recurring [REDACTED] expenses incurred for the [REDACTED].

Return on total assets

Our return on total assets decreased from approximately 10.1% for the year ended 31 March 2017 to approximately 8.3% for the year ended 31 March 2018. Such decrease was mainly attributable to the decrease in net profit for the year. Our return on assets increased to approximately 9.9% for the year ended 31 March 2019, which was attributed to an increase in net profit for the year as a result of increased in revenue for the year as we undertook more projects as compared to the year ended 31 March 2018. Our return on assets decreased to approximately 2.0% for the three months ended 30 June 2019 based on the annualised profit for the period. Such decrease was mainly due to non-recurring [REDACTED] expenses incurred for the [REDACTED].

Current ratio and quick ratio

Our current ratio was approximately 1.5 times, 1.6 times, 1.7 times and 1.9 times as at 31 March 2017, 31 March 2018, 31 March 2019 and as at 30 June 2019, respectively. On the other hand, our quick ratio was approximately 1.3 times, 1.5 times, 1.6 times and 1.7 times as at 31 March 2017, 31 March 2018, 31 March 2019 and as at 30 June 2019, respectively. Both our current ratio and quick ratio increased consistently during the Track Record Period, primarily as a result of the continuing repayment of current bank borrowings which further decreased the current liabilities over the period.

Gearing ratio

Our gearing ratio was approximately 34.4%, 29.3%, 23.4% and 22.6% as at 31 March 2017, 31 March 2018, 31 March 2019 and as at 30 June 2019, respectively, which was continuously decreased over the Track Record Period as a result of (i) a continuing increase in our total equity due to net profit earned over the years/periods, and (ii) a continuing repayment of the bank borrowings over the years/periods.

Debt to equity ratio

We had net cash as at 31 March 2017, 31 March 2018, 31 March 2019 and 30 June 2019 as our bank balances and cash outweighed our total debt as at each of the dates indicated, thus the debt to equity ratio was not applicable to our Group.

FINANCIAL INFORMATION

Interest coverage

Our interest coverage increased from approximately 21.3 times for the year ended 31 March 2017 to approximately 24.3 times for the year ended 31 March 2018, which was mainly due to our decreased interest expenses as a result of the repayment of bank borrowings over the year. Our interest coverage further increased to approximately 27.3 times for the year ended 31 March 2019, where such increase was attributed to the increase in our net profit for the year as a result of our increased revenue as we undertook more projects during the year. Our interest coverage decreased to approximately 9.0 times for the three months ended 30 June 2019 which was primarily due to non-recurring [REDACTED] expenses incurred for the [REDACTED].

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group is exposed to certain financial risks, including market risk (currency risk and interest rate risk), credit risk and liquidity risk in the ordinary course of our business. For further details of our financial risk management, please refer to Note 6 in the accountants’ report in Appendix I to this [REDACTED] document.

DIVIDENDS AND DIVIDEND POLICY

We paid dividends of approximately HK\$6.0 million, HK\$10.0 million and HK\$8.0 million to our Shareholders for the years ended 31 March 2017, 31 March 2018 and 31 March 2019, respectively. For the year ended 31 March 2019, we declared a final dividend of Hong Kong 1.2 cents per Share, which amounted to HK\$12.0 million and is expected to be paid on 12 September 2019. We did not declare dividends for the three months ended 30 June 2019.

Declaration of dividend is subject to the discretion of the Board, taking into consideration of, among others, (i) financial results; (ii) Shareholders’ interests; (iii) general business conditions and strategies; (iv) capital requirements; (v) taxation considerations; (vi) contractual, statutory and regulatory restriction, if any; and (vii) any other factors that the Board may deem relevant.

There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future. Currently, our Group does not have any predetermined dividend distribution ratio.

DISTRIBUTABLE RESERVE

As at 30 June 2019, the aggregate amount of distributable reserves available for distribution to our Shareholders was approximately HK\$43.1 million.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirmed that as at the Latest Practicable Date, there were no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION

RECENT DEVELOPMENT

As at the Latest Practicable Date, we had a total of 310 VCMA solution services projects either in progress or yet to commence. For the period from 1 April 2019 to the Latest Practicable Date, our revenue increased by approximately 7.7% as compared to the same period of 2018.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that other than the non-recurring [REDACTED] expenses incurred/estimated, there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this [REDACTED] document. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.

APPENDIX I

ACCOUNTANTS’ REPORT

The following is the text of a report, prepared for the purpose of incorporation in this [REDACTED] document, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



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

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF i-CONTROL HOLDINGS LIMITED AND CENTRAL CHINA INTERNATIONAL CAPITAL LIMITED AND RED SOLAR CAPITAL LIMITED

Introduction

We report on the historical financial information of i-Control Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-71, which comprises the consolidated statements of financial position of the Group as at 31 March 2017, 2018 and 2019 and 30 June 2019, the Company’s statements of financial position as at 31 March 2017, 2018 and 2019 and 30 June 2019, the Group’s consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 March 2017, 2018 and 2019 and the three months ended 30 June 2019 (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-71 forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] document of the Company dated [•] (the “[REDACTED] **Document**”) in connection with the [REDACTED] of shares of the Company to the Main Board (“**Main Board**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Directors’ Responsibilities

The directors of the Company are responsible for the preparation of the Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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ACCOUNTANTS’ REPORT

Reporting Accountants’ Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, in order to design 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. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 March 2017, 2018 and 2019 and 30 June 2019, and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the three months ended 30 June 2018 and other explanatory information (the “**Stub Period Comparative Financial Information**”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

APPENDIX I

ACCOUNTANTS’ REPORT

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on Matters Under the Rules Governing the Listing of Securities on The Stock Exchange (the “Listing Rule”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which contains information about the dividends paid by the Group in respect of the Track Record Period.

SHINEWING (HK) CPA Limited

Certified Public Accountants

[•]

Practising Certificate Number: [•]

Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Hong Kong dollar (“HK\$”) and all values are rounded to the nearest thousand (HK\$’000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 March			Three months ended 30 June	
		2017 HK\$’000	2018 HK\$’000	2019 HK\$’000	2018 HK\$’000 (Unaudited)	2019 HK\$’000
Revenue	7	138,113	158,609	185,714	29,690	33,238
Cost of inventories sold including installation cost		(77,962)	(96,166)	(112,399)	(18,050)	(17,534)
Staff cost		(26,953)	(31,128)	(34,221)	(7,016)	(7,722)
Depreciation		(3,216)	(3,258)	(3,249)	(815)	(841)
Other income and net gain	7	903	421	387	97	54
Other operating expenses		(6,254)	(7,005)	(6,612)	(1,787)	(1,876)
Finance costs	9	(1,159)	(882)	(1,083)	(240)	(294)
[REDACTED] expenses		—	—	—	—	(2,684)
Profit before taxation		23,472	20,591	28,537	1,879	2,341
Income tax expenses	10	(4,266)	(3,682)	(5,034)	(516)	(1,190)
Profit for the year/period attributable to owners of the Company	11	19,206	16,909	23,503	1,363	1,151
Other comprehensive income						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translating foreign operations		(100)	270	(258)	(17)	—
Total comprehensive income for the year/period attributable to owners of the Company		19,106	17,179	23,245	1,346	1,151
Earnings per share						
Basic and diluted (HK cents)	12	1.92	1.69	2.35	0.14	0.12

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at
	Notes	2017	2018	2019	30 June
		HK\$’000	HK\$’000	HK\$’000	2019
					HK\$’000
Non-current assets					
Property and equipment	15	86,052	84,704	89,117	88,519
Investment properties	17	11,060	9,192	1,568	1,558
Deferred tax assets	27	<u>175</u>	<u>267</u>	<u>388</u>	<u>404</u>
		<u>97,287</u>	<u>94,163</u>	<u>91,073</u>	<u>90,481</u>
Current assets					
Inventories	18	10,121	9,170	11,518	13,133
Trade receivables and contract assets	19	27,194	34,046	55,727	39,026
Prepayments, deposits and other receivables	20	1,638	1,493	1,539	5,586
Tax recoverables		–	157	43	115
Bank balances and cash	22	<u>54,052</u>	<u>64,463</u>	<u>76,636</u>	<u>76,883</u>
		<u>93,005</u>	<u>109,329</u>	<u>145,463</u>	<u>134,743</u>
Current liabilities					
Trade payables	23	9,165	13,446	25,159	17,514
Other payables and accruals	24	7,303	13,626	22,175	17,861
Lease liability	25	–	–	–	191
Bank borrowings	26	44,101	39,680	35,259	34,154
Tax payables		<u>930</u>	<u>641</u>	<u>2,472</u>	<u>2,849</u>
		<u>61,499</u>	<u>67,393</u>	<u>85,065</u>	<u>72,569</u>
Net current assets		<u>31,506</u>	<u>41,936</u>	<u>60,398</u>	<u>62,174</u>
Total assets less current liabilities		<u>128,793</u>	<u>136,099</u>	<u>151,471</u>	<u>152,655</u>
Non-current liability					
Deferred tax liabilities	27	<u>642</u>	<u>769</u>	<u>896</u>	<u>929</u>
Net assets		<u>128,151</u>	<u>135,330</u>	<u>150,575</u>	<u>151,726</u>
Capital and reserves					
Share capital	28	10,000	10,000	10,000	10,000
Reserves	29	<u>118,151</u>	<u>125,330</u>	<u>140,575</u>	<u>141,726</u>
Total equity		<u>128,151</u>	<u>135,330</u>	<u>150,575</u>	<u>151,726</u>

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION

		As at 31 March			As at
	Notes	2017	2018	2019	30 June
		HK\$’000	HK\$’000	HK\$’000	2019
					HK\$’000
Non-current assets					
Investments in subsidiaries	16	<u>20,093</u>	<u>20,093</u>	<u>20,093</u>	<u>20,093</u>
Current assets					
Prepayments and other receivables	20	112	164	206	1,628
Amounts due from subsidiaries	21	77,757	69,614	56,255	55,219
Tax recoverable		–	91	6	6
Bank balances and cash	22	<u>2,304</u>	<u>1,189</u>	<u>11,382</u>	<u>7,576</u>
		<u>80,173</u>	<u>71,058</u>	<u>67,849</u>	<u>64,429</u>
Current liabilities					
Other payables and accruals	24	940	2,271	1,988	1,662
Amounts due to subsidiaries	21	3,263	2,820	7,789	9,711
Tax payables		<u>72</u>	<u>–</u>	<u>–</u>	<u>–</u>
		<u>4,275</u>	<u>5,091</u>	<u>9,777</u>	<u>11,373</u>
Net current assets		<u>75,898</u>	<u>65,967</u>	<u>58,072</u>	<u>53,056</u>
Net assets		<u>95,991</u>	<u>86,060</u>	<u>78,165</u>	<u>73,149</u>
Capital and reserves					
Share capital	28	10,000	10,000	10,000	10,000
Reserves	29	<u>85,991</u>	<u>76,060</u>	<u>68,165</u>	<u>63,149</u>
Total equity		<u>95,991</u>	<u>86,060</u>	<u>78,165</u>	<u>73,149</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital HK\$'000	Attributable to the owners of the Company Share premium HK\$'000	Merger reserve HK\$'000 (note 29)	Translation reserve HK\$'000 (note 29)	Retained profits HK\$'000	Total HK\$'000
At 1 April 2016	10,000	71,344	10,817	(22)	22,906	115,045
Profit for the year	–	–	–	–	19,206	19,206
Other comprehensive income for the year:						
Exchange differences arising on translating foreign operations	–	–	–	(100)	–	(100)
Total comprehensive income for the year	–	–	–	(100)	19,206	19,106
Dividend (note 14)	–	(6,000)	–	–	–	(6,000)
At 31 March 2017 and 1 April 2017	10,000	65,344	10,817	(122)	42,112	128,151
Profit for the year	–	–	–	–	16,909	16,909
Other comprehensive income for the year:						
Exchange differences arising on translating foreign operations	–	–	–	270	–	270
Total comprehensive income for the year	–	–	–	270	16,909	17,179
Dividend (note 14)	–	(10,000)	–	–	–	(10,000)
At 31 March 2018 and 1 April 2018	10,000	55,344	10,817	148	59,021	135,330
Profit for the year	–	–	–	–	23,503	23,503
Other comprehensive income for the year:						
Exchange differences arising on translating foreign operations	–	–	–	(258)	–	(258)
Total comprehensive income for the year	–	–	–	(258)	23,503	23,245
Dividend (note 14)	–	(8,000)	–	–	–	(8,000)
At 31 March 2019 and 1 April 2019	10,000	47,344	10,817	(110)	82,524	150,575
Profit for the period	–	–	–	–	1,151	1,151
Total comprehensive income for the period	–	–	–	–	1,151	1,151
At 30 June 2019	<u>10,000</u>	<u>47,344</u>	<u>10,817</u>	<u>(110)</u>	<u>83,675</u>	<u>151,726</u>
At 1 April 2018 (Audited)	10,000	55,344	10,817	148	59,021	135,330
Profit for the period	–	–	–	–	1,363	1,363
Other comprehensive income for the period:						
Exchange differences arising on translating foreign operations	–	–	–	(17)	–	(17)
Total comprehensive income for the period	–	–	–	(17)	1,363	1,346
At 30 June 2018 (Unaudited)	<u>10,000</u>	<u>55,344</u>	<u>10,817</u>	<u>131</u>	<u>60,384</u>	<u>136,676</u>

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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
OPERATING ACTIVITIES					
Profit before taxation	23,472	20,591	28,537	1,879	2,341
Adjustments for:					
Bank interest income	(79)	(9)	(44)	(2)	(35)
Depreciation	3,216	3,258	3,249	815	841
Finance costs	1,159	882	1,083	240	294
Provision for write-down of inventories	87	408	729	–	–
Reversal of provision for write- down of inventories	(63)	(40)	(77)	–	(95)
Write off of property and equipment	–	–	–	–	3
Gain on disposal of property and equipment	(27)	–	–	–	–
Operating cash flows before movements in working capital	27,765	25,090	33,477	2,932	3,349
(Increase) decrease in inventories	(3,918)	583	(3,000)	(761)	(1,520)
Decrease (increase) in trade receivables and contract assets	3,695	(6,852)	(21,681)	726	16,701
(Increase) decrease in prepayments, deposits and other receivables	(426)	145	(46)	(201)	(4,047)
Increase (decrease) in trade payables	958	4,281	11,713	776	(7,645)
(Decrease) increase in other payables and accruals	(8,107)	6,323	8,549	373	(4,314)
Cash generated from operations	19,967	29,570	29,012	3,845	2,524
Income taxes paid	(4,030)	(4,093)	(3,078)	(939)	(868)
NET CASH FROM OPERATING ACTIVITIES	<u>15,937</u>	<u>25,477</u>	<u>25,934</u>	<u>2,906</u>	<u>1,656</u>

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	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
INVESTING ACTIVITIES					
Acquisitions of property and equipment	(1,147)	(29)	(51)	(9)	(13)
Acquisitions of investment properties	(1,680)	–	–	–	–
Bank interest received	79	9	44	2	35
Proceed on disposal of property and equipment	<u>473</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES	<u>(2,275)</u>	<u>(20)</u>	<u>(7)</u>	<u>(7)</u>	<u>22</u>
FINANCING ACTIVITIES					
Dividends paid	(6,000)	(10,000)	(8,000)	–	–
Bank borrowings raised	10,000	–	–	–	–
Repayments of bank borrowings	(19,421)	(4,421)	(4,421)	(1,105)	(1,105)
Interest paid	(1,159)	(882)	(1,083)	(240)	(292)
Repayment of lease liability	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(33)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(16,580)</u>	<u>(15,303)</u>	<u>(13,504)</u>	<u>(1,345)</u>	<u>(1,430)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,918)	10,154	12,423	1,554	248
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	57,036	54,052	64,463	64,463	76,636
Effect of foreign exchange rate changes	<u>(66)</u>	<u>257</u>	<u>(250)</u>	<u>(14)</u>	<u>(1)</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD, represented by bank balances and cash	<u><u>54,052</u></u>	<u><u>64,463</u></u>	<u><u>76,636</u></u>	<u><u>66,003</u></u>	<u><u>76,883</u></u>

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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 Esera Trust (Cayman) Limited, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and its principal place of business is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong.

