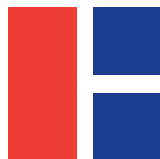


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ICO GROUP LIMITED
揚科集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1460)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

INTERIM RESULTS

The board of directors (the “**Board**”) of ICO Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months and six months ended 30 September 2016, together with the comparative figures for the corresponding periods in 2015, respectively, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three months and six months ended 30 September 2016

		Three months ended		Six months ended	
		30 September		30 September	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	106,544	148,823	230,511	244,938
Cost of sales		(82,885)	(127,290)	(183,711)	(205,331)
Gross profit		23,659	21,533	46,800	39,607
Other revenue and net income	5	208	263	221	680
General and administrative expenses		(13,406)	(11,034)	(25,372)	(20,780)

* *For identification purposes only*

	<i>Note</i>	Three months ended		Six months ended	
		2016	2015	2016	2015
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit from operations		10,461	10,762	21,649	19,507
Finance costs	6(a)	–	(1)	–	(3)
Profit before taxation	6	10,461	10,761	21,649	19,504
Income tax	7	(2,493)	(1,898)	(4,580)	(3,398)
Profit for the period		<u>7,968</u>	<u>8,863</u>	<u>17,069</u>	<u>16,106</u>
Attributable to:					
Equity shareholders of the Company		7,226	6,895	15,058	12,896
Non-controlling interests		742	1,968	2,011	3,210
Profit for the period		<u>7,968</u>	<u>8,863</u>	<u>17,069</u>	<u>16,106</u>
Earnings per share	9				
Basic and diluted (HK cents per share)		<u>0.18</u>	0.17	<u>0.38</u>	<u>0.32</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the three months and six months ended 30 September 2016

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit for the period	7,968	8,863	17,069	16,106
Other comprehensive income for the period				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of overseas subsidiary	1	116	159	119
Total comprehensive income for the period	7,969	8,979	17,228	16,225
Attributable to:				
Equity shareholders of the Company	7,227	7,011	15,217	13,015
Non-controlling interests	742	1,968	2,011	3,210
Total comprehensive income for the period	7,969	8,979	17,228	16,225

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016 and 30 September 2016

	<i>Note</i>	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	<i>10</i>	48,312	49,227
Intangible assets	<i>10</i>	461	62
		<u>48,773</u>	<u>49,289</u>
Current assets			
Trade and other receivables	<i>11</i>	161,680	116,502
Pledged bank deposits		3,230	1,198
Bank deposits with maturity over three months at acquisition		–	30,163
Cash and cash equivalents		24,753	47,391
		<u>189,663</u>	<u>195,254</u>
Current liabilities			
Trade and other payables	<i>12</i>	(64,925)	(87,606)
Current taxation		(5,019)	(773)
		<u>(69,944)</u>	<u>(88,379)</u>
Net current assets		<u>119,719</u>	<u>106,875</u>
Total assets less current liabilities		168,492	156,164
Non-current liability			
Deferred tax liabilities		<u>(161)</u>	<u>(161)</u>
Net assets		<u>168,331</u>	<u>156,003</u>
Capital and reserves			
Share capital	<i>13</i>	10,000	10,000
Reserves		154,303	139,086
Total equity attributable to equity shareholders of the Company		<u>164,303</u>	<u>149,086</u>
Non-controlling interests		4,028	6,917
Total equity		<u>168,331</u>	<u>156,003</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Attributable to equity shareholders of the Company				Total	Non- controlling interest	Total equity
	Capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>			
For the six months ended 30 September 2015							
(Unaudited)							
Balance at 1 April 2015	10,000	78,785	(262)	31,530	120,053	5,011	125,064
Changes in equity for the six months ended 30 September 2015:							
Profit for the period	-	-	-	12,896	12,896	3,210	16,106
Other comprehensive income for the period	-	-	119	-	119	-	119
Total comprehensive income for the period	-	-	119	12,896	13,015	3,210	16,225
Interim dividend declared to the non-controlling shareholders	-	-	-	-	-	(2,254)	(2,254)
Balance at 30 September 2015	<u>10,000</u>	<u>78,785</u>	<u>(143)</u>	<u>44,426</u>	<u>133,068</u>	<u>5,967</u>	<u>139,035</u>
For the six months ended 30 September 2016							
(Unaudited)							
Balance at 1 April 2016	10,000	78,785	(46)	60,347	149,086	6,917	156,003
Changes in equity for the six months ended 30 September 2016:							
Profit for the period	-	-	-	15,058	15,058	2,011	17,069
Other comprehensive income for the period	-	-	159	-	159	-	159
Total comprehensive income for the period	-	-	159	15,058	15,217	2,011	17,228
Interim dividend declared to the non-controlling shareholders	-	-	-	-	-	(4,900)	(4,900)
Balance at 30 September 2016	<u>10,000</u>	<u>78,785</u>	<u>113</u>	<u>75,405</u>	<u>164,303</u>	<u>4,028</u>	<u>168,331</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2016*

