ICO Group Limited
揚科集團有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1460

ANNUAL REPORT

2016/17

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Cheong Yuen (Redesignated as *Chairman and Chief Executive Officer* on 5 April 2017)
Mr. Yong Man Kin (Resigned as *Chairman and Executive Director* on 5 April 2017)
Mr. Pang Yick Him (Appointed on 5 April 2017)

Non-executive Directors

Mr. Chan Kwok Pui
Mr. Tam Kwok Wah

Independent Non-executive Directors

Dr. Chan Mee Yee
Dr. Cheung Siu Nang Bruce (Appointed on 1 January 2017)
Dr. Chow Kam Pui (Resigned on 1 January 2017)
Ms. Kam Man Yi Margaret

COMPANY SECRETARY

Mr. Pang Yick Him, *CPA (PRACTISING), FRM*

COMPLIANCE ADVISER

RHB Capital Hong Kong Limited

AUTHORISED REPRESENTATIVES

Mr. Lee Cheong Yuen
Mr. Yong Man Kin (Resigned on 5 April 2017)
Mr. Pang Yick Him (Appointed on 5 April 2017)

AUDIT COMMITTEE

Ms. Kam Man Yi Margaret *(Chairlady of audit committee)*
Dr. Chan Mee Yee
Dr. Cheung Siu Nang Bruce (Appointed on 1 January 2017)
Dr. Chow Kam Pui (Resigned on 1 January 2017)

REMUNERATION COMMITTEE

Dr. Chan Mee Yee *(Chairlady of remuneration committee)*
Dr. Cheung Siu Nang Bruce (Appointed on 1 January 2017)
Dr. Chow Kam Pui (Resigned on 1 January 2017)
Ms. Kam Man Yi Margaret

NOMINATION COMMITTEE

Dr. Cheung Siu Nang Bruce (Appointed on 1 January 2017) *(Chairman of nomination committee)*
Dr. Chan Mee Yee
Dr. Chow Kam Pui (Resigned on 1 January 2017)
Ms. Kam Man Yi Margaret
Mr. Lee Cheong Yuen
Mr. Yong Man Kin (Resigned on 5 April 2017)
Mr. Pang Yick Him (Appointed on 5 April 2017)

AUDITORS

Crowe Horwath (HK) CPA Limited

REGISTERED OFFICE

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office A, 25th Floor
TG Place
No. 10 Shing Yip Street
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Ltd.
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

PRINCIPAL BANKERS

Citibank N.A.
DBS Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

WEBSITE ADDRESS

www.ico.com.hk

STOCK CODE

1460

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of ICO Group Limited (the "**Company**"), I am pleased to present the annual report of the Company which comprised the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2017 ("**FY2017**").

FY2017 was another milestone year for the Group as two major events had taken place during the year.

To begin with, on 12 October 2016, the Company transferred the listing of its shares from the Growth Enterprise Market to the Main Board (the "**Transfer of Listing**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Transfer of Listing reassured the Company's position as one of the leading total IT solution and services providers in Hong Kong and recognized the hard work of our team members who contributed to the success of the Group. With the enhanced reputation comes along with the Transfer of Listing, we believe the confidence of our customers and suppliers would be boosted and thus our business can prosper further with their support.

Another major event took place during FY2017 was the relocation of our head office from a rented premises in Wan Chai to an acquired premises in Kwun Tong. The acquisition of the premises is beneficial to the Group as on one hand it enabled the Group to invest in one of the fast growing commercial districts in Hong Kong and on the other hand reducing the monthly rental payment for the Group's office premises. The premises also served as a collateral for the Group's existing loan facilities, which provides the Group with extra working capital at a relatively low cost. Moreover, the new head office offers an effective and dynamic working environment for our team members so as to enhance their productivity and sense of belonging, which both are vital to our business.