The Company’s shares have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) since 27 May 2015. The directors of the Company consider the immediate and ultimate holding company is Phoenix Time Holdings Limited which is incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Mr. Zhong Naixiong.

The Company is engaged in investment holding while its principal subsidiaries are principally engaged in provision of multimedia audio-visual solutions and related system integration services.

Items included in the Historical Financial Information of the Group are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The Historical Financial Information are presented in Hong Kong dollars (the “**HK\$**” or “**HKD**”), which is the Company’s functional and presentation currency. Other than the subsidiaries established in the People’s Republic of China (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 Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA.

For the purpose of preparing and presenting the Historical Financial Information, the Group has consistently adopted all the HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations (“**Int(s)**”) issued by the HKICPA which are effective for the financial period beginning on 1 April 2019 including HKFRS 15 “Revenue from Contracts with Customers”, throughout the Track Record Period, except that i) the Group adopted HKFRS 9 “Financial Instruments” (“**HKFRS 9**”) on 1 April 2018 and adopted HKAS 39 “Financial Instruments – Recognition and Measurement” (“**HKAS 39**”) prior to 1 April 2018; and ii) the Group adopted HKFRS 16 “Leases” (“**HKFRS 16**”) on 1 April 2019 and adopted HKAS 17 “Leases” (“**HKAS 17**”) prior to 1 April 2019.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

HKFRS 9 Financial instruments

The Group has applied HKFRS 9 commencing from 1 April 2018. HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

The Group’s accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

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The impacts of adoption of HKFRS 9 are summarised as follows:

Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group’s existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

Loss allowance for expected credit losses (“ECL”)

The adoption of HKFRS 9 has changed the Group’s accounting for impairment losses for financial assets by replacing HKAS 39’s incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 April 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different to the impairment losses previously recognised under HKAS 39.

Summary of effects arising from initial application of HKFRS 9

The table below summarises the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group’s financial assets and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 April 2018.

		Carrying amount at 31 March 2018 (HKAS 39) HK\$’000	Impact on adoption of HKFRS 9 – Reclassification HK\$’000	Carrying amount under HKFRS 9 as restated at 1 April 2018 HK\$’000
	Note			
Financial assets				
Loan and receivables	<i>a</i>			
– Trade receivables		33,330	(33,330)	–
– Deposits and other receivables		167	(167)	–
– Bank balances and cash		64,463	(64,463)	–
At amortised cost	<i>a</i>			
– Trade receivables		–	33,330	33,330
– Deposits and other receivables		–	167	167
– Bank balances and cash		–	64,463	64,463

Note:

- (a) As at 1 April 2018, the financial assets including trade receivables, deposits and other receivables and bank balances and cash previously classified as loan and receivables were reclassified to financial assets at amortised cost.

All the financial liabilities have not been impacted by the application of HKFRS 9 and continue to be classified and measured on the same basis as they were under HKAS 39.

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HKFRS 16 Leases

The Group has applied HKFRS 16 commencing from 1 April 2019. The adoption of HKFRS 16 resulted in changes in the Group’s accounting policies and adjustments to the amounts recognised in the Historical Financial Information. The new accounting policies are set out in note 3 below.

Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 April 2019, and has not restated comparatives for previous reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

The major impacts of the adoption of HKFRS 16 on the Historical Financial Information are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases (except for lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 April 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 2.82%.

The Group recognises right-of-use assets for property and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group as lessor

The Group leases a property. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

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The following table summarises the impact of transition to HKFRS 16 at 1 April 2019. Line items that were not affected by the adjustments have not been included.

		Carrying amount previously reported at 31 March 2019 HK\$’000	Impact on adoption of HKFRS 16 HK\$’000	Carrying amount as restated at 1 April 2019 HK\$’000
	Note			
Property and equipment (including right-of- use asset)	a	89,117	222	89,339
Lease liability	a	<u>–</u>	<u>222</u>	<u>222</u>

Note:

- (a) As at 1 April 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately HK\$222,000.

Differences between operating lease commitment as at 31 March 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 April 2019 are as follow:

	HK\$’000
Operating lease commitments as at 31 March 2019	355
Recognition exemption for short-term leases	<u>(124)</u>
	231
Discounting effect using the incremental borrowing rate as at 1 April 2019	<u>(9)</u>
Lease liabilities recognised as at 1 April 2019	<u>222</u>

Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to assess the accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases.

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New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the consolidated financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information include the applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange.

The Historical Financial Information 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries). If a subsidiary prepares its financial statements using accounting policies other than those adopted in the Historical Financial Information for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary’s financial statements in preparing the Historical Financial Information to ensure conformity with the Group’s accounting policies.

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Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group’s returns. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group’s voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and cease when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries 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.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss.

Revenue recognition

Revenue is recognised 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 Group uses 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.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

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A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract assets and contract liabilities

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKAS 36 before 1 April 2018 and HKFRS 9 since 1 April 2018. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

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For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- Provision of video conferencing and multimedia audiovisual (“VCMA”) solution services
- Provision of VCMA maintenance services
- (i) *Provision of VCMA solution services*

Revenue from provision of VCMA solution services comprised two performance obligations (i.e. sales of goods and provision of installation service). Sale of goods is recognised at the point when the control of the products is transferred to the customers (generally on delivery of products). Revenue from the service rendered is recognised at a point in time when control of service rendered is transferred being at the point of customer’s acceptance.

- (ii) *Provision of VCMA maintenance services*

Revenue from provision of VCMA maintenance services is recognised over time on a straight-line basis over the contract period.

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 properties

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

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

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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. An investment property becomes an owner-occupied property when there is a change in use, as evidenced by commencement of an 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

Under HKAS 17 (applicable before 1 April 2019)

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 leases.

The Group as lessee

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.

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.

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 statements 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.

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Under HKFRS 16 (applicable on or after 1 April 2019)

Definition of a lease

Under HKFR 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

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 leases.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liability

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate;
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

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Right-of-use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 “Provisions, contingent liabilities and contingent assets”. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in property and equipment in the consolidated statements of financial position.

The Group applies HKAS 36 to determine whether the right-of-use asset is impaired and accounts for any identified impairment loss as described in “impairment losses on tangible assets”.

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 Historical Financial Information, 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.

Borrowing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

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Retirement benefits costs

Payments to state-managed retirement benefit schemes, schemes established under Occupational Retirement Scheme Ordinance 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.

The tax currently payable is based on taxable profit for the year/period. 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 is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information 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.

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.

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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.

When inventories are sold, the carrying amount of those inventories is recognised as expenses in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of “cost of inventories sold including installation cost” as an income in the period in which the reversal occurs.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements 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 (other than financial assets or financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Under HKAS 39 (applicable before 1 April 2018)

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.

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).

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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 reorganisation; 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.

Financial liabilities and equity instruments

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.

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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.

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 expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Under HKFRS 9 (applicable on or after 1 April 2018)

Financial assets

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.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (“**FVTOCI**”), and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them.

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Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and it included in the “Other income and net gain” line item (note 7).

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Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are subject to impairment under HKFRS 9, including trade receivables, contract assets and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated individually of debtors with significant balances and/or collectively using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes various external sources of actual and forecast economic information that relate to the Group’s operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

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Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument have not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has an internal rating of ‘performing’. Performing means that the counterparty has no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 12 months past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower’s financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group’s recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets’ gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

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 party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the 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 premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Cash and cash equivalents

Bank balances and cash in the Group’s consolidated statements of financial position and the Company’s 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-generating 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.

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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.

Fair value measurement

When measuring fair value except for the Group’s share-based payment transactions, leasing transactions, net realisable value of inventories and value in use of tangible assets for the purpose of impairment assessment, 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.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1	–	Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
Level 2	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3	–	Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

4. 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.

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.

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Estimated impairment of property and equipment and investment properties

Property and equipment and investment properties 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 properties 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.

The Group determines whether the property and equipment and investment properties are impaired whenever there is indication of impairment presented. The impairment loss for property and equipment and investment properties 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 properties have been determined based on higher of the fair value less costs of disposal and value-in-use calculations. These calculations require the use of judgements and estimations. As at 31 March 2017, 2018 and 2019 and 30 June 2019, the carrying values of property and equipment were approximately HK\$86,052,000, HK\$84,704,000, HK\$89,117,000 and HK\$88,519,000 respectively and the carrying values of investment properties were HK\$11,060,000, HK\$9,192,000, HK\$1,568,000 and HK\$1,558,000 respectively. No impairment was recognised during the Track Record Period.

Estimated provision for write-down of inventories

The management of the Group reviews an ageing analysis at the end of each reporting period and makes provision for obsolete and slow-moving items identified that are no longer suitable for sale or use. The Group makes provision for write-down of 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 2017, 2018 and 2019 and 30 June 2019, the carrying amounts of inventories of the Group were approximately HK\$10,121,000, HK\$9,170,000, HK\$11,518,000 and HK\$13,133,000, net of accumulated provision for write-down of inventories of approximately HK\$484,000, HK\$852,000, HK\$1,504,000 and HK\$1,409,000 respectively. During the years ended 31 March 2017, 2018 and 2019 and three months ended 30 June 2019, provision for write-down of inventories of approximately HK\$87,000, HK\$408,000, HK\$729,000 and nil and reversal of provision of write-down of inventories of approximately HK\$63,000, HK\$40,000, HK\$77,000 and HK\$95,000 were recognised respectively.

Impairment of trade receivables and contract assets

Before 1 April 2018, 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.

Starting from 1 April 2018, the impairment provisions for trade receivables and contract assets are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases on the number of days that an individual receivable is outstanding as well as the Group’s historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statements of profit or loss and other comprehensive income.

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As at 31 March 2017, 2018 and 2019 and 30 June 2019, the carrying amounts of trade receivables and contract assets were approximately HK\$27,194,000, HK\$34,046,000, HK\$55,727,000 and HK\$39,026,000. No impairment was recognised during the Track Record Period.

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 prior year.

The capital structure of the Group consists of net debt, which includes the bank borrowings disclosed in note 26 and lease liability disclosed in note 25, net of cash and cash equivalents 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

	The Group			
	At 31 March			At 30 June
	2017 HK\$’000	2018 HK\$’000	2019 HK\$’000	2019 HK\$’000
Financial assets				
Financial assets at amortised cost / loans and receivables (including bank balances and cash)	<u>80,611</u>	<u>97,960</u>	<u>130,796</u>	<u>114,561</u>
Financial liabilities				
Financial liabilities at amortised cost	<u>57,339</u>	<u>61,778</u>	<u>70,546</u>	<u>58,667</u>
	The Company			
	At 31 March			At 30 June
	2017 HK\$’000	2018 HK\$’000	2019 HK\$’000	2019 HK\$’000
Financial assets				
Financial assets at amortised cost / loans and receivables (including bank balances and cash)	<u>80,061</u>	<u>70,803</u>	<u>67,641</u>	<u>62,795</u>
Financial liabilities				
Financial liabilities at amortised cost	<u>4,203</u>	<u>5,091</u>	<u>9,777</u>	<u>11,373</u>

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(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, lease liability 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.

Market risk

Currency risk

The Group’s exposure to foreign currency risk relates principally to its trade receivables, bank balances and trade payables 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			
	At 31 March			At 30 June	At 31 March			At 30 June
	2017	2018	2019	2019	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
United States dollar (“USD”)	<u>1,377</u>	<u>2,562</u>	<u>2,127</u>	<u>1,959</u>	<u>889</u>	<u>722</u>	<u>3,557</u>	<u>311</u>
RMB	<u>–</u>	<u>1,500</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Euro (“EUR”)	<u>–</u>	<u>14</u>	<u>13</u>	<u>13</u>	<u>–</u>	<u>–</u>	<u>640</u>	<u>15</u>

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

The Group is mainly exposed to the currency risk of USD and RMB.

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

The following table details the Group’s sensitivity to a 5% increase or decrease in HK\$ against the RMB and EUR for the Track Record Period. 5% is the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represent management’s assessment of the reasonably possible change in foreign exchange rates.

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The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit where the respective functional currency strengthen 5% against the relevant currency. For a 5% weakening of the respective functional currency against the relevant currency, there would be an equal and opposite impact on the profit.

	RMB				EUR			
	At 31 March			At	At 31 March			At
	2017	2018	2019	30 June	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Impact on post-tax profit for the year	-	(63)	-	-	-	(1)	26	-

In management’s opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the Track Record Period.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (note 22) and variable-rate bank borrowings (note 26) 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 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 Track Record Period and all other variables were held constant, the Group’s post-tax profit would decrease/increase by approximately HK\$184,000, HK\$166,000, HK\$147,000 and HK\$143,000 for the Track Record Period respectively. This is mainly attributable to the Group’s exposure to cash flow interest rate risk on its variable-rate bank borrowings.

Credit risk

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.

The credit risk of the Group mainly arises from bank balances and cash, trade receivables and contract assets and deposits and other receivables. The carrying amounts of these balances represent the Group’s maximum exposure to credit risk in relation to financial assets.

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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.

The Company’s maximum exposure to credit risk which will cause a financial loss to the Company 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 statements of financial position. The Company closely monitors the financial positions of the subsidiaries and considered to make provision when necessary.

Starting from 1 April 2018, for trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL individually for debtors with significant balances and / or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group’s credit risk is significantly reduced.

For other non-traded related receivables, the Group and the Company have assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group and the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

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 considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating;
- external credit rating;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower’s ability to meet its obligations; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

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The Group’s exposure to credit risk

In order to minimise credit risk, the Group has tasked its operation management to develop and maintain the Group’s credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is drawn from the Group’s own trading records to rate its major customers and other debtors. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group’s current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit-impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired (refer to as Stage 2)	Lifetime ECL – not credit-impaired
Default	Financial assets are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Group’s and the Company’s financial assets, as well as the Group’s and the Company’s maximum exposure to credit risk by credit risk rating grades.

			As at 31 March 2019		As at 30 June 2019	
	Internal credit rating	12-month or lifetime ECL	Gross carrying amount HK\$’000	Net carrying amount HK\$’000	Gross carrying amount HK\$’000	Net carrying amount HK\$’000
The Group						
Trade receivables and contract assets	Note	Lifetime ECL (simplified approach)	55,727	55,727	39,026	39,026
Deposits and other receivables	Performing	12-month ECL	<u>309</u>	<u>309</u>	<u>169</u>	<u>169</u>
The Company						
Amounts due from subsidiaries	Performing	12-month ECL	<u>56,255</u>	<u>56,255</u>	<u>55,219</u>	<u>55,219</u>

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Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by ageing of trade receivables. No loss allowance has been made on trade receivables and contract assets as the amount involved is insignificant.

As at 31 March 2017, 2018 and 2019 and 30 June 2019, 53%, 29%, 42% and 34% of the total trade receivables was due from the five largest customers respectively. The concentration of credit risk from the Group’s largest customer is set out in note 19.

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 and lease liability based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liability 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.

The Group

	Weighted average interest rate %	On demand or within one year HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
As at 31 March 2017				
Trade payables	–	9,165	9,165	9,165
Other payables and accruals	–	4,073	4,073	4,073
Bank borrowings	2.14%	45,044	45,044	44,101
		<u>58,282</u>	<u>58,282</u>	<u>57,339</u>

	Weighted average interest rate %	On demand or within one year HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
As at 31 March 2018				
Trade payables	–	13,446	13,446	13,446
Other payables and accruals	–	8,652	8,652	8,652
Bank borrowings	2.24%	40,569	40,569	39,680
		<u>62,667</u>	<u>62,667</u>	<u>61,778</u>

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	Weighted average interest rate %	On demand or within one year HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
As at 31 March 2019				
Trade payables	–	25,159	25,159	25,159
Other payables and accruals	–	10,128	10,128	10,128
Bank borrowings	2.89%	<u>36,278</u>	<u>36,278</u>	<u>35,259</u>
		<u>71,565</u>	<u>71,565</u>	<u>70,546</u>

	Weighted average interest rate %	On demand or within one year HK\$’000	More than one year but not exceeding two years HK\$’000	Total undiscounted cash flows HK\$’000	Carrying amount HK\$’000
As at 30 June 2019					
Trade payables	–	17,514	17,514	17,514	17,514
Other payables and accruals	–	6,999	6,999	6,999	6,999
Bank borrowings	3.39%	<u>35,312</u>	<u>35,312</u>	<u>35,312</u>	<u>34,154</u>
		<u>59,825</u>	<u>59,825</u>	<u>59,825</u>	<u>58,667</u>
Lease liability	2.82%	<u>132</u>	<u>66</u>	<u>198</u>	<u>191</u>

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 2017, 2018 and 2019 and 30 June 2019, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$44,101,000, HK\$39,680,000, HK\$35,259,000 and HK\$34,154,000. 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\$47,628,000, HK\$42,317,000, HK\$37,272,000 and HK\$35,963,000.