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(45,306)	3,819
Investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(604)	(49,807)
Increase in pledged bank deposits	(2,032)	–
Decrease in bank deposits with maturity over three months at acquisition	30,163	–
Other cash inflows arising from investing activities	41	316
Net cash generated from/(used in) investing activities	27,568	(49,491)
Net cash used in financing activities	(4,900)	(2,406)
Net decrease in cash and cash equivalents	(22,638)	(48,078)
Cash and cash equivalents at the beginning of the period	47,391	142,790
Cash and cash equivalents at the end of the period	24,753	94,712

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months and six months ended 30 September 2016

1. GENERAL

The Company was incorporated in the Cayman Islands on 26 April 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its shares were initially listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 March 2015 and were subsequently transferred from listing on GEM to Main Board of the Stock Exchange (the “**Transfer of Listing**”) on 12 October 2016. The Company’s registered office address is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is 30/F., Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in the businesses of IT application and solution development, IT infrastructure solutions, secondment services and maintenance and support services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2016 have been prepared in accordance with the Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). It was authorised for issue on 29 November 2016.

The unaudited condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2016, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2017. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2016. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of IT application and solution development, IT infrastructure solutions, secondment services, maintenance and support services. The amount of each significant category of revenue is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
IT application and solution development	29,436	81,882	74,379	100,712
IT infrastructure solutions	58,372	52,891	119,143	115,803
Secondment services	8,737	7,003	15,690	13,908
Maintenance and support services	9,999	7,047	21,299	14,515
	<u>106,544</u>	<u>148,823</u>	<u>230,511</u>	<u>244,938</u>

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

- IT application and solution development: this segment provides design and implementation of IT application solution services and procurement of third party hardware and software.
- IT infrastructure solutions: this segment provides IT infrastructure solutions services and sale of IT infrastructure solution related hardware and software.
- Secondment services: this segment provides secondment services for a fixed period of time pursuant to the secondment service agreements.
- Maintenance and support services: this segment provides maintenance and support services.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred during the period. The Group's other income and expense items, such as general and administrative expenses, and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, depreciation and amortization, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the three months and six months ended 30 September 2016 and 2015 is set out below.