Financially speaking, the consolidated profit of the Group attributable to the equity shareholders of the Company for FY2017 was HK$30.4 million, which was increased by 6% when compared with last year and was mainly attributable to our ability to meet project timetables and use our

Chairman and Chief Executive Officer Mr. Lee Cheong Yuen

CHAIRMAN'S STATEMENT

Ex-Chairman Mr. Yong Man Kin (left) and Chairman and Chief Executive Officer Mr. Lee Cheong Yuen (right) attending the listing ceremony for the Transfer of Listing

From left:
Mr. Leung Man Lun Walter (Senior Management), Mr. Ho Chak Keung (Senior Management), Mr. Lee Cheong Yuen (Chairman and Chief Executive Officer), Mr. Chan Kwok Pui (Non-executive Director) and Mr. Tam Kwok Wah (Non-executive Director) attending the grand opening of the new head office of the Group

resources efficiently. Nevertheless, with the completion of the implementation phase of our largest IT project in progress in 2017, our profitability in the coming years will be greatly dependent on the bidding success rate of new projects and our ability to expand our revenue sources. We are currently working hard on these areas and will further communicate with shareholders by appropriate means if necessary.

Looking forward, despite the increasingly competitive business environment and complicated economic conditions, the Group will continuously focus on its traditional IT business and at the same time exploring new local and overseas business opportunities as well as new merger and acquisition targets that will benefit the shareholders as a whole.

Finally, as announced on 5 April 2017, Mr. Yong Man Kin has left the Board in order to devote more time to his personal engagements, on behalf of the Group, I would like to take this opportunity to express our sincere gratitude towards his dedication and contributions over the past years and wish him all the best in the future. On behalf of the Board, I would also like to express our thanks to all shareholders, investors, business partners, suppliers, customers and staff for their continuous support and hard work.

Lee Cheong Yuen
Chairman, Chief Executive Officer and Executive Director
ICO Group Limited

Hong Kong, 30 June 2017

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the consolidated financial statements (together with the notes thereto) reproduced in the result announcement for the year ended 31 March 2017. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. The following discussions on the synopsis of historical result do not represent a prediction as to the future business operations of the Group.

SUMMARY

Established in 1992, we are an IT service provider based in Hong Kong. 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.

For FY2017, the revenue of the Group was approximately HK$487.5 million, representing a decrease of approximately 3% compared to the year ended 31 March 2016 ("**FY2016**"). Profit before taxation of the Group was approximately HK$41.6 million, representing an increase of approximately 5% compared to FY2016. Earnings before interests, tax, depreciation and amortization (EBITDA) reached approximately HK$44.0 million, representing an increase of approximately 7% compared to FY2016. Profit attributable to equity shareholders of the Company was approximately HK$30.4 million, representing an increase of approximately 6% compared to FY2016.

BUSINESS REVIEW

Provision of IT application and solution development services

This segment provides design and implementation of IT application solution services and procurement of third party hardware and software. The revenue generated from provision of IT application and solution development services amounted to approximately HK$156.7 million, representing approximately 32% of the revenue for FY2017. The revenue derived from provision of IT application and solution development services decreased by approximately 32% from HK$230.7 million for FY2016 to approximately HK$156.7 million for FY2017, the decrease was primarily attributable to the significant drop of 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 FY2016.

Provision of IT infrastructure solutions

This segment provides IT infrastructure solution services and sale of IT infrastructure solutions related hardware and software. The revenue generated from provision of IT infrastructure solutions accounted for approximately 52% of the revenue for FY2017. The revenue from provision of IT infrastructure solutions increased from approximately HK$223.3 million for FY2016 to approximately HK$255.3 million for FY2017, the increase was primarily due to the significant amount of revenue generated from the construction, transportation and communication sectors as a result of the Group's effort to expand its sales channel and customer portfolio by setting up a new sales team in July 2015, offset by the drop in purchase orders from several significant customers as the life cycles of the products they purchased during FY2016 were longer than one year.