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.

The Company

The Company’s contractual maturity for its non-derivative financial liabilities, based on the agreed repayment terms, as at 31 March 2017, 2018 and 2019 and 30 June 2019 is repayable on demand or within one year.

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(c) Fair value

The Company

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the Historical Financial Information approximate their fair values.

7. REVENUE AND OTHER INCOME AND NET 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 services income. Analysis of the Group’s revenue and other income and net gain is as follows:

	Year ended 31 March			Three months ended 30 June	
	2017 HK\$’000	2018 HK\$’000	2019 HK\$’000	2018 HK\$’000	2019 HK\$’000
				(Unaudited)	
Disaggregated by major products or service line:					
– VCMA solutions services	124,253	144,216	169,649	26,900	29,091
– VCMA maintenance services	<u>13,860</u>	<u>14,393</u>	<u>16,065</u>	<u>2,790</u>	<u>4,147</u>
	<u>138,113</u>	<u>158,609</u>	<u>185,714</u>	<u>29,690</u>	<u>33,238</u>

Disaggregation of revenue by timing of recognition

	Year ended 31 March			Three months ended 30 June	
	2017 HK\$’000	2018 HK\$’000	2019 HK\$’000	2018 HK\$’000	2019 HK\$’000
				(Unaudited)	
Timing of revenue recognition					
At a point in time	124,253	144,216	169,649	26,900	29,091
Over time	<u>13,860</u>	<u>14,393</u>	<u>16,065</u>	<u>2,790</u>	<u>4,147</u>
Total revenue from contracts with customers	<u>138,113</u>	<u>158,609</u>	<u>185,714</u>	<u>29,690</u>	<u>33,238</u>

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	Year ended 31 March			Three months ended	
	2017	2018	2019	30 June	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Other income and net gain					
Bank interest income	79	9	44	2	35
Net exchange gain (loss)	95	(110)	(53)	(37)	16
Gain on disposal of property and equipment	27	–	–	–	–
Write off of property and equipment	–	–	–	–	(3)
Gross rental income from investment properties (<i>Note</i>)	548	522	396	132	6
Sundry income	154	–	–	–	–
	<u>903</u>	<u>421</u>	<u>387</u>	<u>97</u>	<u>54</u>

Note: No direct operating expenses incurred for investment properties that generated rental income.

8. SEGMENT INFORMATION

The directors of the Company consider that there is only one operating and reportable business segment for the Group, being the provision of VCMA solutions services and VCMA maintenance services. This operating segment is reported in a manner consistent with the information reported to the board of directors, being the chief operating decision maker, for the purpose of resources allocation and performance assessment.

Geographical information

The Group’s operations are located in Hong Kong (place of domicile), the PRC and Singapore. The Group’s customers are mainly located in Hong Kong, the PRC and Macau.

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

	Year ended 31 March			Three months ended	
	2017	2018	2019	30 June	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Hong Kong (place of domicile)	116,644	145,529	180,018	28,452	32,842
The PRC	14,111	12,239	3,865	1,072	229
Macau	6,621	841	1,268	91	167
Singapore	737	–	563	75	–
	<u>138,113</u>	<u>158,609</u>	<u>185,714</u>	<u>29,690</u>	<u>33,238</u>

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

	31 March			30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Hong Kong (place of domicile)	97,048	93,857	90,679	90,071
The PRC	<u>64</u>	<u>39</u>	<u>6</u>	<u>6</u>
	<u>97,112</u>	<u>93,896</u>	<u>90,685</u>	<u>90,077</u>

Note: Non-current assets excluded deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	Year ended 31 March			Three months ended	
	2017	2018	2019	30 June	2019
	HK\$’000	HK\$’000	HK\$’000	2018	2019
				HK\$’000	HK\$’000
				(Unaudited)	
Customer A	20,568	17,131	37,396	3,160	3,792
Customer B	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>	<u>4,530</u>	<u>N/A¹</u>

¹ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

9. FINANCE COSTS

	Year ended 31 March			Three months ended	
	2017	2018	2019	30 June	2019
	HK\$’000	HK\$’000	HK\$’000	2018	2019
				HK\$’000	HK\$’000
				(Unaudited)	
Interest expenses on bank borrowings	1,159	882	1,083	240	292
Interest on lease liability	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2</u>
	<u>1,159</u>	<u>882</u>	<u>1,083</u>	<u>240</u>	<u>294</u>

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10. INCOME TAX EXPENSES

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Current tax:					
– Hong Kong Profits Tax	3,496	3,357	4,990	484	1,123
– PRC Enterprise Income Tax	225	313	–	–	50
– Singapore Corporate Tax	<u>49</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
	3,770	3,670	4,990	484	1,173
Under (over) provision in prior year					
– Hong Kong Profits Tax	283	(23)	(17)	–	–
– PRC Enterprise Income Tax	<u>–</u>	<u>–</u>	<u>55</u>	<u>–</u>	<u>–</u>
	<u>283</u>	<u>(23)</u>	<u>38</u>	<u>–</u>	<u>–</u>
	4,053	3,647	5,028	484	1,173
Deferred taxation (<i>note 27</i>)	<u>213</u>	<u>35</u>	<u>6</u>	<u>32</u>	<u>17</u>
Total income tax expenses for the year/period	<u><u>4,266</u></u>	<u><u>3,682</u></u>	<u><u>5,034</u></u>	<u><u>516</u></u>	<u><u>1,190</u></u>

Notes:

- i) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the year ended 31 March 2019 and three months ended 30 June 2019, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the years ended 31 March 2017 and 2018, Hong Kong Profits Tax was calculated at a flat rate of 16.5% of the estimated assessable profits.
- ii) Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, PRC Enterprises Income Tax is calculated at 25% of the estimated assessable profits for the years ended 31 March 2017, 2018 and 2019 and three months ended 30 June 2018 and 2019.
- iii) Singapore Corporate Tax is calculated at the rate of 17% on the estimated assessable profit for the year ended 31 March 2017. The Singapore subsidiary is in loss-making position and accordingly does not have any provision for Singapore Corporate Tax for the years ended 31 March 2018 and 2019 and three months ended 30 June 2018 and 2019.
- iv) Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

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

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)				
Profit before taxation	<u>23,472</u>	<u>20,591</u>	<u>28,537</u>	<u>1,879</u>	<u>2,341</u>
Tax at domestic income tax rate of 16.5%	3,873	3,398	4,709	310	386
Effect of different tax rate of subsidiaries operating in other jurisdictions	129	84	(69)	(28)	(8)
Tax effect of two-tiered profits tax rates regime	–	–	(165)	(165)	(165)
Tax effect of expense not deductible for tax purposes	196	285	423	329	954
Tax effect of income not taxable for tax purposes	(13)	(2)	(3)	(3)	(3)
Tax effect of tax loss not recognised	–	64	185	127	26
Utilisation of taxes losses previously not recognised	(132)	(11)	–	–	–
Tax exemption ⁽¹⁾	(70)	(113)	(84)	(54)	–
Under (over) provision in prior year	<u>283</u>	<u>(23)</u>	<u>38</u>	<u>–</u>	<u>–</u>
Income tax expenses for the year/period	<u>4,266</u>	<u>3,682</u>	<u>5,034</u>	<u>516</u>	<u>1,190</u>

(1) Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment 2016/17, 2017/18 and 2018/19 by 75%, subject to a ceiling of HK\$20,000, HK\$30,000 and HK\$20,000 respectively.

Details of the deferred taxation are set out in note 27.

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11. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Profit for the year/period has been arrived at after charging (crediting):					
Directors’ emoluments (note 13)	5,248	6,436	6,924	1,283	1,254
Salaries (excluding directors’ emoluments)	20,705	23,660	26,210	5,448	6,180
Retirement benefit scheme contributions (excluding directors’ emoluments)	<u>1,000</u>	<u>1,032</u>	<u>1,087</u>	<u>285</u>	<u>288</u>
Total staff costs	<u>26,953</u>	<u>31,128</u>	<u>34,221</u>	<u>7,016</u>	<u>7,722</u>
Cost of inventories sold including installation cost	77,962	96,166	112,399	18,050	17,534
Reversal of provision for write- down of inventories included in cost of inventories sold including installation cost	(63)	(40)	(77)	(19)	(95)
Provision for write-down of inventories included in cost of inventories sold including installation cost	87	408	729	–	–
Operating lease rentals in respect of rented premises	609	608	603	150	–
Expense relating to short-term leases	–	–	–	–	132
Auditor’s remuneration	640	666	698	140	200
[REDACTED] expenses	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,684</u>

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12. EARNINGS PER SHARE

	Year ended 31 March			Three months ended 30 June	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Earnings					
Earnings for the purpose of basic and diluted earnings per share	<u>19,206</u>	<u>16,909</u>	<u>23,503</u>	<u>1,363</u>	<u>1,151</u>
	2017	2018	2019	2018	2019
	’000	’000	’000	’000	’000
				(Unaudited)	

Number of shares

Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Track Record Period.

13. DIRECTORS’, CHIEF EXECUTIVES’ AND EMPLOYEES’ EMOLUMENTS

(a) Directors’ and chief executives’ emoluments

The emoluments paid or payable to the executive directors who are also chief executives and other directors as follows:

For the year ended 31 March 2017

	Fees	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Executive directors:				
Mr. Chan Wing Yiu	–	1,310	–	1,310
Mr. Tong Sai Wong	–	1,310	–	1,310
Mr. Chan Wing Lun	–	1,800	18	1,818
Non-executive directors:				
Dr. Wong King Keung	180	–	–	180
Mr. Lin Wing Ching	180	–	–	180
Independent non-executive directors:				
Dr. Lai Wing Chueng	150	–	–	150
Dr. Chan Man Hung	150	–	–	150
Mr. Lum Pak Sum	<u>150</u>	<u>–</u>	<u>–</u>	<u>150</u>
	<u>810</u>	<u>4,420</u>	<u>18</u>	<u>5,248</u>

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For the year ended 31 March 2018

		Fees	Salaries	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors:						
Mr. Zhong Naixiong	(i)	–	–	–	–	–
Mr. Yau Wing Keung	(ii)	–	–	–	–	–
Mr. Chan Wing Yiu		–	802	408	–	1,210
Mr. Tong Sai Wong	(iii)	–	1,376	494	–	1,870
Mr. Chan Wing Lun		–	1,800	738	18	2,556
Non-executive directors:						
Dr. Wong King Keung		180	–	–	–	180
Mr. Lin Wing Ching	(iv)	120	–	–	–	120
Independent non-executive directors:						
Dr. Lai Wing Chueng	(iv)	100	–	–	–	100
Dr. Chan Man Hung	(iv)	100	–	–	–	100
Mr. Lum Pak Sum		150	–	–	–	150
Mr. Fong Chi	(ii)	50	–	–	–	50
Mr. Lai Hing Kwong Joseph	(ii)	50	–	–	–	50
Mr. Fung Chan Man Alex	(ii)	50	–	–	–	50
		<u>800</u>	<u>3,978</u>	<u>1,640</u>	<u>18</u>	<u>6,436</u>

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ACCOUNTANTS’ REPORT

For the year ended 31 March 2019

				Discretionary bonus	Retirement benefit scheme contributions	Total
	Notes	Fees HK\$'000	Salaries HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors:						
Mr. Zhong Naixiong		–	–	–	–	–
Mr. Yau Wing Keung		–	–	–	–	–
Mr. Chan Wing Yiu		–	722	362	–	1,084
Mr. Tong Sai Wong		–	1,445	453	–	1,898
Mr. Chan Wing Lun		–	2,160	984	18	3,162
Non-executive directors:						
Dr. Wong King Keung		180	–	–	–	180
Independent non-executive directors:						
Mr. Lum Pak Sum		150	–	–	–	150
Mr. Fong Chi		150	–	–	–	150
Mr. Fung Chan Man Alex		150	–	–	–	150
Mr. Lai Hing Kwong Joseph	(v)	92	–	–	–	92
Mr. Mong Cheuk Wai	(vi)	58	–	–	–	58
		<u>780</u>	<u>4,327</u>	<u>1,799</u>	<u>18</u>	<u>6,924</u>

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ACCOUNTANTS’ REPORT

For the three months ended 30 June 2018 (Unaudited)

	Fees <i>HK\$’000</i>	Salaries <i>HK\$’000</i>	Retirement benefit scheme contributions <i>HK\$’000</i>	Total <i>HK\$’000</i>
Executive directors:				
Mr. Zhong Naixiong	–	–	–	–
Mr. Yau Wing Keung	–	–	–	–
Mr. Chan Wing Yiu	–	181	–	181
Mr. Tong Sai Wong	–	361	–	361
Mr. Chan Wing Lun	–	540	4	544
Non-executive directors:				
Dr. Wong King Keung	45	–	–	45
Independent non-executive directors:				
Mr. Lum Pak Sum	38	–	–	38
Mr. Fong Chi	38	–	–	38
Mr. Fung Chan Man Alex	38	–	–	38
Mr. Lai Hing Kwong Joseph	38	–	–	38
Mr. Mong Cheuk Wai	–	–	–	–
	<u>197</u>	<u>1,082</u>	<u>4</u>	<u>1,283</u>

For the three months ended 30 June 2019

	Fees <i>HK\$’000</i>	Salaries <i>HK\$’000</i>	Retirement benefit scheme contributions <i>HK\$’000</i>	Total <i>HK\$’000</i>
Executive directors:				
Mr. Zhong Naixiong	30	–	–	30
Mr. Yau Wing Keung	45	–	–	45
Mr. Chan Wing Yiu	–	189	–	189
Mr. Tong Sai Wong	–	189	–	189
Mr. Chan Wing Lun	–	600	4	604
Non-executive directors:				
Dr. Wong King Keung	45	–	–	45
Independent non-executive directors:				
Mr. Lum Pak Sum	38	–	–	38
Mr. Fong Chi	38	–	–	38
Mr. Fung Chan Man Alex	38	–	–	38
Mr. Mong Cheuk Wai	38	–	–	38
	<u>272</u>	<u>978</u>	<u>4</u>	<u>1,254</u>

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ACCOUNTANTS’ REPORT

Notes:

- (i) Appointed and became chairman of the board of directors on 7 December 2017.
- (ii) Appointed on 7 December 2017.
- (iii) Stepped down as the chairman of the board on 7 December 2017 and remains as an executive director.
- (iv) Resigned on 7 December 2017.
- (v) Resigned on 13 November 2018.
- (vi) Appointed on 13 November 2018.

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 Track Record Period.

(b) Employees’ emoluments

The five highest paid for the years ended 31 March 2017, 2018 and 2019 and the three months ended 30 June 2018 and 2019 included 3, 2, 2, 2 and 1 directors whose remuneration were set out in note 13(a) respectively. Details of the remuneration of the remaining 2, 3, 3, 3 and 4 highest paid individuals for the years ended 31 March 2017, 2018 and 2019 and the three months ended 30 June 2018 and 2019, respectively, who were not directors of the Company, were analysed below:

	Year ended 31 March			Three months ended	
	2017	2018	2019	30 June	2019
	HK\$’000	HK\$’000	HK\$’000	2018	2019
				HK\$’000	HK\$’000
				(Unaudited)	
Salaries	1,997	2,869	3,608	619	971
Performance related incentive payments	231	1,298	2,540	–	–
Retirement benefit scheme contributions	65	87	90	32	42
	<u>2,293</u>	<u>4,254</u>	<u>6,238</u>	<u>651</u>	<u>1,013</u>

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ACCOUNTANTS’ REPORT

Their emoluments were within the following bands:

	Number of individuals			Three months ended	
	Year ended 31 March			30 June	
	2017	2018	2019	2018	2019
				(Unaudited)	
Below HK\$1,000,000	1	–	–	3	4
HK\$1,000,001 to HK\$1,500,000	1	1	–	–	–
HK\$1,500,001 to HK\$2,000,000	–	2	1	–	–
HK\$2,000,001 to HK\$2,500,000	–	–	2	–	–

No emoluments were paid by the Group to the directors, chief executives 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 Track Record Period.