Three months ended 30 September 2016 (Unaudited)					
	IT application and solution development <i>HK\$'000</i>	IT infrastructure solutions <i>HK\$'000</i>	Secondment services <i>HK\$'000</i>	Maintenance and support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>29,436</u>	<u>58,372</u>	<u>8,737</u>	<u>9,999</u>	<u>106,544</u>
Reportable segment gross profit	<u>11,400</u>	<u>5,272</u>	<u>3,219</u>	<u>3,768</u>	<u>23,659</u>
Six months ended 30 September 2016 (Unaudited)					
	IT application and solution development <i>HK\$'000</i>	IT infrastructure solutions <i>HK\$'000</i>	Secondment services <i>HK\$'000</i>	Maintenance and support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>74,379</u>	<u>119,143</u>	<u>15,690</u>	<u>21,299</u>	<u>230,511</u>
Reportable segment gross profit	<u>21,891</u>	<u>11,080</u>	<u>5,115</u>	<u>8,714</u>	<u>46,800</u>
Three months ended 30 September 2015 (Unaudited)					
	IT application and solution development <i>HK\$'000</i>	IT infrastructure solutions <i>HK\$'000</i>	Secondment services <i>HK\$'000</i>	Maintenance and support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>81,882</u>	<u>52,891</u>	<u>7,003</u>	<u>7,047</u>	<u>148,823</u>
Reportable segment gross profit	<u>12,927</u>	<u>4,755</u>	<u>1,392</u>	<u>2,459</u>	<u>21,533</u>

	Six months ended 30 September 2015 (Unaudited)				Total HK\$'000
	IT application and solution development HK\$'000	IT infrastructure solutions HK\$'000	Secondment services HK\$'000	Maintenance and support service HK\$'000	
Revenue from external customers and reportable segment revenue	100,712	115,803	13,908	14,515	244,938
Reportable segment gross profit	20,525	12,210	2,749	4,123	39,607

(ii) *Geographic information*

The following tables set out information about the geographical location of the Group's revenue from external customers and the Group's property, plant and equipment and intangible assets ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, and the location of the operation, in the case of intangible assets.

The geographical information of the Group's revenue from external customers for the three months and six months ended 30 September 2016 and 2015 is set out below:

	Three months ended 30 September 2016 (Unaudited) HK\$'000		Six months ended 30 September 2016 (Unaudited) HK\$'000	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Hong Kong (place of domicile)	106,544	148,823	230,511	244,938
The PRC	–	–	–	–
	106,544	148,823	230,511	244,938

The geographical information of the Group's specified non-current assets as at 30 September 2016 and 31 March 2016 is set out below:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Hong Kong (place of domicile)	48,734	49,248
The PRC	39	41
	48,773	49,289

5. OTHER REVENUE AND NET INCOME

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Bank interest income	1	193	41	316
Marketing income	253	46	354	46
Others	–	53	–	301
Net foreign exchange (loss)/gain	(46)	(29)	(174)	17
	<u>208</u>	<u>263</u>	<u>221</u>	<u>680</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:				
Finance charges on obligation under a finance lease	–	1	–	3
	<u>–</u>	<u>1</u>	<u>–</u>	<u>3</u>

(b) Staff costs (including directors' remuneration)

	Three months ended 30 September		Six months ended 30 September	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Salaries, wages and other benefits	32,511	30,281	65,939	56,147
Contributions to defined contribution retirement plans	1,182	1,024	2,430	1,927
	<u>33,693</u>	<u>31,305</u>	<u>68,369</u>	<u>58,074</u>

The Group operates a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the plan vest immediately.

(c) Other items

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amortisation of intangible assets	28	6	34	15
Depreciation of property, plant and equipment	540	159	1,085	305
Operating lease charges in respect of properties	816	632	1,371	1,351

7. INCOME TAX

The taxation charged to profit or loss represents:

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax	2,493	1,898	4,580	3,398

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong for the six months ended 30 September 2016 and 2015 was 16.5%. The PRC's Corporate Income Tax rate was 25% for the six months ended 30 September 2016 and 2015.

No provision for PRC Corporate Income Tax has been made as the subsidiary established in the PRC did not have assessable profits subject to PRC Corporate Income Tax during the six months ended 30 September 2016 and 2015.