Group photo of staff taken at the listing ceremony for the Transfer of Listing

MANAGEMENT DISCUSSION AND ANALYSIS

Provision of secondment services

This segment provides secondment services for a fixed period of time pursuant to the secondment service agreements. The revenue generated from provision of secondment services amounted to approximately HK$32.0 million, representing approximately 7% of the revenue for FY2017. The revenue derived from provision of secondment services increased by approximately 39% from approximately HK$23.1 million for FY2016 to approximately HK$32.0 million for FY2017, the increase was primarily due to (i) the increase in demand for seconded staff from one of the Group's major secondment customers and (ii) the Group was awarded a new secondment contract from the financial sector during FY2017.

Provision of maintenance and support services

This segment provides maintenance and support services. The revenue generated from provision of maintenance and support services amounted to approximately HK$43.5 million, representing approximately 9% of the revenue for FY2017. The revenue derived from provision of maintenance and support services increased by approximately 55% from HK$28.0 million for FY2016 to HK$43.5 million for FY2017, the increase was primarily due to a number of new maintenance and support services agreements were awarded by customers of other segments following the completion of relevant services and for the maintenance of the customers' existing IT products.

From left:
Mr. Chan Kwok Pui (Non-executive Director), Mr. Yong Man Kin (Ex-Chairman), Mr. Lee Cheong Yuen (Chairman and Chief Executive Officer), Mr. Tam Kwok Wah (Non-executive Director) attending the celebration dinner for the Transfer of Listing

FINANCIAL REVIEW

Revenue

The Group's revenue for FY2017 amounted to approximately HK$487.5 million, representing a decrease of approximately HK$17.6 million or 3% compared to FY2016 (2016: approximately HK$505.1 million). The decrease was mainly attributable to the decrease in revenue generated from provision of IT application and solution development services of approximately HK$74.0 million, offset by (i) the increase in revenue generated from provision of IT infrastructure solutions of approximately HK$32.0 million; (ii) the increase in revenue generated from provision of secondment services of approximately HK$8.9 million; and (iii) the increase in revenue generated from provision of maintenance and support services of approximately HK$15.5 million.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 12% from approximately HK$85.9 million for FY2016 to approximately HK$96.2 million for FY2017, while the gross profit margin of the Group increased from approximately 17% for FY2016 to approximately 20% for FY2017. The increase in gross profit was mainly the combined effects of the increase in gross profit generated from provision of IT infrastructure solutions, provision of secondment services and provision of maintenance and support services of approximately HK$12.0 million, HK$4.2 million and HK$6.3 million respectively; offset by the decrease in gross profit generated from provision of IT application and solution development services of approximately HK$12.3 million. The increase or decrease in gross profit generated from individual segments were in line with the respective increase or decrease of revenue generated from these segments. On the other hand, the increase in gross profit margin of the Group was mainly the combined effects of (i) the increase in gross profit margin for the IT application and solution development services segment from 23% to 26% following 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 FY2016; (ii) the increase in gross profit margin for the IT infrastructure solutions segment and maintenance and support services segment from approximately 8% and 34% to 12% and 36% respectively resulted from the effort of our team members to improve its efficiency and resources utilisation; and (iii) the increase in gross profit margin for provision of secondment services from approximately 20% to approximately 27% following the revision of charging rate for the Group's seconded staff in order to maintain a reasonable profit margin for this segment.

Administrative expenses

The Group's administrative expenses for FY2017 amounted to approximately HK$55.2 million, representing an increase by approximately HK$7.7 million or 16% as compared to FY2016 (2016: approximately HK$47.5 million). Such increase was primarily attributable to the combined effect of: (i) the increase in administrative staff costs of approximately HK$3.0 million due to the manpower involved in presales activities and research and development in order to facilitate the Group to look for new business opportunities and enhance service quality; (ii) the increase in sales commission paid to sales staff of the Group by approximately HK$0.4 million which was in line with the increase in gross profit of the Group; (iii) one-off professional fee incurred for the Transfer of Listing of approximately HK$2.1 million and (iv) the increase in depreciation charge by approximately HK$0.8 million in relation to the depreciation charged for an office premise and a car park newly acquired in September 2015.