14. DIVIDENDS

	Year ended 31 March			Three months ended	
	2017			30 June	
	2017	2018	2019	2018	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
				(Unaudited)	
Dividends recognised as					
distribution during the year					
2017: 2016 Final – HK0.6 cents					
per share	6,000	–	–	–	–
2018: 2017 Final – HK1.0 cents					
per share	–	10,000	–	–	–
2019: 2018 Final – HK0.8 cents					
per share	–	–	8,000	–	–

Dividends of HK\$6,000,000, HK\$10,000,000, HK\$8,000,000, nil and nil was paid during the years ended 31 March 2017, 2018 and 2019 and the three months ended 30 June 2018 and 2019.

Subsequent to the Track Record Period, a final dividends of HK\$1.2 cents per share in respect of the year ended 31 March 2019 had been proposed by the directors of the Company and was approved by the shareholders in the annual general meeting held on 8 August 2019.

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ACCOUNTANTS’ REPORT

15. PROPERTY AND EQUIPMENT

The Group

	Land and buildings <i>HK\$'000</i>	Right-of-use asset- property <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST							
At 1 April 2016	91,568	–	1,471	1,251	2,843	–	97,133
Additions	–	–	–	170	–	977	1,147
Disposals	–	–	(135)	(9)	(396)	(478)	(1,018)
Exchange adjustments	<u>–</u>	<u>–</u>	<u>(13)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13)</u>
At 31 March 2017 and 1 April 2017	91,568	–	1,323	1,412	2,447	499	97,249
Additions	–	–	–	29	–	–	29
Transferred from investment properties	1,680	–	–	–	–	–	1,680
Exchange adjustments	<u>–</u>	<u>–</u>	<u>13</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13</u>
At 31 March 2018 and 1 April 2018	93,248	–	1,336	1,441	2,447	499	98,971
Additions	–	–	–	51	–	–	51
Transferred from investment properties	9,647	–	–	–	–	–	9,647
Transferred to investment properties	(1,680)	–	–	–	–	–	(1,680)
Exchange adjustments	<u>–</u>	<u>–</u>	<u>(13)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(13)</u>
At 31 March 2019	101,215	–	1,323	1,492	2,447	499	106,976
Adoption of HKFRS 16	<u>–</u>	<u>222</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>222</u>
At 1 April 2019	101,215	222	1,323	1,492	2,447	499	107,198
Additions	–	–	–	13	–	–	13
Written off	–	–	(115)	(222)	–	–	(337)
Exchange adjustments	<u>–</u>	<u>–</u>	<u>1</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1</u>
At 30 June 2019	<u>101,215</u>	<u>222</u>	<u>1,209</u>	<u>1,283</u>	<u>2,447</u>	<u>499</u>	<u>106,875</u>

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ACCOUNTANTS’ REPORT

	Land and buildings <i>HK\$'000</i>	Right-of-use asset- property <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
ACCUMULATED DEPRECIATION							
At 1 April 2016	5,263	–	1,347	333	1,877	–	8,820
Provided for the year	2,409	–	54	213	217	65	2,958
Disposals	–	–	(135)	(1)	(396)	(40)	(572)
Exchange adjustments	–	–	(9)	–	–	–	(9)
At 1 April 2017	7,672	–	1,257	545	1,698	25	11,197
Provided for the year	2,438	–	39	231	218	100	3,026
Transferred from investment properties	44	–	–	–	–	–	44
At 31 March 2018 and 1 April 2018	10,154	–	1,296	776	1,916	125	14,267
Provided for the year	2,471	–	21	240	218	100	3,050
Transferred from investment properties	622	–	–	–	–	–	622
Transferred to investment properties	(80)	–	–	–	–	–	(80)
At 31 March 2019 and 1 April 2019	13,167	–	1,317	1,016	2,134	225	17,859
Provided for the period	658	31	1	61	55	25	831
Written off	–	–	(115)	(219)	–	–	(334)
At 30 June 2019	13,825	31	1,203	858	2,189	250	18,356
Carrying values							
At 31 March 2017	83,896	–	66	867	749	474	86,052
At 31 March 2018	83,094	–	40	665	531	374	84,704
At 31 March 2019	88,048	–	6	476	313	274	89,117
At 1 April 2019	88,048	222	6	476	313	274	89,339
At 30 June 2019	87,390	191	6	425	258	249	88,519

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ACCOUNTANTS’ REPORT

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

Land and buildings	Over the shorter of term of the lease or 2%
Right-of-use asset for property	Over the lease term
Furniture and fixtures	10-20%
Computer equipment	20%
Leasehold improvement	20-33%
Motor vehicle	20%

- ii) As at 31 March 2017, 2018 and 2019 and 30 June 2019, land and buildings with carrying amounts of approximately HK\$83,896,000, HK\$81,488,000, HK\$88,048,000 and HK\$87,390,000 have been pledged to secure bank borrowings of approximately HK\$44,101,000, HK\$39,680,000, HK\$35,259,000 and HK\$34,154,000.
- iii) All of the land and buildings are located in Hong Kong.
- iv) During the year ended 31 March 2018, the Group repossessed a car parking space located in Hong Kong and reclassified such car parking space as property and equipment. The property was previously leased out to an individual third party which was previously classified as investment property. The carrying value of the car parking space on the date of reclassification amounted to HK\$1,636,000 (note 17).
- v) During the year ended 31 March 2019, the Group repossessed an office unit located in Hong Kong and reclassified such unit as property and equipment. The property was previously leased out to an individual third party which was previously classified as investment property. The carrying value of the unit on the date of reclassification amounted to HK\$9,025,000 (note 17).
- vi) During the year ended 31 March 2019, the Group transferred a car parking space located in Hong Kong as investment property which was previously held for own use and classified as property and equipment from the date of end of owner-occupation. The carrying value of the car parking space on the date of reclassification amounted to HK\$1,600,000 (note 17).
- vii) Upon adoption of HKFRS 16, on 1 April 2019, the Group recognised right-of-use assets of approximately HK\$222,000 in respect of the leased property (note 2). As at 30 June 2019, the carrying amount of right-of-use asset was approximately HK\$191,000 in respect of the leased property.

16. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$'000	HK\$'000	HK\$'000	2019
				HK\$'000
Unlisted investment, at cost	<u>20,093</u>	<u>20,093</u>	<u>20,093</u>	<u>20,093</u>

Particulars of subsidiaries of the Company are set out in note 35.

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ACCOUNTANTS’ REPORT

17. INVESTMENT PROPERTIES

The Group

HK\$’000

COST

At 1 April 2016	9,647
Addition	<u>1,680</u>
At 31 March 2017 and 1 April 2017	11,327
Transferred to property and equipment	<u>(1,680)</u>
At 31 March 2018 and 1 April 2018	9,647
Transferred from property and equipment	1,680
Transferred to property and equipment	<u>(9,647)</u>
At 31 March 2019, 1 April 2019 and 30 June 2019	<u>1,680</u>

ACCUMULATED DEPRECIATION

At 1 April 2016	9
Provided for the year	<u>258</u>
At 31 March 2017 and 1 April 2017	267
Provided for the year	232
Transferred to property and equipment	<u>(44)</u>
At 31 March 2018 and 1 April 2018	455
Provided for the year	199
Transferred from property and equipment	80
Transferred to property and equipment	<u>(622)</u>
At 31 March 2019 and 1 April 2019	112
Provided for the period	<u>10</u>
At 30 June 2019	<u>122</u>

CARRYING VALUES

At 31 March 2017	<u>11,060</u>
At 31 March 2018	<u>9,192</u>
At 31 March 2019	<u>1,568</u>
At 30 June 2019	<u>1,558</u>

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The above investment properties are located in Hong Kong with medium term lease and depreciated on a straight-line basis over the remaining lease term.

The fair value of the Group’s investment property as at 31 March 2017, 2018 and 2019 and 30 June 2019 was approximately HK\$20,880,000, HK\$22,800,000, HK\$2,310,000 and HK\$2,330,000.

The fair value as at 31 March 2017 and 2018 were determined by the directors of the Company. The fair value as at 31 March 2019 and 30 June 2019 have been arrived at based on a valuation carried out by LCH (Asia-Pacific) Surveyors Limited, independent professional valuer not connected to the Group.

The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change from the valuation technique.

As at 31 March 2017 and 2018, an investment property with the carrying amount of approximately HK\$9,414,000 and HK\$9,192,000 has been pledged to secure bank borrowings of approximately HK\$44,101,000 and HK\$39,680,000 respectively. No investment property has been pledged as at 31 March 2019 and 30 June 2019.

18. INVENTORIES

The Group

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$’000	HK\$’000	HK\$’000	2019
				HK\$’000
Finished goods	<u>10,121</u>	<u>9,170</u>	<u>11,518</u>	<u>13,133</u>

During the years ended 31 March 2017, 2018 and 2019 and 30 June 2019, there were sales of finished goods previously written down. As a result, a reversal of provision of write-down of finished goods of HK\$63,000, HK\$40,000, HK\$77,000 and HK\$95,000 was recognised and included in cost of inventories sold including installation cost.

19. TRADE RECEIVABLES AND CONTRACT ASSETS

The Group

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$’000	HK\$’000	HK\$’000	2019
				HK\$’000
Trade receivables	26,158	33,330	53,851	37,509
Contract assets	<u>1,036</u>	<u>716</u>	<u>1,876</u>	<u>1,517</u>
	<u>27,194</u>	<u>34,046</u>	<u>55,727</u>	<u>39,026</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The Group generally allows an average credit period of 30 days to the customers. The following is an ageing analysis of trade receivables, presented based on date of acknowledgement of receipt of goods by customers, which approximated the respective revenue recognition dates, at the end of the reporting period.

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
0 to 30 days	9,670	14,003	20,480	13,090
31 to 60 days	6,073	8,071	12,572	5,368
61 to 120 days	5,241	7,526	8,073	9,285
121 to 365 days	4,906	2,744	11,216	7,635
Over 365 days	<u>268</u>	<u>986</u>	<u>1,510</u>	<u>2,131</u>
	<u>26,158</u>	<u>33,330</u>	<u>53,851</u>	<u>37,509</u>

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and define appropriate credit limit. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Included in the Group’s trade receivables balance as at 31 March 2017, 2018 and 2019 and 30 June 2019, approximately HK\$4,100,000, HK\$5,401,000, HK\$12,938,000 and HK\$4,086,000, representing approximately 15%, 16%, 24% and 11% of the total trade receivables and contract assets, is due from the Group’s largest debtor.

As at 31 March 2017 and 2018, included in the Group’s trade receivables balance were debtors with aggregate carrying amount of approximately HK\$17,147,000 and HK\$20,023,000 respectively which were past due as at the end of the reporting period for which the Group had not provided for impairment loss because there has not been a significant change in credit quality and they were still considered as recoverable. The Group does not hold any collateral over these balances.

At 31 March 2017 and 31 March 2018, the ageing analysis of trade receivables that were past due but not impaired are as follows:

	As at 31 March	
	2017	2018
	HK\$’000	HK\$’000
0 to 30 days	6,073	8,071
31 to 60 days	747	4,463
61 to 120 days	4,810	3,127
121 to 365 days	5,096	2,781
Over 365 days	<u>421</u>	<u>1,581</u>
	<u>17,147</u>	<u>20,023</u>

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ACCOUNTANTS’ REPORT

Since 1 April 2018, the Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience and creditworthiness of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The expected credit losses on contract assets are estimated based on past default experience on amounts not yet past due.

At as 31 March 2017, 2018 and 2019 and 30 June 2019, the gross amount of trade receivables and contract assets arising from contracts with customers amounted to approximately HK\$27,194,000, HK\$34,046,000, HK\$55,727,000 and HK\$39,026,000 respectively. No loss allowance has been made on trade receivables and contract assets as the amount is immaterial.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Prepayments	1,237	1,326	1,230	5,417
Deposits	100	101	169	169
Other receivables	301	66	140	–
	<u>1,638</u>	<u>1,493</u>	<u>1,539</u>	<u>5,586</u>

The Company

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Prepayments	112	164	202	1,628
Other receivables	–	–	4	–
	<u>112</u>	<u>164</u>	<u>206</u>	<u>1,628</u>

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ACCOUNTANTS’ REPORT

21. AMOUNTS DUE FROM (TO) SUBSIDIARIES

The Company

The amounts are unsecured, non-interest bearing and repayable on demand.

22. BANK BALANCES AND CASH

The bank balances for the years ended 31 March 2017, 2018, 2019 and 30 June 2019 carried interest at the prevailing market rate.

The Group

The Group’s bank balances and cash denominated in RMB amounted to approximately HK\$726,000, HK\$2,312,000, HK\$1,337,000 and HK\$828,000. 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.

23. TRADE PAYABLES

The Group

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$’000	HK\$’000	HK\$’000	2019
				HK\$’000
Trade payables	<u>9,165</u>	<u>13,446</u>	<u>25,159</u>	<u>17,514</u>

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

	As at 31 March			As at
	2017	2018	2019	30 June
	HK\$’000	HK\$’000	HK\$’000	2019
				HK\$’000
0 to 60 days	5,248	9,293	11,812	6,353
61 to 90 days	378	1,324	5,423	2,566
Over 90 days	<u>3,539</u>	<u>2,829</u>	<u>7,924</u>	<u>8,595</u>
	<u>9,165</u>	<u>13,446</u>	<u>25,159</u>	<u>17,514</u>

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.

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ACCOUNTANTS’ REPORT

24. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Accrued salary	1,720	4,580	5,068	3,431
Commission payable	1,133	2,525	3,790	2,416
Contract liabilities	3,230	4,974	12,047	10,862
Accrued expenses and other payables (Note)	<u>1,220</u>	<u>1,547</u>	<u>1,270</u>	<u>1,152</u>
	<u>7,303</u>	<u>13,626</u>	<u>22,175</u>	<u>17,861</u>

Note: As at 30 June 2019, the amount of HK\$72,000 was due to the related companies of which a close family member of Mr. Zhong Naixiong and Mr. Yau Wing Keung, the directors of the Company and have control and beneficial interest in the respective related company. The amounts are unsecured, interest-free and repayable on demand.

Contract liabilities represented advance payments from customers pursuant to the respective sales contracts. The significant changes in contract liabilities for the year ended 31 March 2019 was mainly due to the significant amount of contract entered before the year end.

The following table sets out the revenue recognised that was included in the contract liabilities balance at the beginning of the year/period.

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
VCMA solutions services	2,740	1,680	2,350	5,086
VCMA maintenance services	<u>2,921</u>	<u>1,550</u>	<u>2,624</u>	<u>607</u>
	<u>5,661</u>	<u>3,230</u>	<u>4,974</u>	<u>5,693</u>

The Company

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Accrued salary	75	1,380	1,148	724
Accrued expenses and other payables	<u>865</u>	<u>891</u>	<u>840</u>	<u>938</u>
	<u>940</u>	<u>2,271</u>	<u>1,988</u>	<u>1,662</u>

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ACCOUNTANTS’ REPORT

25. LEASE LIABILITY

The Group

	As at 1 April 2019 HK\$’000	As at 30 June 2019 HK\$’000
Property	<u>222</u>	<u>191</u>
	As at 1 April 2019 HK\$’000	As at 30 June 2019 HK\$’000
At 1 April	–	222
Adoption of HKFRS 16	222	–
Interest on lease liability	–	2
Less: repayment of lease liability	<u>–</u>	<u>(33)</u>
	<u>222</u>	<u>191</u>
	As at 1 April 2019 HK\$’000	As at 30 June 2019 HK\$’000
Minimum lease payment due:		
Within one year	132	132
More than one year but not exceeding two years	99	66
Less: future finance charge	<u>(9)</u>	<u>(7)</u>
	<u>222</u>	<u>191</u>
	As at 1 April 2019 HK\$’000	As at 30 June 2019 HK\$’000
Present value of lease liability:		
Within one year	126	126
More than one year but not exceeding two years	<u>96</u>	<u>65</u>
	<u>222</u>	<u>191</u>

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The Group leases a warehouse for inventory storage and the lease liability was measured at the present value of the lease payments that are not yet paid.