8. DIVIDENDS

The directors of the Company (the "Directors") do not recommend the payment of any dividend for the three and six months ended 30 September 2016 (for the three and six months ended 30 September 2015: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

Profit attributable to equity shareholders of the Company used in the calculation of the basic earnings per share for the three months and six months ended 30 September 2016 is HK\$7,226,000 and HK\$15,058,000 respectively (for the three months and six months ended 30 September 2015: HK\$6,895,000 and HK\$12,896,000 respectively).

The weighted average number of ordinary shares used in the calculation of the basic earnings per share during the three months and six months ended 30 September 2016 is 4,000,000,000 shares, which is based on the number of shares in issue throughout the period .

The weighted average number of ordinary shares used in the calculation of the basic earnings per share during the three months and six months ended 30 September 2015 is 4,000,000,000 shares, which is based on the number of shares in issue throughout the period and is adjusted for the share subdivision detailed in “Capital Structure” under the “Management Discussion and Analysis” Section.

(b) Diluted earnings per share

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares in existence during the three months and six months ended 30 September 2016 and 2015.

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 September 2016, the Group had additions of property, plant and equipment and intangible assets of HK\$604,000, which was mainly attributable to purchase of computer equipments and software licenses (for the six months ended 30 September 2015: HK\$49,807,000 which was mainly attributable to acquisition of an office premise and a car park).

11. TRADE AND OTHER RECEIVABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade debtors	68,381	51,103
Gross amounts due from customers for contract work	88,866	63,297
Other receivables	18	18
Rental and other deposits	1,173	990
Prepayments	3,242	1,094
	<u>161,680</u>	<u>116,502</u>

Notes:

(A) Ageing analysis of trade debtors

The ageing analysis of trade debtors by age, presented based on the date of billing is as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 1 month	49,235	31,972
1 to 3 months	12,715	12,646
Over 3 months	6,431	6,485
	<u>68,381</u>	<u>51,103</u>

Trade debtors are due within 60 days from the date of billing.

(B) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. For the six months ended 30 September 2016 and 2015, the Group did not record any impairment losses in respect of trade debtors.

(C) Trade debtors that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Neither past due nor impaired	58,597	39,183
Less than 1 month past due	3,354	5,390
1 to 3 months past due	2,037	2,803
Over 3 months past due	4,393	3,727
	<u>9,784</u>	<u>11,920</u>
	<u>68,381</u>	<u>51,103</u>

Receivables that were neither past due nor impaired relate to debtors for whom there was no recent history of default.

Receivables that were past due but not impaired relate to customers that have a good credit record. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. TRADE AND OTHER PAYABLES

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Trade creditors	41,146	26,566
Gross amounts due to customers for contract work	–	1,062
Customers' deposits received	19,635	47,151
Other accrued expenses	4,144	12,827
	<u>64,925</u>	<u>87,606</u>

Note:

Ageing analysis of trade creditors

As at 30 September 2016 and 31 March 2016, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	30 September 2016 (Unaudited) HK\$'000	31 March 2016 (Audited) HK\$'000
Within 1 month	26,464	15,098
1 to 3 months	12,085	9,931
Over 3 months	2,597	1,537
	<u>41,146</u>	<u>26,566</u>

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
As at 31 March 2016 (audited) and 30 September 2016 (unaudited) Ordinary shares of HK\$0.0025 each	40,000,000,000	100,000
Issued and fully paid:		
As at 31 March 2016 (audited) and 30 September 2016 (unaudited) Ordinary shares of HK\$0.0025 each	4,000,000,000	10,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

14. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain senior management staff of the Group, is as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2016	2015	2016	2015
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Short-term employee benefits	2,022	2,035	4,023	4,027
Post-employment benefits	30	34	61	73
	<u>2,052</u>	<u>2,069</u>	<u>4,084</u>	<u>4,100</u>

Total remuneration is included in staff costs (see note 6(b)).