Profit for the year

The Group recorded a net profit of approximately HK$33.9 million for FY2017 as compared to a net profit of approximately HK$33.0 million for FY2016. The increase in net profit was mainly attributable to the combined effect of: (i) the increase in gross profit of approximately HK$10.3 million as compared to FY2016; and (ii) the increase in administrative expenses of approximately HK$7.7 million as compared to FY2016; (iii) the increase in provision for income tax of approximately HK$1.1 million as compared to FY2016 as a result of the increase in profit before taxation and the effect of the tax non-deductible professional fee incurred for the Transfer of Listing; and (iv) the decrease in interest income of the Group of approximately HK$0.6 million due to decrease in cash resources available for time deposit investment as a result of the significant cash outflows to finance the working capital of the Group's various projects.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2017, the shareholders' funds of the Group amounted to approximately HK$179.5 million (2016: approximately HK$149.1 million). Current assets were approximately HK$196.6 million (2016: approximately HK$195.3 million), mainly comprised of cash reserves of approximately HK$27.4 million (2016: approximately HK$77.6 million) and trade and other receivables of approximately HK$166.0 million (2016: approximately HK$116.5 million). Current liabilities mainly comprised of trade and other payables of approximately HK$47.6 million (2016: approximately HK$87.6 million) and bank loan of approximately HK$15.5 million (2016: HK$ Nil). The significant decrease in cash reserves and increase in bank loan of the Group was primarily due to the significant cash outflows to finance the working capital of the Group's various projects prior to the reach of payment milestones or due dates of progress billings for these projects. At the same time, the cash outflows for these projects in progress also led to the significant increase in trade and other receivables which consisted of both unbilled revenue and progress billings that were not yet due for these projects. The net asset value per share attributable to equity shareholders of the Company as at 31 March 2017 was approximately HK$0.045 (2016: approximately HK$0.037). The Group's gearing ratio, expressed as a percentage of bank borrowings and long-term debts over total equity, was approximately 8% (2016: Nil). As at 31 March 2017, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 3.1 times (2016: approximately 2.2 times).

CAPITAL STRUCTURE

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

There were no changes in the share capital of the Group during FY2017.

During FY2016, 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 share capital of the Group during FY2016.

As at 31 March 2017 and 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.

The Group's capital is mainly derived from bank and other loans, net proceeds from placing and profit of the Group. When managing its capital, the Group's primary objectives are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

COMMITMENTS

As at 31 March 2017, the Group had operating lease commitments in respect of rented office of approximately HK$4,485,000 (2016: HK$2,408,000).

As at 31 March 2017, the Group did not have any significant capital commitments (2016: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the prospectus of the Company dated 10 March 2015 (the "**Prospectus**") and the announcements dated 14 March 2016 and 20 June 2016 in relation to the lapsed memorandum of understanding, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During FY2017 and FY2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

The Group did not hold any significant investments nor made any significant acquisition of capital assets during FY2017.

During FY2016, on 3 July 2015, ICO Group Holdings Limited (as purchaser), an indirectly wholly-owned subsidiary of the Company entered into provisional agreements with Earn Power Development Limited (as vendor) for the purchases of an office premise and a carpark in Hong Kong at a total consideration of HK$45,294,000 (the "**Acquisition**").

The Directors consider that the Acquisition represents a good investment opportunity and at the same time would save the cost for renting office in the long run. The Board considers that the Acquisition is in line with the Group's business objectives as set out in the Prospectus. On 10 September 2015, the said Acquisition had been completed.

For details, please refer to the announcements of the Company dated 3 July 2015 and 10 September 2015.

Save and except for disclosed above, the Group did not hold any significant investments nor made any significant acquisition of capital assets during FY2016.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2017 (2016: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For FY2017 and FY2016, 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 as it conducts its business transactions principally in this currency. The currency exchange rate risk of the Group is therefore considered to be immaterial, and the Group did not engage in any hedging activity.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2017, except for the pledged bank deposit of approximately HK$3.2 million in relation to guarantees issued by a bank in respect of the Group's projects in progress and property, plant and equipment with net book value of approximately HK$44.4 million pledged to a bank for a revolving term loan facility of HK$30.0 million used to finance the working capital of the Group, the Group had no charges on the Group's assets.