The Group does not have a significant liquidity risk with regard to its lease liability. Lease liability is monitored within the Group’s treasury function.

The depreciation of right-of-use assets for building for the three months ended 30 June 2019 was recognised in the profit or loss and amounted to approximately HK\$31,000. Recognition of interest on lease liability and right-of-use asset of lease liability are set out in note 9 and note 15 respectively.

During the three months ended 30 June 2019, the total cash outflow for leases amount to HK\$165,000 of which HK\$132,000 and HK\$33,000 are included in cash flows of operating activities and financing activities respectively.

26. BANK BORROWINGS

The Group

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Secured mortgage loans	<u>44,101</u>	<u>39,680</u>	<u>35,259</u>	<u>34,154</u>
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):				
Within one year	4,421	4,421	4,421	4,421
More than one year but not exceeding two years	4,421	4,421	4,421	4,421
More than two years but not exceeding five years	30,040	27,382	24,440	23,705
After five years	<u>5,219</u>	<u>3,456</u>	<u>1,977</u>	<u>1,607</u>
	<u>44,101</u>	<u>39,680</u>	<u>35,259</u>	<u>34,154</u>
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	39,680	35,259	30,838	29,733
Carrying amount repayable within one year	<u>4,421</u>	<u>4,421</u>	<u>4,421</u>	<u>4,421</u>
Amounts shown under current liabilities	<u>44,101</u>	<u>39,680</u>	<u>35,259</u>	<u>34,154</u>

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Borrowings comprise:

	Maturity Date	Carrying amount			As at 30 June 2019 HK\$'000
		As at 31 March			
		2017	2018	2019	
		HK\$'000	HK\$'000	HK\$'000	
Floating-rate borrowings:					
– HKD mortgage loans ⁽¹⁾⁽²⁾	21/8/2021	31,767	28,825	25,884	25,149
– HKD mortgage loans ⁽³⁾⁽⁴⁾	12/7/2025	<u>12,334</u>	<u>10,855</u>	<u>9,375</u>	<u>9,005</u>
		<u>44,101</u>	<u>39,680</u>	<u>35,259</u>	<u>34,154</u>

- (1) During the years ended 31 March 2017, 2018 and 2019 and 30 June 2019, the floating rate is lower of Hong Kong Interbank Offered Rate (“HIBOR”) plus 2%, 2%, 1.4% and 1.4% or 2.25%, 2.25%, 2.25% and 2.25% below best lending rate respectively. Repayable in 84 equal monthly installments commencing from the drawdown of the borrowings.
- (2) The effective interest rate for the years ended 31 March 2017, 2018 and 2019 and 30 June 2019 are 2.22%, 2.31%, 2.89% and 3.39%.
- (3) During the years ended 31 March 2017, 2018 and 2019 and 30 June 2019, the floating rate is lower of HIBOR plus 1.7%, 1.7%, 1.4% and 1.4% or 2.25%, 2.25%, 2.25% and 2.25% below best lending rate respectively. Repayable in 120 equal monthly installments commencing from the drawdown of the borrowings.
- (4) The effective interest rate for the years ended 31 March 2017, 2018 and 2019 and 30 June 2019 are 1.94%, 2.1%, 2.89% and 3.39%.

Notes:

- (a) The bank borrowings are all denominated in HK\$.
- (b) All borrowings were guaranteed by the Company and its subsidiaries in Hong Kong during the Track Record Period.
- (c) As at 31 March 2017, 2018 and 2019 and 30 June 2019, bank borrowings of approximately HK\$44,101,000, HK\$39,680,000, HK\$35,259,000 and HK\$34,154,000 was secured by investment properties and land and buildings of the Group. The carrying amount of investment properties and land and buildings pledged are as follows:

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Investment properties	9,414	9,192	–	–
Land and buildings	<u>83,896</u>	<u>81,488</u>	<u>88,048</u>	<u>87,390</u>

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27. DEFERRED TAXATION

The Group

The following is the analysis of the deferred tax assets (liabilities), before set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purposes:

	As at 31 March			As at 30 June 2019
	2017	2018	2019	
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Deferred tax assets	175	267	388	404
Deferred tax liabilities	<u>(642)</u>	<u>(769)</u>	<u>(896)</u>	<u>(929)</u>
	<u>(467)</u>	<u>(502)</u>	<u>(508)</u>	<u>(525)</u>

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current year and prior year:

	Accelerated depreciation allowance HK\$’000	Tax losses HK\$’000	Provision for write- down of inventory HK\$’000	Total HK\$’000
At 31 March 2016 and 1 April 2016	385	(55)	(76)	254
Charged (credited) to profit or loss during the year (note 10)	<u>210</u>	<u>7</u>	<u>(4)</u>	<u>213</u>
At 31 March 2017 and 1 April 2017	595	(48)	(80)	467
Charged (credited) to profit or loss during the year (note 10)	<u>79</u>	<u>17</u>	<u>(61)</u>	<u>35</u>
At 31 March 2018 and 1 April 2018	674	(31)	(141)	502
Charged (credited) to profit or loss during the year (note 10)	<u>54</u>	<u>13</u>	<u>(61)</u>	<u>6</u>
At 31 March 2019 and 1 April 2019	728	(18)	(202)	508
Charged to profit or loss during the period (note 10)	<u>17</u>	<u>–</u>	<u>–</u>	<u>17</u>
At 30 June 2019	<u>745</u>	<u>(18)</u>	<u>(202)</u>	<u>525</u>

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At 31 March 2017, 2018, 2019 and 30 June 2019, the Group had unused tax losses of approximately HK\$791,000, HK\$1,008,000, HK\$1,782,000 and HK\$1,892,000 available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$292,000, HK\$190,000, HK\$114,000 and HK\$114,000 of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$499,000, HK\$818,000, HK\$1,668,000 and HK\$1,778,000 due to the unpredictability of future profit streams. As at 31 March 2017, 2018 and 2019 and 30 June 2019, included in unrecognised tax losses, approximately nil, nil, HK\$530,000 and HK\$624,000 that will expire in 2023. Other losses may be carried forward indefinitely.

28. SHARE CAPITAL

	Number of share	Share capital HK\$’000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 April 2016, 31 March 2017, 1 April 2017, 31 March 2018, 1 April 2018, 31 March 2019, 1 April 2019 and 30 June 2019	<u>2,000,000,000</u>	<u>20,000</u>
Issued and fully paid		
At 1 April 2016, 31 March 2017, 1 April 2017, 31 March 2018, 1 April 2018, 31 March 2019, 1 April 2019 and 30 June 2019	<u>[REDACTED]</u>	<u>[REDACTED]</u>

29. 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, pursuant to the group reorganisation in prior year.

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.

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30. OPERATING LEASE COMMITMENT

The Group as lessor

Property rental income earned during the years ended 31 March 2017, 2018 and 2019 and 30 June 2019 was HK\$548,000, HK\$522,000, HK\$396,000 and HK\$6,000. Except for two of the Group’s properties that was transferred from an investment property to property and equipment during the years ended 31 March 2018 and 2019, the remaining property is expected to generate rental yields of 4.8%, 5.4%, 3.4% and nil on an ongoing basis and have committed tenants for the next 1.75, 0.75, 0.21 and nil 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:

	As at 31 March			As at 30 June
	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Within one year	521	368	11	–
After one year but within five years	<u>411</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>932</u>	<u>368</u>	<u>11</u>	<u>–</u>

The Group as lessee

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

At the end of each reporting period, the Group had future minimum lease payments under non-cancellable operating leases under HKAS 17 which fall due as follows:

	As at 31 March		
	2017	2018	2019
	HK\$’000	HK\$’000	HK\$’000
Within one year	242	162	256
After one year but within five years	<u>97</u>	<u>–</u>	<u>99</u>
	<u>339</u>	<u>162</u>	<u>355</u>

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As at 30 June 2019, the Group had future minimum lease payments under non-cancellable short-term leases under HKFRS 16 are as follows:

	<i>HK\$’000</i>
Committed and commenced	47
Committed but not yet commenced	<u>280</u>
	<u><u>327</u></u>

31. RETIREMENT BENEFIT SCHEME

The Group participates in a defined contribution scheme which is registered under the Occupational Retirement Schemes Ordinance (the “**ORSO Scheme**”) and a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) established under the Mandatory Provident Fund Schemes 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, capped at HK\$1,500 per month, to the MPF Scheme, in 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.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiary of the Company in this country participate in respective government retirement benefit scheme (the “**Scheme**”) whereby the subsidiary is required to contribute to the Scheme to fund the retirement benefits of the eligible employees. Contributions made to the Scheme 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 scheme contributions represent gross contributions by the Group to the Scheme 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\$1,018,000, HK\$1,050,000, HK\$1,105,000, HK\$289,000 and HK\$292,000 represents contributions payable to those schemes by the Group in respect of the years ended 31 March 2017, 2018 and 2019 and three months ended 30 June 2018 and 2019.

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32. RELATED PARTY TRANSACTIONS

During the Track Record Period, the Group has the following material transactions and balances with related parties.

- (a) Save as disclosed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Track Record Period:

	Year ended 31 March			Three months ended
	2017	2018	2019	30 June
	HK\$’000	HK\$’000	HK\$’000	2019
				HK\$’000
Service income from a related company (note i)	–	1,500	542	–
Service fee to a related company (note ii)	–	–	–	36
Service fee to a related company (note iii)	–	–	–	36

The following balance was outstanding at the end of the reporting period:

	Amounts due from (to) related parties				Maximum outstanding balance during the year/period			
	As at 31 March			As at 30 June	As at 31 March			As at 30 June
	2017	2018	2019	2019	2017	2018	2019	2019
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Amount due from a related company (included in trade receivables) (note iv)	–	1,500	–	–	–	1,500	1,500	–
Amounts due to related companies (included in other payables and accruals) (note iv)	–	–	–	(72)	N/A	N/A	N/A	N/A

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Notes:

- (i) The service income was made on a mutually agreed basis. The related company is controlled and beneficially owned by a close family member of Mr. Zhong Naixiong, a director of the Company.
- (ii) The service fee was made on a mutually agreed basis. The related company is controlled and beneficially owned by a close family member of Mr. Zhong Naixiong, a director of the Company.
- (iii) The service fee was made on a mutually agreed basis. The related company is controlled and beneficially owned by Mr. Yau Wing Keung, a director of the Company.
- (iv) The amount is unsecured, non-interest bearing and repayable on demand.

(b) Compensation of key management personnel

Other than the remuneration paid to the directors and senior management 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.

33. 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 Track Record Period.

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34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group’s liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statements of cash flows as cash flows from financing activities.

	1 April 2016 <i>HK\$’000</i>	Financing cash flows <i>HK\$’000</i> <i>(note)</i>	Interest expense incurred <i>HK\$’000</i>	31 March 2017 <i>HK\$’000</i>
Interest payables	–	(1,159)	1,159	–
Bank borrowings				
<i>(note 26)</i>	<u>53,522</u>	<u>(9,421)</u>	<u>–</u>	<u>44,101</u>
	<u>53,522</u>	<u>(10,580)</u>	<u>1,159</u>	<u>44,101</u>

	1 April 2017 <i>HK\$’000</i>	Financing cash flows <i>HK\$’000</i> <i>(note)</i>	Interest expense incurred <i>HK\$’000</i>	31 March 2018 <i>HK\$’000</i>
Interest payables	–	(882)	882	–
Bank borrowings				
<i>(note 26)</i>	<u>44,101</u>	<u>(4,421)</u>	<u>–</u>	<u>39,680</u>
	<u>44,101</u>	<u>(5,303)</u>	<u>882</u>	<u>39,680</u>

	1 April 2018 <i>HK\$’000</i>	Financing cash flows <i>HK\$’000</i> <i>(note)</i>	Interest expense incurred <i>HK\$’000</i>	31 March 2019 <i>HK\$’000</i>
Interest payables	–	(1,083)	1,083	–
Bank borrowings				
<i>(note 26)</i>	<u>39,680</u>	<u>(4,421)</u>	<u>–</u>	<u>35,259</u>
	<u>39,680</u>	<u>(5,504)</u>	<u>1,083</u>	<u>35,259</u>

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	31 March 2019 <i>HK\$'000</i>	Adoption of HKFRS 16 <i>HK\$'000</i>	1 April 2019 <i>HK\$'000</i>	Financing cash flows <i>HK\$'000</i> (note)	Interest expense incurred <i>HK\$'000</i>	30 June 2019 <i>HK\$'000</i>
Lease liability (note 25)	–	222	222	(33)	2	191
Interest payables	–	–	–	(292)	292	–
Bank borrowings (note 26)	<u>35,259</u>	<u>–</u>	<u>35,259</u>	<u>(1,105)</u>	<u>–</u>	<u>34,154</u>
	<u>35,259</u>	<u>222</u>	<u>35,481</u>	<u>(1,430)</u>	<u>294</u>	<u>34,345</u>

Note: The cash flows make up the net amount of new borrowings raised and repayments of bank borrowings in the consolidated statements of cash flows.

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35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiaries	Place and date of incorporation/ establishment	Class of shares held	Paid up issued/ registered ordinary share capital	Proportion of ownership interest held by the Company								Proportion of voting power held by the Company				Principal activities
				Directly				Indirectly								
				As at 31 March		As at 30 June		As at 31 March		As at 30 June		As at 31 March		As at 30 June		
				2017	2018	2019	2019	2017	2018	2019	2019	2017	2018	2019	2019	
				%	%	%	%	%	%	%	%	%	%	%	%	
i-Control (ITAV) Limited	The BVI	Ordinary Shares	USD7	100	100	100	100	–	–	–	–	100	100	100	100	Investment holding
i-Control Consultancy Limited	The BVI	Ordinary Shares	Ordinary Shares USD1	–	–	–	–	100	100	100	100	–	–	–	–	Corporate consultancy and support
i-Control Limited	Hong Kong	Ordinary Shares	Ordinary Shares HK\$2,500,000	–	–	–	–	100	100	100	100	–	–	–	–	Professional audio visual system integrator
I-CONTROL (ITAV) PTE. LTD.	Singapore	Ordinary Shares	Ordinary Shares SGD1,000	–	–	–	–	100	100	100	100	–	–	–	–	Professional audio visual system integrator
Eduserve International Limited	Hong Kong	Ordinary Shares	Ordinary Shares HK\$3,000,000	–	–	–	–	100	100	100	100	–	–	–	–	Professional audio visual system integrator
i-Control (China) Limited	Hong Kong	Ordinary Shares	Ordinary Shares HK\$1,800,000	–	–	–	–	100	100	100	100	–	–	–	–	Professional audio visual system integrator
i-Control (Shanghai) Information Technology Co. Ltd 爱港超(上海)信息科技有限公司	The PRC	Ordinary Shares	Registered Capital RMB1,000,000	–	–	–	–	100	100	100	100	–	–	–	–	Professional audio visual system integrator
View Mark Limited	Hong Kong	Ordinary Shares	Ordinary Shares HK\$10,000	–	–	–	–	100	100	100	100	–	–	–	–	Property holding
Billion Peace Limited	Hong Kong	Ordinary Shares	Ordinary Shares HK\$10,000	–	–	–	–	100	100	100	100	–	–	–	–	Property holding
Modern China Business Consultants Limited	Hong Kong	Ordinary Shares	Ordinary Shares HK\$4,500,000	–	–	–	–	100	100	100	100	–	–	–	–	Property holding
Deluxe Peace Limited	Hong Kong	Ordinary Shares	Ordinary Shares HK\$10,000	–	–	–	–	100	100	100	100	–	–	–	–	Property holding
i-Control (BVI) Limited	The BVI	Ordinary Shares	Ordinary Shares USD1	–	100	100	100	–	–	–	–	–	100	100	100	Investment holding
Pristine Capital Investments Limited	The BVI	Ordinary Shares	Ordinary Shares USD1	–	–	–	–	–	100	100	100	–	–	–	–	Inactive

None of the subsidiaries had any debt securities issued at the end of the Track Record Period or anytime during the Track Record Period.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the companies comprising the Group in respect of any period subsequent to 30 June 2019.