(b) Other related party transactions

Saved as disclosed elsewhere in the unaudited condensed consolidated financial statements, there were no other significant related party transactions and balances during the three months and six months ended 30 September 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the following businesses: (i) provision of IT application and solution development services; (ii) provision of IT infrastructure solutions; (iii) provision of secondment services; and (iv) provision of maintenance and support services.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 September 2016 (“**Interim 2016**”), the Group recorded growth in its profits when compared to the results for the six months ended 30 September 2015 (“**Interim 2015**”).

Provision of IT application and solution development services

This segment provides design and implementation of IT application solution and procurement of third party hardware and software. The revenue generated from this segment during Interim 2016 amounted to approximately HK\$74.4 million, representing approximately 32% of the total revenue for Interim 2016. The revenue derived from this segment decreased by approximately 26% from approximately HK\$100.7 million for Interim 2015 to approximately HK\$74.4 million for Interim 2016. The decrease was primarily due to a drop in revenue recognised from the Group’s largest IT project in progress following the substantial completion of the direct procurement of hardware and software for the project during the year ended 31 March 2016.

Provision of IT infrastructure solutions

This segment provides IT infrastructure solutions services and sale of related IT hardware and software. The revenue generated from this segment accounted for approximately 52% of the total revenue for Interim 2016. The revenue from this segment increased by approximately 3% from approximately HK\$115.8 million for Interim 2015 to approximately HK\$119.1 million for Interim 2016, the increase was primarily due to the significant amount of revenue contributed by the new sales team which was set up in July 2015 with the purpose to expand the Group’s sales channel, offset by the drop in purchase orders from several significant customers as the life cycle for the products they purchased during Interim 2015 were longer than one year.

Provision of secondment services

This segment provides secondment services for a fixed period of time pursuant to secondment service agreements. The revenue generated from this segment amounted to approximately HK\$15.7 million, representing approximately 7% of the total revenue for Interim 2016. The revenue derived from this segment increased by approximately 13% from approximately HK\$13.9 million for Interim 2015 to approximately HK\$15.7 million for Interim 2016, the increase was primarily due to the increase in demand for seconded staff from clients in the financial sector.

Provision of maintenance and support services

This segment provides maintenance and support services. The revenue generated from this segment amounted to approximately HK\$21.3 million, representing approximately 9% of the total revenue for Interim 2016. The revenue derived from this segment increased by approximately 47% from approximately HK\$14.5 million for Interim 2015 to approximately HK\$21.3 million for Interim 2016, the increase was primarily due to new maintenance and support services agreements were awarded by existing customers from the IT infrastructure solutions segment and IT application and solution development segment subsequent to the completion of the relevant services in these segments during the year ended 31 March 2016.

The Group continues to face various risk and uncertainties which may adversely affect its business, results and financial position. The key risks and uncertainties facing by the Group are detailed under the Report of Directors in the annual report of the Company for the year ended 31 March 2016. In order to mitigate the risks, the management of the Group would closely monitor the operations and financial position of the Group, as well as maintaining good relationship with customers and suppliers.

Looking forward, despite the increasingly challenging business environment, the Group will continue to stay prudent yet innovative, on one hand the Group will continue to focus on its traditional IT business and on the other hand, the Group will actively explore new merger, acquisition and business opportunities that will benefit the shareholders as a whole.