As at 31 March 2016, except for the pledged bank deposit of approximately HK$1.2 million in relation to a guarantee issued by a bank in respect of one of the Group's projects in progress, the Group had no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group employed a total of 323 full-time employees (2016: 331). The staff costs, including Directors' emoluments, of the Group were approximately HK$139.3 million for FY2017 (2016: approximately HK$124.9 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from 18 March 2015 (the "**Date of Listing**") to 31 March 2017 is set out below:

Business objectives	Actual progress
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, the Company acquired an office premise and a car park in Hong Kong at the consideration of approximately HK$45.3 million, 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 allocated 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's IT staff has decreased from 285 as at 31 March 2016 to 273 as at 31 March 2017 due to normal staff turnover.
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 of the Company dated 14 March 2016 and 20 June 2016) and thus no proceeds have been spent in this regard.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives	Actual progress
Expansion of IT application and solution development business	As at 31 March 2017, approximately HK$3.2 million of the net proceeds from placing was pledged to a bank for performance guarantees issued by the bank in respect of IT application and solution development projects in progress. The Group is still monitoring the latest development of tenders regarding IT projects from time to time. Accordingly, portion of the allocated net proceeds for this business objective is still not yet utilised.
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 various 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 placing and the unused amount as at 31 March 2017 is set out below:

	Net proceeds from placing HK$'000	Planned amount utilised up to 31 March 2017 HK$'000	Actual utilised amount as at 31 March 2017 HK$'000	Unutilised amount as at 31 March 2017 HK$'000
Purchase of new office premises as well as equipping and renovating the Group's existing office premises	19,400	19,400	19,400	–
Expanding the Group's professional team and enhancing service quality	15,800	15,800	15,800	–
Strategic growth through merger, acquisition or business collaboration	15,600	15,600	–	15,600
Expansion of IT application and solution development business	9,400	–	3,197	6,203
Starting a research and development team	5,400	5,400	5,400	–
Strengthening the Group's marketing efforts	2,400	2,400	2,400	–

CORPORATE GOVERNANCE REPORT

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 Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Directors of the Company 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.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31 March 2017, except where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the Model Code throughout the year ended 31 March 2017.

BOARD OF DIRECTORS

As at 31 March 2017, the Board comprised two executive directors, two non-executive directors and three independent non-executive directors. The composition of the Board during the year ended 31 March 2017 and up to the date of this report was as follows:

Executive directors:
Mr. Lee Cheong Yuen *(redesignated as Chairman and Chief Executive Officer on 5 April 2017)*
Mr. Yong Man Kin *(resigned as Chairman and Executive Director on 5 April 2017)*
Mr. Pang Yick Him *(appointed on 5 April 2017)*

Non-executive directors:
Mr. Chan Kwok Pui
Mr. Tam Kwok Wah

Independent non-executive directors:
Dr. Chan Mee Yee
Dr. Cheung Siu Nang Bruce *(appointed on 1 January 2017)*
Dr. Chow Kam Pui *(resigned on 1 January 2017)*
Ms. Kam Man Yi Margaret

RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company to discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Directors and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance, including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the audit committee, the remuneration committee and the nomination committee of the Company.

The biographical details of the Directors and other senior management are set out in the section headed "**Biographical Details of Directors and Senior Management**" on pages from 24 to 26 of this annual report.

Save as disclosed above, the other Board members have no financial, business, family or other material or relevant relationships with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code requires that the roles of chairman (the "**Chairman**") and chief executive officer (the "**Chief Executive Officer**") should be separated and not performed by the same individual. As Mr. Lee Cheong Yuen is currently the Chairman and the Chief Executive Officer, there will be a deviation from the code provision A.2.1.