37. EVENTS AFTER THE REPORTING PERIOD

[•]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of inclusion in this [REDACTED] document, received from the reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION



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

[Date]

The Board of Directors
i-Control Holdings Limited
Unit A&B, 12/F
MG Tower
133 Hoi Bun Road
Kwun Tong, Kowloon
Hong Kong

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of i-Control Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2019 and related notes as set out on pages II-4 to II-5 of Appendix II to the [REDACTED] document dated [•] (the “[REDACTED] Document”) in connection with the proposed [REDACTED] of shares of the Company to the Main Board of The Stock Exchange of Hong Kong Limited (the “[REDACTED]”). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on pages in Section A of Appendix II to the [REDACTED] Document.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the [REDACTED] on the Group’s consolidated net tangible assets as of 30 June 2019 as if the [REDACTED] had been taken place at 30 June 2019. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s financial information for the three months ended 30 June 2019, on which an accountants’ report has been included in the Appendix I to the [REDACTED] Document.

Directors’ Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in the [REDACTED] Document is solely to illustrate the impact of the [REDACTED] on unadjusted financial information of the Group as if the [REDACTED] had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the [REDACTED] at 30 June 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The procedures selected depend on the reporting accountants’ judgement, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

SHINEWING (HK) CPA Limited

Certified Public Accountants

[•]

Practising Certificate Number: [•]

Hong Kong

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix does not form part of the Accountants’ Report prepared by SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this [REDACTED] document and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with “Financial Information” in this [REDACTED] document and the Accountants’ Report set forth in Appendix I to this [REDACTED] document.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets of the Company and its subsidiaries, (hereinafter collectively referred to as the “Group”) prepared in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis set out below is for illustrative purposes only, and is set out below to illustrate the effect of the proposed [REDACTED] of shares of the Company to the Main Board of The Stock Exchange of Hong Kong Limited (the “[REDACTED]”) on the consolidated net tangible assets of the Group as at 30 June 2019 as if the [REDACTED] has taken place on 30 June 2019.

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 June 2019 or any further dates following the [REDACTED].

The unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2019 as set out in the Accountants’ Report of the Group, the text of which is set out in Appendix I to this [REDACTED] document, and adjusted as follows.

		Unaudited pro forma adjusted consolidated net tangible assets of the Group immediately after the completion of the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group per share
Audited consolidated net tangible assets of the Group as at 30 June 2019 HK\$’000 (note 1)	Estimated expenses relating to the [REDACTED] and dividend to be paid HK\$’000 (note 2)		HK\$ (note 3)
Based on the numbers of Shares as at 30 June 2019	<u>151,726</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2019 has been extracted from the Accountants’ Report as set out in Appendix I to this [REDACTED] document.
2. The amount represents estimated expenses of approximately [REDACTED] relating to the [REDACTED] expected to be incurred by the Group subsequent to 30 June 2019 which mainly include professional fees for the joint sponsors, the Company’s legal advisers, reporting accountants and other [REDACTED] related expenses, and final dividend of HK\$12,000,000 of Hong Kong 1.2 cents per share for the year ended 31 March 2019 declared on 8 August 2019.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share is arrived at after adjustment for the estimated expenses from the [REDACTED] and dividend to be paid as described in note 2 and on the basis that a total of [REDACTED] shares including shares in issue as at the date of this [REDACTED] document. It does not take into account any shares which may be allotted and issued upon the exercise of any options granted under the share option scheme or any shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchases of shares referred to in Appendix V to this [REDACTED] document.
4. The land and building of the Group is valued by LCH (Asia-Pacific) Surveyors Limited. According to the valuation report, the land and building and investment property of the Group as of 30 June 2019 amounted to approximately HK\$190,300,000 and HK\$2,330,000 respectively. Comparing this amount with the carrying value of the land and building and investment property of the Group as of 30 June 2019 of approximately HK\$88,519,000 and HK\$1,558,000 respectively, there is a surplus of approximately HK\$101,781,000 and HK\$772,000 respectively. Had the land and building and investment property been stated at the revaluation amount, additional annual depreciation of approximately HK\$2,750,000 and HK\$19,000 would be incurred respectively. The surplus on revaluation will not be incorporated in the Group’s consolidated financial statements in subsequent years as the Group has elected to state its land and building and investment property at cost basis.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2019.

APPENDIX III

PROPERTY VALUATION REPORT

The following is the valuation report, prepared for the purpose of incorporation in this [REDACTED] received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 30 June 2019 of the property interests held by the Group.



The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the HKIS Valuation Standards 2017 (the “HKIS Standards”) and published by the Hong Kong Institute of Surveyors (the “HKIS”). The standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader’s identification purpose only and have no legal status or implication in this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practical Date. If additional documents and facts are made available, we reserve the right to amend this report and its conclusion.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

[•] 2019

The Board of Directors
i-Control Holdings Limited
Units A&B, 12th Floor
MG Tower
No. 133 Hoi Bun Road
Kwun Tong
Kowloon
Hong Kong

Dear Sirs,

In accordance with the instructions to us by the present management of i-Control Holdings Limited (hereinafter referred to as the “Instructing Party”) to value the designated real properties (same as the word *properties* in this report) currently held by i-Control Holdings Limited (the “Company”) and its subsidiaries (collectively, hereinafter together with the Company referred to as the “Group”) in Hong Kong, we confirm that we have made inspection, enquiries and obtained such further information as we consider necessary to support our findings and our opinion of value of the properties as at 30 June 2019 (hereinafter referred to as the “Valuation Date”). Our work product is for the Company’s internal management reference purpose. We are given to understand our report will be disclosed in a public document of the Company for its shareholders’ reference upon success successful [REDACTED] of the Shares from GEM to the Main Board of the Stock Exchange. This valuation report comprises the text section, summary of values and properties particulars with values sections.)

APPENDIX III

PROPERTY VALUATION REPORT

We understand that the Instructing Party will incorporate our work product (regardless of form of presentation) as part of its business due diligence and we have not been engaged to make specific sales or purchase recommendations, or give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence, which the Instructing Party should conduct, in reaching its business decisions regarding the properties valued. Our work is designed solely to provide an independent valuation that will allow the Instructing Party to make an informed decision.

BASIS OF VALUATION AND ASSUMPTIONS

In this engagement, we have provided our opinion of value of the properties on market value basis.

The term "Market Value" is defined by HKIS Standards as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

APPROACH TO VALUE

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

In valuing the properties (except Property No. 9) which are held for owner occupation, we have adopted the Sales Comparison Approach on the assumption that the properties could be sold with the benefit of vacant possession as at the Valuation Date. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

In valuing Property No. 9 which was subject to tenancy as at the Valuation Date, we have adopted the investment method of the Income Approach (or sometimes referred to as a method of the Market Approach for the reversionary interests and the rate of return are market-derived) by taking into account the rent receivable from a tenancy agreement and the reversionary potential of the property interests. Our opinion of value of the properties are subject the tenancy agreement. The underlying assumption of this method is that an investor will pay no more for the property than he or she would have to be paid for another property with an income stream of comparable amount, duration, and certainty.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale for the properties. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

In our valuation, we have assumed that the properties are able to sell and purchase in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

APPENDIX III

PROPERTY VALUATION REPORT

ESTABLISHMENT OF TITLES

In the course of valuation, we have conducted title searches on properties in the Land Registry of Hong Kong. We have been provided copy of tenancy agreement of the properties. However, we have not inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We are not legal professional and we are unable to ascertain the titles and to report any encumbrances (if any) that are registered against the properties. No responsibility or liability is assumed.

In our report, we have assumed that the registered owner of the properties have free and uninterrupted rights to occupy, to transfer, to mortgage or to let its relevant properties interests (in this instance, an absolute title) for the whole of the unexpired terms as granted, free of all encumbrances, and that there would have no legal impediment (especially from the regulators) for the registered owner to continue the legal titles of the properties. Should this not be the case, it will affect our findings or conclusion of value in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES

We have inspected the property, where possible, the interior of the property. The properties were inspected by our graduate surveyor Ms. Krystal Tian on 15 August 2019. In our inspection, we have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the conditions of the properties and our work product should not be taken as making any implied representation or statement about the conditions of the properties. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. We assumed all usual main services of water, electricity, telephone and drainage are provided to the properties. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made to the properties, and that the use of the valuation report should not be used as the building surveys of the properties. If the Instructing Party or any party interested in the properties want to satisfy themselves for the condition of the properties, they should obtain a surveyor's detailed inspection and report of their own.

We have not carried out on-site measurements to verify the correctness of the floor areas of the properties, but have assumed that the floor areas shown on the documents and official floor plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement did not include land survey to verify the legal boundaries and the exact locations of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the representation of the Company's personnel with regards to the legal boundaries and locations of the properties. No responsibility is assumed in this regard.

APPENDIX III

PROPERTY VALUATION REPORT

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of valuation, we have provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party.

We have relied solely on the information provided by the Instructing Party or appointed personnel of the Company and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, occupation, lettings, rental, site and floor areas and all other relevant matters.

When we adopted the work products from other professions, external data providers and/or the Instructing Party or appointed personnel of the Company in our valuation, the assumptions and caveats adopted by them in arriving at their opinion also applied in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

As at the date of this report, we are unable to identify any adverse news against the properties which may affect the reported value in this report. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the value reported herein.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party or appointed personnel of the Company. Also, we have sought and received confirmation from the Instructing Party or appointed personnel of the Company that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect the valuation.

To the best of our knowledge, all data set forth in the valuation report are true and accurate. Although gathered from reliable sources, no warranty is made nor liability assumed for the accuracy of any data, opinion, or estimates identified as being furnished by others which have been used in formulating the valuation report.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party or appointed personnel of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars (“HK\$”).

OPINION OF VALUES

Based on the above information and assumptions, we are of the opinion that the the Market Value of the properties held by the Group for internal management reference purpose as at the Valuation Date in their existing states, and assuming free of all encumbrances, was in the order of **HONG KONG DOLLAR ONE HUNDRED NINETY TWO MILLION SIX HUNDRED AND THIRTY THOUSAND (HK\$ 192,630,000)**.

APPENDIX III

PROPERTY VALUATION REPORT

LIMITING CONDITIONS

Our opinions of values of the properties in the valuation report are valid only for the stated purpose as at the Valuation Date and for the sole use of the Instructing Party or the Group. No responsibility is taken for changes in market conditions and no obligation is assumed to revise the properties particulars with values to reflect events or conditions which occur subsequent to the date hereof.

Our valuation report has been prepared in line with the report guidelines as contained in the HKIS Standards as well as Chapter 5 of the Listing Rules Governing the Listing of Securities on the Main Board of HKEX. The valuations have been undertaken by us, acting as external valuer, qualified for the purpose of the valuations.

Neither we nor any individuals signing or associated with this engagement shall be required by reason of this engagement to give further consultation, testimony, or appear in court or other legal proceedings, unless prior specific arrangements have been made.

Our maximum liability relating to the services rendered under this report (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney’s fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

Neither the whole nor any part of the valuation report or any reference made hereto may be included in any published document, circular or statement, or be published in any way, without our written approval of the form and context in which it may appear.

STATEMENTS

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party’s authorisation and prior arrangement made with us. Moreover, we will add the Company’s information into our client list for future reference.

APPENDIX III

PROPERTY VALUATION REPORT

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Company or the value reported.

Yours faithfully,

For and on behalf of

LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS (GP)*

Executive Director

Contributing valuer:

Krystal Tian Qi *B.Sc. M.Sc.*

Sr Elsa Ng Hung Mui is a Registered Professional Surveyor who has been conducting valuation of real estate properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow Member of HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.

APPENDIX III

PROPERTY VALUATION REPORT

SUMMARY OF VALUES

Properties held by the Group in Hong Kong and valued on the basis of Market Value.

	Property	Amount of valuations in existing state as at 30 June 2019	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 30 June 2019
1.	Office A on 12th Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$55,830,000	100 per cent.	HK\$55,830,000
2.	Office B on 12th Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$31,380,000	100 per cent.	HK\$31,380,000
3.	Office K on 12th Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$22,350,000	100 per cent.	HK\$22,350,000
4.	Office L on 12th Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$21,710,000	100 per cent.	HK\$21,710,000
5.	Car Parking Space No. P52 on 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$2,330,000	100 per cent.	HK\$2,330,000
6.	Car Parking Space No. P53 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$2,330,000	100 per cent.	HK\$2,330,000

APPENDIX III

PROPERTY VALUATION REPORT

		Amount of valuations in existing state as at 30 June 2019	Interest attributable to the Group	Amount of valuations in existing state attributable to the Group as at 30 June 2019
7.	Car Parking Space No. P54 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$2,330,000	100 per cent.	HK\$2,330,000
8.	Car Parking Space No. P85 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$2,330,000	100 per cent.	HK\$2,330,000
9.	Car Parking Space No. P27 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon	HK\$2,330,000	100 per cent.	HK\$2,330,000
10.	Units 32-40 and Flat Roof 39-40 on 5th Floor Pacific Trade Centre No.2 Kai Hing Road Kowloon Bay Kowloon	HK\$46,610,000	100 per cent.	HK\$46,610,000
11.	Car Parking Space No. L22 on Basement Floor Pacific Trade Centre No.2 Kai Hing Road Kowloon Bay Kowloon	HK\$3,100,000	100 per cent.	HK\$3,100,000
TOTAL:				HK\$ 192,630,000

APPENDIX III

PROPERTY VALUATION REPORT

PROPERTIES PARTICULARS WITH VALUES

Properties held by the Group in Hong Kong and valued on the basis of Market Value.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
1.	Office A on 12th Floor of MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 372/70,000nd shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises an office unit of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The property has a total gross floor area of approximately 345.78 square meters (3,722 square feet) and a saleable area of approximately 242.10 square meters (2,606 square feet). The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for office purpose.	HK\$55,830,000 (100 per cent. interest)

Notes:

- The registered owner of the property is View Mark Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130056 on 8 August 2011.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510048 on 22 October 2014.

APPENDIX III

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
2.	Office B on 12th Floor of MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 206/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises an office unit of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The property has a total gross floor area of approximately 191.19 square meters (2,058 square feet) and a saleable area of approximately 133.885 square meters (1,441 square feet). The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for office purpose.	HK\$31,380,000 (100 per cent. interest)

Notes:

- The registered owner of the property is Modern China Business Consultants Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130076 on 8 August 2011.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510078 on 22 October 2014.

APPENDIX III

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
3.	Office K on 12th Floor of MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 218/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises an office unit of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The property has a total gross floor area of approximately 202.53 square meters (2,180 square feet) and a saleable area of approximately 138.70 square meters (1,493 square feet). The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for office purpose.	HK\$22,350,000 (100 per cent. interest)

Notes:

- The registered owner of the property is Billion Peace Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130115 on 8 August 2011.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510132 on 22 October 2014.

APPENDIX III

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
4.	Office L on 12th Floor of MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 212/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises an office unit of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The property has a total gross floor area of approximately 196.77 square meters (2,118 square feet) and a saleable area of approximately 134.80 square meters (1,451 square feet). The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for office purpose.	HK\$21,710,000 (100 per cent. interest)

Notes:

1. The registered owner of the property is View Mark Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130098 on 8 August 2011.
2. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510048 on 22 October 2014.

APPENDIX III

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
5.	Car Parking Space No. P52 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 4/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises a car parking space of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for car parking purpose.	HK\$2,330,000 (100 per cent. interest)

Notes:

- The registered owner of the property is View Mark Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130010 on 8 August 2011.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510048 on 22 October 2014.

APPENDIX III

PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
6.	Car Parking Space No. P53 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 4/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises a car parking space of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for car parking purpose.	HK\$2,330,000 (100 per cent. interest)

Notes:

- The registered owner of the property is View Mark Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130023 on 8 August 2011.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510048 on 22 October 2014.

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PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
7.	Car Parking Space No. P54 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 4/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises a car parking space of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for car parking purpose.	HK\$2,330,000 (100 per cent. interest)

Notes:

- The registered owner of the property is Modern China Business Consultants Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130032 on 8 August 2011.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510078 on 22 October 2014.

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PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
8.	Car Parking Space No. P85 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 4/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises a car parking space of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for car parking purpose.	HK\$2,330,000 (100 per cent. interest)

Notes:

- The registered owner of the property is Billion Peace Limited vide an Assignment with Plan dated 18 July 2011 and registered in the Land Registry by Memorial No. 11080802130044 on 8 August 2011.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration to secure all moneys in respect of general banking facilities (pt.) dated 25 September 2014 and registered in the Land Registry by Memorial No. 14102202510132 on 22 October 2014.