FINANCIAL REVIEW

Revenue

The Group's revenue for Interim 2016 amounted to approximately HK\$230.5 million, representing a decrease of approximately HK\$14.4 million or 6% compared to Interim 2015 (2015: approximately HK\$244.9 million). The decrease was mainly attributable to the decrease in revenue generated from provision of IT application and solution development services of approximately HK\$26.3 million, offset by: (i) the increase in revenue generated from provision of IT infrastructure solutions of approximately HK\$3.3 million; (ii) the increase in revenue generated from provision of maintenance and support services of approximately HK\$6.8 million; and (iii) the increase in revenue generated from provision of secondment services of approximately HK\$1.8 million.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 18% from approximately HK\$39.6 million for Interim 2015 to approximately HK\$46.8 million for Interim 2016, while the gross profit margin of the Group increased from approximately 16% for Interim 2015 to approximately 20% for Interim 2016. The increase in gross profit of the Group was primarily due to the increase in gross profit generated from provision of secondment services and provision of IT maintenance and support services, which was in line with the increase in revenue generated from these segments. The increase in gross profit margin was primarily due to (i) the increase in gross profit margin for the IT application and solution development services segment resulted from the substantial completion of the direct procurement of hardware and software (which the Group adopted a competitive pricing strategy and resulted in a lower gross profit margin) for the Group's largest IT project in progress during the year ended 31 March 2016; (ii) the increase in gross profit margin for provision of secondment services following the revision of charging rate for the Group's seconded staff in order to maintain a reasonable profit margin for this segment; and (iii) the increase in gross profit margin for the maintenance and support services segment resulted from the effort of the maintenance team to improve its efficiency and resources utilisation.

Administrative expenses

The Group's administrative expenses for Interim 2016 amounted to approximately HK\$25.4 million, representing an increase of approximately HK\$4.6 million or 22% as compared to Interim 2015 (2015: approximately HK\$20.8 million). Such increase was mainly due to (i) the increase in depreciation charged for a newly acquired office premise and a car park in September 2015; (ii) the increase in professional fee in relation to corporate actions made by the Group including fee incurred for the Transfer of Listing; and (iii) the increase in marketing and promotion expenses incurred by the Group in order to expand its sales channel and maintaining its relationship with existing customers and suppliers.

Profit for the period

The Group recorded a net profit of approximately HK\$17.1 million for Interim 2016, representing an increase of approximately HK\$1.0 million or 6% as compared to Interim 2015 (2015: approximately HK\$16.1 million). The increase was mainly attributable to the increase in gross profit of approximately HK\$7.2 million as compared to Interim 2015, offset by: (i) the increase in administrative expenses of approximately HK\$4.6 million for Interim 2016; and (ii) the increase in provision for income tax of approximately HK\$1.2 million for Interim 2016 as a result of the increase in profit before taxation and the effect of the tax non-deductible professional fee incurred for Transfer of Listing.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 10 March 2015 (the “**Prospectus**”) with the Group’s actual business progress for the period from 18 March 2015 (the “**Date of Listing**”) to 30 September 2016 is set out below:

Business objectives

Actual progress up to 30 September 2016

Purchase of new office premises as well as equipping and renovating the Group’s existing office premises

As announced on 3 July 2015 and 10 September 2015 respectively, on 10 September 2015, the Company acquired an office premise and a car park in Hong Kong at the consideration of HK\$45,294,000, out of which approximately HK\$19.4 million was financed by the net proceeds from placing. The Directors consider the abovementioned acquisition represents a good investment opportunity and at the same time would save the cost for renting offices in the long run, and thus decided to utilise the entire sum of net proceeds for this business objective earlier than anticipated in the Prospectus.

Expanding the Group’s professional team and enhancing its service quality

The Company has from time to time recruited additional suitable IT talents. The Group has 280 IT staff as at 30 September 2016.

Strategic growth through merger, acquisition or business collaboration

The Company is still in the process of identifying suitable targets (including the lapsed proposed acquisition detailed in the announcements dated 14 March 2016 and 20 June 2016) and thus no proceeds have been spent in this regard.

Expansion of IT application and solution development business

The Group is monitoring the latest development of tenders regarding IT projects from time to time.

Starting a research and development team

The Group’s research and development team has been established. The Group is in the process of exploring and developing new products.

Strengthening the Group’s marketing efforts

The Group has launched additional marketing and promotional events to promote its branding in the market.

The Directors will constantly evaluate the Group’s business objectives and may change or modify plans against the changing market condition to attain sustainable business growth of the Group.

USE OF PROCEEDS

The net proceeds from placing, after deducting listing related expenses, were approximately HK\$75.5 million. These proceeds had been applied for the purposes in accordance with the future plans and use of proceeds as set out in the Prospectus.