The Board believes that with the support of the management, vesting the roles of both the Chairman and the Chief Executive Officer by the same person can maintain the continuity of the policies and the stability of the operations of the Company. The Board considers that the appointment of Mr. Lee Cheong Yuen as the Chairman and the Chief Executive Officer will not impair the balance of power as all major decisions are made in consultation with members of the Board and with the supervision of the three independent non-executive Directors, the interests of the shareholders of the Company will be adequately and fairly represented. Nevertheless, the Company will continue to review its operation and seek to re-comply with the code provision A.2.1 of the Code by splitting the roles of the Chairman and the Chief Executive Officer at a time when it is appropriate to increase the independence of corporate governance of the Group.

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. Lee Cheong Yuen, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not practicable.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") for the year ended 31 March 2017 and up to the date of this corporate governance report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The nomination committee of the Company reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The nomination committee of the Company has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group complied the Board Diversity Policy for the year ended 31 March 2017 and up to the date of this corporate governance report.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

Board meetings involve the active participation, either in person or through other electronic means of communication, the Directors discuss and formulate the overall strategies of the Group, monitor financial performance and discuss the annual and interim results, as well as discuss and decide on other significant matters.

The company secretary of the Company (the "**Company Secretary**") assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least three days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

All minutes of the Board meetings are recorded in detail and are properly kept by the Company Secretary, which are available for inspection at any reasonable time on reasonable notice by any Director.

CORPORATE GOVERNANCE REPORT

Participation of individual Directors at Board meetings for the year ended 31 March 2017 is as follows:

Name of Directors	Number of attendance/ number of Board meetings
Number of meetings	7
Mr. Lee Cheong Yuen	7/7
Mr. Yong Man Kin	7/7
Mr. Chan Kwok Pui	7/7
Mr. Tam Kwok Wah	7/7
Dr. Chan Mee Yee	7/7
Dr. Cheung Siu Nang Bruce *(appointed on 1 January 2017)*	1/1*
Dr. Chow Kam Pui *(resigned on 1 January 2017)*	6/6*
Ms. Kam Man Yi Margaret	7/7

* Only the meeting held during his tenure is counted

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing, reviewing and monitoring the Company's policies and practices on corporate governance, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the code of conduct applicable to employees and Directors and the Company's Compliance with the CG Code and disclosure in this report. The Board held meetings from time to time whenever necessary. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all Directors at least three days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

Minutes of every Board meeting are circulated to all Directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

Independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Director is required to inform the Company as soon as practicable if there are any changes that may affect his/her independence. The Company has received from each of the independent non-executive Director an annual confirmation of his/her independency pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

CONTINUOUS PROFESSIONAL DEVELOPMENT

To assist Directors' continuous professional development, the Company recommends Directors to participate in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board. All newly appointed Directors will receive an induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Group's business and the statutory regulatory obligations of a director of a Hong Kong listed company to ensure that the newly appointed Directors are sufficiently aware of their responsibilities and obligations under the Listing Rules and other regulatory requirements.

All Directors understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

Pursuant to the code provision A.6.5 of the CG Code, all Directors participated in continuous professional development in the following manner:

Name of Directors	Training on corporate governance, regulatory development and other relevant topics by attending seminars or reading articles and publications
Mr. Lee Cheong Yuen	✓
Mr. Yong Man Kin	✓
Mr. Chan Kwok Pui	✓
Mr. Tam Kwok Wah	✓
Dr. Chan Mee Yee	✓
Dr. Cheung Siu Nang Bruce *(appointed on 1 January 2017)*	✓
Dr. Chow Kam Pui *(resigned on 1 January 2017)*	✓
Ms. Kam Man Yi Margaret	✓

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three board committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**"), with written terms of reference which are available on the Company's website and the Stock Exchange's website.