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PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
9.	Car Parking Space No. P27 on the 2nd Floor MG Tower No. 133 Hoi Bun Road Kwun Tong Kowloon 4/70,000th shares of and in the Remaining Portion of Kwun Tong Inland Lot No. 756 (the “Lot”)	The property comprises a car parking space of a 25-storeyed office building including a 3-storeyed car park and shop podium. The building was completed in 2011. The Lot is held under a Conditions of Exchange No. 20086 for a term of 50 years commencing from 14 October 2009. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was vacant.	HK\$2,330,000 (100 per cent. interest)

Note:

- The registered owner of the property is Billion Peace Limited vide an Assignment dated 31 May 2016 and registered in the Land Registry by Memorial No. 16061400700041 on 14 June 2016.

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PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
10.	Units 32-40 and Flat Roofs 39-40 on 5th Floor Pacific Trade Centre No.2 Kai Hing Road Kowloon Bay Kowloon	The property comprises 9 industrial units and 2 associated flat roofs thereto of a 16-storeyed (including a basement level) industrial building with car parking lots in the basement level.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for office and godown purpose.	HK\$46,610,000 (100 per cent. interest)
	137/12,041th shares of and in the New Kowloon Inland Lot No. 6036 (the “Lot”)	The building was completed in 1990. The Lot is held under a Conditions of Sale No. 11936 for a lease term from 23 March 1987 until 30 June 2047. The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.		

Notes:

1. The registered owner of the property is Deluxe Peace Limited vide an Assignment dated 24 July 2015 and registered in the Land Registry by Memorial No. 15081100790048 on 11 August 2015.
2. The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration of all moneys (pt.) dated 24 July 2015 and registered in the Land Registry by Memorial No. 15081100790057 on 11 August 2015.

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PROPERTY VALUATION REPORT

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state as at 30 June 2019
11.	Car Parking Space No. L22 on Basement Pacific Trade Centre No.2 Kai Hing Road Kowloon Bay Kowloon	The property comprises a car parking space of a 16-storeyed (including a basement level) industrial building with car parking lots in the basement level.	As advised by the appointed personnel of the Company, as at the Valuation Date, the property was occupied by the Group for car parking purpose.	HK\$3,100,000 (100 per cent. interest)
	3/12,041rd shares of and in the New Kowloon Inland Lot No. 6036 (the “Lot”)	The building was completed in 1990. The Lot is held under a Conditions of Sale No. 11936 for a lease term from 23 March 1987 until 30 June 2047.		
		The current annual government rent payable for the property is equal to 3% of the rateable value for the time being of the property.		

Notes:

- The registered owner of the property is Deluxe Peace Limited vide an Assignment dated 24 July 2015 and registered in the Land Registry by Memorial No. 15081100790061 on 11 August 2015.
- The property is subject to a Mortgage in favour of The Hongkong and Shanghai Banking Corporation Limited in the consideration of all moneys (pt.) dated 24 July 2015 and registered in the Land Registry by Memorial No. 15081100790057 on 11 August 2015.

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SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

*The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 21 August 2014 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and its Amended and Restated Articles of Association ("**Articles**").*

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 11 May 2015. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

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The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

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If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

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No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

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From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

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(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

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The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

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There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

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(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of member being corporation, by its authorised representative or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members 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. Such requisition shall be made in writing to the Board or the secretary of the Company 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. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

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(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

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(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

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Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

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- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

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(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

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3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 21 August 2014 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

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(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 9 September 2014.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

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(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

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When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

APPENDIX IV**SUMMARY OF THE CONSTITUTION OF THE
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

4. GENERAL

Appleby, the Company’s legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in “Documents Available for Inspection” in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

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A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 21 August 2014. The registered office of our Company is situated at the offices of Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. We have established a headquarters and principal place of business in Hong Kong at Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 13 January 2015. Mr. Yau has been appointed as the authorised representative of our Company under Part 16 of the Companies Ordinance for the acceptance of service of process and notices on behalf of our Company in Hong Kong. Mr. Yau and Ms. Ng Tsz Wai have been appointed as our authorised representatives under Rule 5.24 of the GEM Listing Rules and will remain as our authorised representatives under Rule 3.05 of the Listing Rules upon the [REDACTED].

As our Company was incorporated in the Cayman Islands, we operate subject to the Companies Law and our constitutional documents, which comprise the Memorandum of Association and Articles of Association. A summary of certain relevant provisions of our constitution and relevant aspects of the Companies Law is set out in Appendix IV to this [REDACTED] document.

2. Changes in the share capital of our Company

At the date of incorporation of our Company, the authorised share capital of our Company was HK\$380,000 divided into 3,800,000 shares of par value of HK\$0.10 each.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this [REDACTED] document:

- (a) On 21 August 2014, one share of HK\$0.10 was allotted and issued to the subscriber, fully paid at par. On the same date, such share was transferred by the subscriber to Newmark Group at a consideration of HK\$0.10.
- (b) On 21 August 2014, 50,999, 9,264, 4,752, 4,752, 4,752 and 480 shares of HK\$0.10 each were allotted and issued to Newmark Group, Dr. Wong, Mr. Tong, Mr. WY Chan, Mr. WL Chan and Mr. Lin, respectively, fully paid.
- (c) On 6 October 2014, each of the then existing issued and unissued shares of HK\$0.10 each in the share capital of the Company was subdivided into ten Shares. As a result: (i) the authorised share capital of the Company became HK\$380,000 divided into 38,000,000 Shares; and (ii) 510,000 Shares, 92,640 Shares, 47,520 Shares, 47,520 Shares, 47,520 Shares and 4,800 Shares were held by Newmark Group, Dr. Wong, Mr. Tong, Mr. WY Chan, Mr. WL Chan and Mr. Lin, respectively.
- (d) On 11 May 2015, our Company allotted and issued 510,000 Shares, 92,640 Shares, 47,520 Shares, 47,520 Shares, 47,520 Shares and 4,800 Shares to Newmark Group, Dr. Wong, Mr. Tong, Mr. WY Chan, Mr. WL Chan and Mr. Lin, credited as fully paid.

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- (e) On 11 May 2015, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$20,000,000 divided into 2,000,000,000 Shares.
- (f) On 27 May 2015, (i) a total of 748,500,000 Shares credited as fully paid at par were allotted and issued to Newmark Group, Dr. Wong, Mr. Tong, Mr. WY Chan, Mr. WL Chan and Mr. Lin, being the holders of Shares on the register of members of our Company in proportion to their respective shareholdings at that time by way of capitalisation and (ii) a total of 250,000,000 Shares credited as fully paid at par were allotted and issued pursuant to a placing to selected professional, institutional and/or other investors upon listing of the Shares on GEM. Accordingly, the issued share capital of our Company was increased from HK\$15,000 divided into 1,500,000 Shares to HK\$[REDACTED] divided into [REDACTED] Shares.

Assuming no Shares will be allotted and issued before the [REDACTED], the issued share capital of our Company immediately after the [REDACTED] will remain HK\$[REDACTED] divided into [REDACTED] Shares fully paid or credited as fully paid, with [REDACTED] Shares remaining unissued.

Save as disclosed herein and as mentioned in the “A. Further information about our Company and our subsidiaries – 3. Annual General Meeting held on 8 August 2019” in this appendix, there has been no alteration in the share capital of our Company since the date of its incorporation.

3. Annual General Meeting held on 8 August 2019

Pursuant to the resolutions passed by our Shareholders at the Annual General Meeting:

- (a) a general unconditional mandate was given to our Directors authorising them to exercise all the powers of our Company to allot, issue and deal with additional Shares or to make or grant any offers, agreements and/or options which would or might require Shares to be allotted and issued or disposed of, whether during the continuance of such mandate or thereafter (otherwise than pursuant to a rights issue or the exercise of any option granted under the Company’s share option schemes or any other option, scheme or similar arrangement for the time being adopted for the grant or issue of Shares or rights to acquire Shares), provided that the aggregate nominal value of our Shares allotted or agreed conditionally or unconditionally to be allotted shall not exceed 20% of the aggregate nominal value of the share capital of our Company in issue as at the date of the Annual General Meeting, such mandate to remain in effect until whichever is the earliest of:
 - (A) the conclusion of our next annual general meeting;
 - (B) the expiration of the period within which our next annual general meeting is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or
 - (C) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such mandate.

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- (b) a general unconditional mandate was given to our Directors authorising them to exercise all the powers for and on behalf of our Company to buy-back our Shares on the Stock Exchange or on any other approved stock exchange(s) on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal value of the share capital of our Company in issue as at the date of the Annual General Meeting, such mandate to remain in effect until whichever is the earliest of:
 - (A) the conclusion of our next annual general meeting;
 - (B) the expiration of the period within which our next annual general meeting is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or
 - (C) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such mandate;
- (c) subject to the passing of resolutions set out in paragraphs (a) and (b) above, the unconditional general mandate mentioned in paragraph (a) above was extended to include the aggregate nominal value of Shares bought-back by us pursuant to the mandate to buy-back Shares referred to in paragraph (b) above provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue as at the date of the Annual General Meeting, such mandate to remain in effect until whichever is the earliest of:
 - (A) the conclusion of our next annual general meeting;
 - (B) the expiration of the period within which our next annual general meeting is required by any applicable law of the Cayman Islands or the Articles of Association to be held; or
 - (C) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such mandate.

4. Changes in share or registered capital of our subsidiaries

The present subsidiaries of our Company are referred to in the accountants’ report, the text of which is set out in Appendix I to this [REDACTED] document.

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The following subsidiaries of our Company were incorporated within two years immediately preceding the date of this [REDACTED] document:

(a) *i-Control BVI*

Date of incorporation	:	5 January 2018
Place of incorporation	:	The BVI
Number of issued shares	:	one
Shareholder	:	our Company – 100%
Principal scope of business	:	Investment holding

(b) *Pristine Capital*

Date of incorporation	:	28 December 2017
Place of incorporation	:	The BVI
Number of issued shares	:	one
Shareholder	:	i-Control BVI – 100%
Principal scope of business	:	Not commenced operation yet

There has been no alteration in the share capital of each of our subsidiaries within the two years immediately preceding the date of this [REDACTED] document.

5. Buy-back by our Company of our Shares

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy-back their shares on the Main Board subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders’ approval*

All proposed buy-backs of shares on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by specific approval of a particular transaction.

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Pursuant to the resolutions passed by our Shareholders at the Annual General Meeting, a general unconditional mandate (the “**Buy-back Mandate**”) was granted to our Directors authorising them to exercise all the powers for and on behalf of our Company to buy-back our Shares on the GEM of the Stock Exchange or on any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal value of our share capital in issue as at the date of the Annual General Meeting, such Buy-back Mandate to expire at the conclusion of our next annual general meeting, or the expiration of the period within which our next annual general meeting is required by any applicable law of the Cayman Islands or the Articles of Association to be held, or the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such Buy-back Mandate, whichever is the earliest.

(ii) Under the Listing Rules, the shares which are proposed to be bought-back by a company must be fully paid up.

(iii) *Source of Funds*

Repurchases of shares by a listed company must be funded out of funds legally available for the purpose in accordance with the constitutive documents of the listed company, the Listing Rules and the applicable laws and regulations of the listed company’s jurisdiction of incorporation. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(b) Reasons for buy-backs

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole to have a general authority from our Shareholders to enable us to buy-back Shares in the market. Such buy-backs may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or our earnings per Share and will only be made when our Directors believe that such buy-backs will benefit our Company and our Shareholders as a whole.

(c) Funding of buy-backs

In buying-back Shares, we may only apply funds legally available for such purpose in accordance with our Memorandum of Association and the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. We shall not buy-back our own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

On the basis of our current financial position as disclosed in this [REDACTED] document and taking into account our current working capital position, our Directors consider that, if the Buy-back Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this [REDACTED] document. However, our Directors do not propose to exercise the Buy-back Mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements or our gearing position.

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(d) Directors’ undertaking

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buy-back Mandate in accordance with the Listing Rules, the applicable laws of the Cayman Islands, our Memorandum of Association and the Articles of Association.

(e) Disclosure of interests

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention, if the Buy-back Mandate is exercised, to sell any Shares to our Company or our subsidiaries.

No connected person of our Company has notified us that he or she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buy-back Mandate is exercised.

(f) Takeovers Code consequences

If, as a result of a securities buy-back, a Shareholder’s proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. At present, so far as is known to the Directors, no Shareholder will be obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to buy-back Shares pursuant to the Buy-back Mandate. Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any buy-back under the Buy-back Mandate.

(g) Share capital

Exercise in full of the Buy-back Mandate, on the basis of [REDACTED] Shares in issue as at the date of the Annual General Meeting, could accordingly result in up to [REDACTED] Shares being bought-back by us during the course of the period prior to the date on which such Buy-back Mandate expires or terminates as mentioned in “A. Further information about our Company and our subsidiaries – 3. Annual General Meeting held on 8 August 2019” in this appendix.

(h) General

Our Directors will not exercise the Buy-back Mandate if the buy-back would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

Other than the Deed of Non-Competition, no contract (not being contracts entered into in the ordinary course of business) has been entered into by us or any of our subsidiaries within the two years immediately preceding the date of this [REDACTED] document and are or may be material.

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2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks:

Trademark	Owner	Place of Registration	Class	Registration Date	Trademark Number
	i-Control (Hong Kong)	Hong Kong	42	11 April 2014	302959769
愛港超	i-Control (China)	PRC	42	21 May 2015	14364086
Eduserve	Eduserve International	PRC	42	21 May 2015	14364277

(b) Domain names

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain Name	Registration Date	Expiration Date
http://www.i-controlholdings.com	13 May 2015	13 May 2020
http://www.i-control.com.hk	30 June 2000	29 April 2020
http://www.i-control.com.cn	5 September 2009	5 September 2022
http://www.eduserve.com.hk	1 April 1998	1 September 2020
http://www.i-control.com.sg	23 September 2014	22 September 2020

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C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND STAFF

1. Disclosure of interests

(a) *Interests and short positions of our Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company or our associated corporations*

As at the Latest Practicable Date, our Directors and chief executive will have the following interests and/or short positions in our Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” contained in the Listing Rules, to be notified to us and the Stock Exchange:

Name	Capacity/Nature of interests	Number of Shares held (Note 1)	Approximately percentage of issued Shares
Phoenix Time	Beneficial owner (Note 2)	[REDACTED]	[REDACTED]
Mr. Zhong	Interest of controlled corporation (Note 2)	[REDACTED]	[REDACTED]
Ms. Chen Minling	Interest of spouse (Note 2)	[REDACTED]	[REDACTED]
Dr. Wong	Beneficial owner (Note 3)	[REDACTED]	[REDACTED]
Ms. Wong Lau Sau Yee Angeli	Interest of spouse (Note 3)	[REDACTED]	[REDACTED]

Notes:

- (1) All interests stated are long positions.
- (2) These Shares are held by Phoenix Time, which is 100% owned by Mr. Zhong, an executive Director. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong is deemed to have an interest in all Shares in which Phoenix Time has, or deemed to have, an interest. Ms. Chen Minling is the spouse of Mr. Zhong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chen Minling is deemed to have an interest in all Shares in which Mr. Zhong Naixiong has, or deemed to have, an interest.
- (3) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Lau is deemed to have an interest in all Shares in which Dr. Wong has, or deemed to have, an interest.

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(b) *Interests and short positions of the Substantial Shareholders in the Shares and underlying Shares*

Save as disclosed in “Substantial Shareholders” in this [REDACTED] document, our Directors and chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in our Shares and underlying Shares of our Company which, would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

2. Arrangement with our Directors

(a) *Particulars of Directors’ service agreements and letters of appointment*

Each of Mr. Tong, Mr. WY Chan, Mr. WL Chan and Dr. Wong has entered into a service agreement with us for an initial period of two years commencing from 27 May 2015, which was renewed on 27 May 2017 for a further term up to 31 March 2019 and further renewed on 1 April 2019 for another two years from 1 April 2019.

Each of Mr. Zhong and Mr. Yau has entered into a service agreement with us on 7 December 2017 for an initial term up to 31 March 2019, which was renewed on 1 April 2019 for a period of two years from 1 April 2019.

Mr. Lum has entered into a letter of appointment with us for an initial period of two years commencing from 27 May 2015, which was renewed on 27 May 2017 for a further term up to 31 March 2019 and further renewed on 1 April 2019 for another two years from 1 April 2019.