An analysis of the utilisation of the net proceeds from the placing and the unused amount as at 30 September 2016 is set out below:

	Net proceeds from the placing HK\$'000	Planned amount utilised up to 30 September 2016 HK\$'000	Actual utilised amount as at 30 September 2016 HK\$'000	Unutilised amount as at 30 September 2016 HK\$'000
Purchase of new office premises as well as equipping and renovating the Group's existing office premises	19,400	13,300	19,400	–
Expanding the Group's professional team and enhancing service quality	15,800	11,200	11,200	4,600
Strategic growth through merger, acquisition or business collaboration	15,600	1,200	–	15,600
Expansion of IT application and solution development business	9,400	–	2,000	7,400
Starting a research and development team	5,400	3,200	3,200	2,200
Strengthening the Group's marketing efforts	2,400	1,700	1,700	700

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2016, the shareholders' funds of the Group amounted to approximately HK\$164.3 million. Current assets were approximately HK\$189.7 million, mainly comprised of cash and cash equivalents of approximately HK\$24.8 million and trade and other receivables of approximately HK\$161.7 million. Current liabilities mainly comprised of trade and other payables of approximately HK\$64.9 million and tax payable of approximately HK\$5.0 million. The significant decrease in cash reserves of the Group was primarily attributable to the significant cash outflows to finance the working capital of the Group's various projects, including its largest IT project in progress, as the major payment milestone of the projects were not reached. As such, the numerous projects in progress also led to the significant increase in trade debtors and amounts due from customers for contract work included in trade and other receivables. The net asset value per share was approximately HK\$0.04. As at 31 March 2016 and 30 September 2016, the Group had no bank borrowings and the Group's gearing ratio, expressed as a percentage of bank borrowings and long-term debts over total equity, was nil. As at 30 September 2016, the current ratio of the Group, determined as a ratio of current assets over current liabilities, was 2.7 times (At 31 March 2016: 2.2 times).

CAPITAL STRUCTURE

The share capital of the Group only comprises of ordinary shares.

On 4 September 2015, the Board proposed a share subdivision whereby each of the issued and unissued ordinary share with a par value of HK\$0.01 each in the share capital of the Company be subdivided into four ordinary shares with a par value of HK\$0.0025 each, such that the authorised share capital of the Company becomes HK\$100,000,000 divided into 40,000,000,000 subdivided shares of par value of HK\$0.0025 each (the "Share(s)"). The Shares rank pari passu in all respects with each other in accordance with the memorandum and articles of association of the Company. The share subdivision was approved upon the passing of the ordinary resolution by the shareholders of the Company at the extraordinary general meeting held on 2 October 2015 and became effective on 5 October 2015. There were no other changes in the capital structure of the Group since then.

As at 30 September 2016, the Company's issued share capital was HK\$10,000,000 and the number of its issued ordinary shares was 4,000,000,000 of HK\$0.0025 each.

COMMITMENTS

As at 30 September 2016, the Group had operating lease commitments in respect of rented office of approximately HK\$2,098,000 (At 31 March 2016: HK\$2,408,000).

As at 30 September 2016, the Group did not have any significant capital commitments (At 31 March 2016: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the announcements dated 14 March 2016 and 20 June 2016 in relation to the lapsed memorandum of understanding and the business plans as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During Interim 2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

Save and except for the office premise and car park acquired as disclosed in the announcements of the Company dated 3 July 2015 and 10 September 2015, the Group did not hold any significant investments or capital assets as at 30 September 2016.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2016 (At 31 March 2016: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For the six months ended 30 September 2016, the Group was only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars and United States dollars as it conducts its business transactions principally in these currencies. As Hong Kong dollars is pegged to United States dollars, the currency exchange rate risk of the Group is considered to be immaterial, and the Group did not engage in any hedging activity.

CHARGE ON GROUP'S ASSETS

As at 30 September 2016, except for pledged bank deposits of approximately HK\$3.2 million in relation to guarantees issued by a bank in respect of the Group's projects in progress, the Group had no charges on its assets (At 31 March 2016: approximately HK\$1.2 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2016, the Group employed a total of 326 (2015: 308) full-time employees. The staff costs, including Directors' emoluments, of the Group were approximately HK\$68.4 million for the six months ended 30 September 2016 (2015: approximately HK\$58.1 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

OTHER INFORMATION

Corporate Governance Practices

The Board recognized that transparency and accountability is important to a listed company. Therefore, the Company is committed to establish and maintain good corporate governance practices and procedures. The Directors believe that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture which would benefit the Company's stakeholders as a whole.

The Company endeavours to adopt prevailing best corporate governance practices. For the six months ended 30 September 2016, the Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**"), save for the deviation from the code provision A.2.7 as explained below:

Code provision A.2.7 of the CG Code requires the chairman of the board to hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors' presence. As Mr. Yong Man Kin, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not practicable for a meeting to be held between the chairman of the Board and non-executive Directors without the executive Directors' presence.

As the shares of the Company were successfully listed on Main Board of the Stock Exchange on 12 October 2016, the Group will continue to ensure compliance with the corresponding code provisions set out in Appendix 14 to the Listing Rules.

The Directors will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

Directors' Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"). The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the Required Standard of Dealings regarding securities transactions by the Directors for the six months ended 30 September 2016.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information subsequent to the date of the 2016 Annual Report of the Company are set out below:

The monthly salary and allowance of Mr. Lee Cheong Yuen, Executive Director and Chief Executive Officer, has been adjusted to HK\$145,300.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company.

Competing Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2016.

Share Option Scheme

The Company adopted a share option scheme (the “**Scheme**”) after the shareholders of the Company approved the Scheme at the annual general meeting of the Company on 12 August 2016 (the “**Adoption Date**”). Under the terms of the Scheme, the Board may, at its discretion, grant options to eligible participants to subscribe shares of the Company.

No options were granted since the Adoption Date and up to the date of this announcement, the Company had 400,000,000 shares available for issue under the Scheme (representing 10% of the existing issued capital of the Company as at the date of this announcement).

Events after 30 September 2016

On 12 October 2016, the shares of the Company were transferred from listing on GEM to the Main Board of the Stock Exchange.

On 19 October 2016, a revolving term loan facility has been granted to the Group by a bank. The limit of the facility is HK\$30,000,000 and the facility is secured by the office premise acquired by the Group on 10 September 2015. The purpose of the facility is to finance the working capital for the Group’s IT projects in progress.

There are no other significant events after the reporting period of the Group.

Audit Committee

The Company established the audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Dr. Chan Mee Yee, Dr. Chow Kam Pui and Ms. Kam Man Yi Margaret. The chairlady of the Audit Committee is Ms. Kam Man Yi Margaret, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2016 and was of the opinion that such statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

Interests of the Compliance Adviser

As notified by RHB Capital Hong Kong Limited, neither RHB Capital Hong Kong Limited, nor any of their directors, employees and close associates had any interest in the securities of the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules for the six months ended 30 September 2016.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ico.com.hk) respectively. The interim report of the Company for the six months ended 30 September 2016 will be dispatched to the Company’s shareholders and published on the above websites.

By Order of the Board
ICO Group Limited
Yong Man Kin
Chairman and Executive Director

Hong Kong, 29 November 2016

As at the date of this announcement, the executive Directors are Mr. Lee Cheong Yuen and Mr. Yong Man Kin; the non-executive Directors are Mr. Chan Kwok Pui and Mr. Tam Kwok Wah; and the independent non-executive Directors are Dr. Chan Mee Yee, Dr. Chow Kam Pui and Ms. Kam Man Yi Margaret.