Each of Mr. Fong and Mr. Fung has entered into a letter of appointment with us on 7 December 2017 for an initial term up to 31 March 2019, which was renewed on 1 April 2019 for a period of two years from 1 April 2019.

Mr. Mong has entered into a letter of appointment with us on 13 November 2018 for an initial term up to 31 March 2019, which was renewed on 1 April 2019 for a period of two years from 1 April 2019.

(b) *Directors’ remuneration*

During the financial year ended 31 March 2019 and the three months ended 30 June 2019, the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Group was approximately HK\$6.92 million and HK\$1.25 million, respectively.

Under the arrangements currently in force, we estimate that the same for the year ending 31 March 2020 would be approximately HK\$5.01 million.

Save as disclosed in this [REDACTED] document, no Director or the five highest paid individuals has been paid in cash or shares or otherwise by any person either to induce him to become, or to qualify him as a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

(c) *Disclaimers*

Save as disclosed in this [REDACTED] document:

- (i) so far as our Directors are aware, none of our Directors or chief executive has any interest and/or short position in our Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to Appendix 10 “Model Code for Securities Transactions by Directors of Listed Issuers” contained in the Listing Rules, to be notified to us and the Stock Exchange;

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- (ii) none of our Directors and the experts referred to under “E. Other Information – 9. Consents of experts” in this appendix has any direct or indirect interest in the promotion of our Company or any of our subsidiaries, or in any assets which have been, within the two years immediately preceding the date of this [REDACTED] document, acquired or disposed of by or leased to, our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;
- (iii) none of our Directors and the experts referred to under “E. Other Information – 9. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this [REDACTED] document which is significant in relation to our business taken as a whole;
- (iv) none of our Directors has any existing or proposed service contracts with our Company or any of our subsidiaries, excluding contracts which are expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation);
- (v) none of the experts referred to under “E. Other Information – 9. Consents of experts” in this appendix has any shareholding in our Company or any of our subsidiaries or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries; and
- (vi) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company, has any interest in our Company’s five largest customers and five largest suppliers.

(d) Fees or commission received

Save as disclosed in this [REDACTED] document, none of our Directors or the experts referred to under “E. Other Information – 9. Consents of experts” in this appendix had received any commissions, discounts, agency fees, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this [REDACTED] document.

(e) Related party transactions

Saved as disclosed in the accountants’ report set out in Appendix I to this [REDACTED] document and other parts of this [REDACTED] document, we have not engaged in any dealings with our Directors and their close associates within the two years immediately preceding the date of this [REDACTED] document.

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D. SHARE OPTION SCHEME

Our Company has adopted the Share Option Scheme on 11 May 2015. Such Share Option Scheme will remain valid and effective following the [REDACTED] and will be implemented in full compliance with Chapter 17 of the Listing Rules. As at the Latest Practicable Date, no share options under the Share Option Scheme have been granted.

The following is a summary of the principal terms of the Share Option Scheme:

1. Purpose

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Group.

2. Who may join

Our 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 our 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 our subsidiaries or any entity (the “**Invested Entity**”) in which our Company holds an equity interest;
- (b) any non-executive Directors (including independent non-executive Directors) of our Company, any of our subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any members of our Group or any Invested Entity;
- (d) any customer of our Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to our 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 our Company for the subscription of Shares or other securities of our Company to any person who falls within any of the above classes of participants shall not, by itself, unless our 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 our Directors from time to time on the basis of the participants’ contribution to the development and growth of our Group. In order for a person to satisfy our 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 our Directors may request for the purpose of assessing his eligibility (or continuing eligibility).

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3. Maximum number of Shares

- (a) The maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of our Company’s issued share capital from time to time. No options may be granted under any schemes of our Company or our subsidiary if such grant will result in the maximum number being exceeded.
- (b) The total number of Shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange which amounts to [REDACTED] Shares (the “**General Mandate Limit**”).
- (c) Subject to (a) above and without prejudice to (d), our Company may issue a circular to our Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek approval of our Shareholders in general meeting to refresh the General Mandate Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of our Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised options) previously granted under the Share Option Scheme and any other share option scheme of the Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, our Company may issue a circular to our Shareholders in compliance with Note (1) to Rule 23.03(3) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and seek separate shareholders’ approval in general meeting to grant options beyond the General Mandate Limit or, if applicable, the limit referred to in (c) above to participants specifically identified by our Company before such approval is sought.

4. Maximum entitlement of each participant and connected persons

- (a) Unless approved by our Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each participant in any 12-month period must not exceed 1% of our Shares in issue (the “**Individual Limit**”).
- (b) Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders in compliance with the Note to Rule 23.03(4) and Rule 23.06 of the GEM Listing Rules and/or such other requirements as prescribed in the GEM Listing Rules and the approval of our Shareholders in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders’ approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 23.03(9) of the GEM Listing Rules.

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- (c) In addition to the Shareholders’ approval set out in Note (1) to Rule 23.03(3) and Note to Rule 23.03(4) of the GEM Listing Rules, each grant of options to a Director, chief executive of our Company or substantial Shareholder or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options).
- (d) Where any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) under the Share Option Scheme or any other share option schemes of our Company to such person in the 12-month period up to and including the date of such grant:
 - (i) representing in aggregate more than 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million, such further grant of options must be approved by our Shareholders. Our Company must send a circular to our Shareholders. All of the connected persons must abstain from voting in favour at such general meeting. Any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such option must be taken on a poll.

5. Minimum period of holding an option and performance target

Our Directors may, at their absolute discretion, fix any minimum period for which an option must be held, any performance targets that must be achieved and any other conditions that must be fulfilled before the options can be exercised upon the grant of an option to a participant.

6. Subscription price for Shares

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 our 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 our 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 (i) the nominal value of our Shares. A consideration of HK\$1.00 is payable on acceptance of the offer of the grant of an option.

7. Rights are personal to grantee

An option granted under the Share Option Scheme shall not be transferable or assignable and is personal to the grantee.

8. Time of exercise of option

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

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GENERAL INFORMATION

9. Rights on ceasing employment or death

If the grantee of an option, who is an employee of our Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of our Group or Invested Entity for any reason other than death, ill-health or retirement in accordance with his contract of employment or certain other grounds, before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine, in which case the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation or termination, which date shall be the last day on which the grantee was actually at work with our Group or the relevant Invested Entity, whether salary is paid in lieu of notice or not. Failing such exercise, the option will lapse.

If the grantee of an option, who is an employee of our Group or any Invested Entity at the time of the grant of the option, ceases to be an employee of our Company or Invested Entity by reason of death, ill-health or retirement in accordance with his contract of employment, before exercising the option in full, the grantee or, if appropriate his lawful personal representative(s) may exercise the option in whole or in part (to the extent not already exercised) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the grantee was at work with our Group or any Invested Entity, whether salary is paid in lieu of notice or not (or such longer period as our Directors may determine), failing which it will lapse.

10. Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees (or his personal representative(s)) on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional or such scheme or arrangement is formally proposed to our Shareholders, a grantee (or his personal representative(s)) shall, notwithstanding any other terms on which his options were granted, be entitled to exercise his option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company in accordance with the provisions of the Share Option Scheme at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be.

11. Rights on winding-up

In the event of an effective resolution being proposed for the voluntary winding-up of our Company during the option period, the grantee of an option (or his personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company elect to exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice within two business days prior to the proposed general meeting of our Company considering such winding up, such notice to be accompanied by the subscription price for our Shares in respect of which the notice is given, whereupon the grantee will be entitled, in respect of our Shares falling to be allotted and issued upon the exercise of his options, to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of our Shares the subject of such election. Subject to the above, an option will lapse automatically (to the extent not exercised) on the date of commencement of the winding-up of our Company.

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12. Ranking of Shares

Our Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Memorandum of Association and the Articles for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

13. Period of the Share Option Scheme

Unless terminated by our 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.

14. Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that any material alteration to its terms and conditions, any change to the terms of options granted (except for changes which automatically take effect under the existing terms of the Share Option Scheme) and the matters contained in the relevant provisions of the GEM Listing Rules shall not be altered to the advantage of the grantees or prospective grantees without the prior sanction of any resolution of our Company in general meeting. The amended terms of the Share Option Scheme or the options must still comply with the applicable requirements under the GEM Listing Rules. Any change to the authority of our Directors or scheme administrators (if applicable) in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

15. Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital or otherwise howsoever, then, in any such case, our Company shall instruct the auditors for the time being or an independent financial adviser to our Company to certify in writing the adjustment, if any, to be made either generally or as regards any particular grantee, to (a) the number of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised), and/or (b) the subscription price of any unexercised option, and/or (c) the maximum number of Shares referred to in “Maximum number of Shares” above, and an adjustment as so certified by the auditors or the independent financial adviser to our Company shall be made, provided that (i) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such adjustment shall be made the effect of which would be to increase the proportion of the issued share capital of our Company for which any grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment; (iv) the issue of Shares or securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and (v) for the avoidance of doubt, any adjustments shall be made in compliance with the GEM

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GENERAL INFORMATION

Listing Rules and the “Supplementary Guidance on Main Board Listing Rule 17.03(13)/GEM Listing Rules 23.03(13) and the note immediately after the rule” set out in the letter from the Stock Exchange to all listed issuers dated 5 September 2005 or other relevant guidance as the Stock Exchange may from time to time issue. In addition, in respect of any such adjustments, other than any made on a capitalisation issue, such auditors or independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements that they give a participant the same proportion (or rights in respect of the same proportion) of the equity capital as that to which that person was previously entitled.

16. Cancellation of options

Our Directors may effect the cancelation of any options granted but not exercised on such terms as may be agreed with the relevant grantee, as our Directors may in their absolute discretion see fit and in a manner that complies with all applicable legal requirements for cancelation. Where our Company cancels any options granted and offer to grant or grant new options to the same grantee, the offer or grant of such new options may only be made under the Share Option Scheme if there are available unissued options (excluding the cancelled options) within each of the limits as referred of in “3. Maximum Number of Shares” above.

17. Termination of the Share Option Scheme

Our Company may by resolution in general meeting at any time terminate the operation of Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any outstanding options granted prior to such termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme and outstanding options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme. Details of the options granted, including options exercised or outstanding, under the Share Option Scheme and (if applicable) options that become void or non-exercisable as a result of the termination must be disclosed in the circular to our Shareholders seeking approval of the first new scheme to be established after such termination.

18. Status of the Listing Rules

The Share Option Scheme shall comply with the GEM Listing Rules as amended from time to time. In the event that there are differences between the terms of the Share Option Scheme and the GEM Listing Rules, the Listing Rules shall prevail.

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19. Present status of the Share Option Scheme

As at the date of this [REDACTED] document, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Stock Exchange for the listing of, and permission to deal in, our Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme, as described above.

E. OTHER INFORMATION

1. Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on 11 February 2006 in Hong Kong, pursuant to which estate duty ceased to be chargeable in Hong Kong in respect of the estates of persons dying on or after that date. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application for a grant of representation in respect of holders of Shares whose death occur on or after 11 February 2006.

The Directors have been advised that no material liability for estate duty would be likely to fall upon any member of our Group.

2. Stamp duty

Dealings in the Shares will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty is 0.1% on the higher of the consideration for or the market value of the Shares and it is charged on the purchaser on every purchase and on the seller on every sale of the Shares. In other words, a total stamp duty of 0.2% is currently payable on a typical sale and purchase transaction involving the Shares.

3. Litigation

As at the Latest Practicable Date, we had not been engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial position.

4. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and any Shares falling to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme on the Main Board pursuant to the [REDACTED].

Each of the Joint Sponsors has confirmed to the Stock Exchange that it satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules.

The Joint Sponsors will receive an aggregate of HK\$5.2 million for acting as the sponsor for the [REDACTED].

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5. Registration procedures

Subject to the provisions of the Companies Law, our principal register of members will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED].

6. Preliminary expenses

Our preliminary expenses of the Company were approximately HK\$167,000 and have been paid by us.

7. Promoter

Our Company has no promoter.

Save as disclosed above, within the two years immediately preceding the date of this [REDACTED] document, no cash, securities or other benefits have been or proposed to be paid, allotted or given to any promoter.

8. Qualifications of experts

The following are the qualifications of the experts which have given their opinion or advice which are contained in, or referred to in, this [REDACTED] document:

Expert	Qualification
CCIC	A corporation licensed under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Red Solar	A corporation licensed under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
SHINEWING (HK) CPA Limited	Certified Public Accountants
LCH (Asia-Pacific) Surveyors Limited	Chartered professional surveyors and valuers
King & Wood Mallesons	Legal advisers to our Company as to PRC laws
Appleby	Legal advisers to our Company as to Cayman Islands laws
Equity Law LLC	Legal advisers to our Company as to Singapore laws
Ipsos	Independent industry consultant

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GENERAL INFORMATION

9. Consents of experts

Each of CCIC, Red Solar, SHINEWING (HK) CPA Limited, LCH (Asia-Pacific) Surveyors Limited, King & Wood Mallesons, Appleby, Equity Law LLC and Ipsos has given and has not withdrawn its written consent to the issue of this [REDACTED] document with the inclusion of its reports, letters, valuation certificate, opinions or summaries of opinions (as the case may be) and the references to its name included herein in the form and context in which they are respectively included.

10. Miscellaneous

- (a) Save as disclosed in this [REDACTED] document:
 - (i) within the two years immediately preceding the date of this [REDACTED] document, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) within the two years immediately preceding the date of this [REDACTED] document, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the two years immediately preceding the date of this [REDACTED] document, no commission has been paid or payable to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (v) our Directors confirm that since 30 June 2019 (being the date on which the latest audited consolidated financial statements of the Group was made up), there has been no material adverse change in our financial or trading position or prospects;
 - (vi) our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this [REDACTED] document;
 - (vii) save as disclosed in “Financial information” in this [REDACTED] document, our Group has no outstanding hire purchase commitments, guarantees or other material contingent liabilities as at the Latest Practicable Date;
 - (viii) our Group has no outstanding convertible debt securities or debentures as at the Latest Practicable Date;

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- (ix) none of CCIC, Red Solar, SHINEWING (HK) CPA Limited, LCH (Asia-Pacific) Surveyors Limited, King & Wood Mallesons, Appleby, Equity Law LLC and Ipsos;
 - (A) is interested beneficially or non-beneficially in any Shares in any member of our Group; or
 - (B) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares in any member of our Group; and
- (x) there are no arrangements in existence under which future dividends are to be or agreed to be waived.
- (b) None of the equity and debt securities of our Group is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (c) All necessary arrangements have been made enabling our Shares to be admitted into CCASS for clearing and settlement.

APPENDIX VI

DOCUMENTS AVAILABLE FOR INSPECTION

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Vincent T.K. Cheung, Yap & Co. at 11th Floor, Central Building, 1-3 Pedder Street, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this [REDACTED] document:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report prepared by SHINewing (HK) CPA Limited, the text of which is set out in Appendix I to this [REDACTED] document;
- (c) the audited consolidated financial statements of our Group for the three years ended 31 March 2019 and the three months ended 30 June 2019;
- (d) the letter prepared by SHINewing (HK) CPA Limited relating to the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this [REDACTED] document;
- (e) the letter, summary of values and valuation certificates relating to the property interests of our Group prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix III to this [REDACTED] document;
- (f) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this [REDACTED] document;
- (g) the PRC Legal Opinion in respect of certain PRC companies of which some Directors as director issued by King & Wood Mallesons, our PRC Legal Advisers;
- (h) the PRC legal opinion issued by King & Wood Mallesons, our PRC Legal Advisers, in respect of certain aspects of our Group’s business in PRC under PRC laws;
- (i) the Singapore legal opinion issued by Equity Law LLC, our Singapore Legal Advisers, in respect of certain aspects of our Group’s business in Singapore under Singapore laws;
- (j) the Ipsos Report;
- (k) the service agreements and letters of appointment referred to in “C. Further information about our Directors, management and staff – 2. Arrangement with our Directors – (a) Particulars of Directors’ service agreements and letters of appointment” in Appendix V to this [REDACTED] document;
- (l) the written consents referred to in “E. Other Information – 9. Consents of experts” in Appendix V to this [REDACTED] document;
- (m) the Companies Law; and
- (n) the rules of the Share Option Scheme.