The attendance record of each member of the Audit Committee, the Nomination Committee and the Remuneration Committee for the year ended 31 March 2017 is as follows:

Name of Directors	Number of attendance/number of meetings Audit Committee	 Remuneration Committee	 Nomination Committee
Number of meetings	3	2	2
Mr. Lee Cheong Yuen	N/A	N/A	2/2
Mr. Yong Man Kin	N/A	N/A	2/2
Dr. Chan Mee Yee	3/3	2/2	2/2
Dr. Cheung Siu Nang Bruce *(appointed on 1 January 2017)**	0/0	1/1	0/0
Dr. Chow Kam Pui *(resigned on 1 January 2017)**	3/3	1/1	2/2
Ms. Kam Man Yi Margaret	3/3	2/2	2/2

* Only the meeting held during his tenure is counted

AUDIT COMMITTEE

The Company has established 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 Company's website and the Stock Exchange's website.

The Audit Committee currently consists of three independent non-executive Directors namely Dr. Chan Mee Yee, Dr. Cheung Siu Nang Bruce 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 is mainly responsible for the followings:

(a) to consider the appointment of the external auditors, the performance of the external auditors, the audit fee, and any questions of resignation or dismissal;

(b) to review with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls), risk management system and any statement by the Directors to be included in the annual accounts prior to endorsement by the Board;

(c) to have familiarity with the financial reporting principles and practices applied by the Group in preparing its financial statements;

(d) to review the scope of the external audit, including the engagement letter prior to audit commencement. The Audit Committee should understand the factors considered by the external auditors in determining their audit scope. The external audit fees are to be negotiated by management, and presented to the Audit Committee for review and approval annually;

(e) to review the annual and interim financial reports prior to approval by the Board, with particular focus on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumption and any qualifications;

  (v) compliance with accounting and auditing standards, and

  (vi) compliance with the listing requirements of the Stock Exchange and legal requirements;

For the year ended 31 March 2017, the Audit Committee held three meetings to consider and approve the following:

(a) to review the quarterly, interim and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Group;

(b) to discuss the effectiveness of the internal control systems throughout the Group, including financial, operational and compliance controls, and risk management;

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters; and

(d) to address the audit issues raised by the external auditors of the Group.

The audited consolidated financial statements of the Group for the year ended 31 March 2017 have been reviewed by the Audit Committee, which was of the opinion that the consolidated financial statements have been prepared in compliance with the applicable accounting standards and Listing Rules.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 March 2017.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee and is currently comprising three independent non-executive Directors, namely Dr. Chan Mee Yee, Dr. Cheung Siu Nang Bruce and Ms. Kam Man Yi Margaret. Dr. Chan Mee Yee is the chairlady of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the Stock Exchange's website.

The main roles and functions of the Remuneration Committee include the followings:

(a) establish guidelines for the recruitment of the managing director and senior management;

(b) recommend to the Board the policy and structure for the remuneration of Directors and senior management whilst ensuring no Director or any of his/her associates are involved in deciding his/her own remuneration;

(c) determine the remuneration of Directors and senior management, including benefits in kind, pension right, compensation payment (including compensation for loss of office or appointment etc). The Director and/or senior management shall be consulted respectively about their proposals relating to the remuneration of the Director and/or senior management, as the case may be;

(d) review and approve the compensation arrangements in connection with any loss or termination of their office or appointment, or dismissal or removal for misconduct to executive Directors and senior management which shall be fair and not excessive;

(e) determine the criteria for assessing employee performance, which should reflect the Company's business objectives and targets; and

(f) consider the annual performance bonus for executive Directors, senior management, and the general staff, having regard to the achievements against the performance criteria by reference to market norms, and make recommendation of the Board.

The emolument payable to Directors depends on their respective contractual terms under the service contracts and the appointment letters, and as recommended by the Remuneration Committee. Details of the Directors' emolument are set out in note 9 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established the Nomination Committee and is currently comprising two executive Directors, namely Mr. Lee Cheong Yuen and Mr. Pang Yick Him and three independent non-executive Directors, namely Dr. Chan Mee Yee, Dr. Cheung Siu Nang Bruce and Ms. Kam Man Yi Margaret. Dr. Cheung Siu Nang Bruce is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the Stock Exchange's website.

The main roles and functions of the Nomination Committee include the followings:

(a) review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy;

(b) develop and formulate relevant procedures for nomination and appointment of directors;

(c) identify and nominate qualified individuals by making reference to that person's skills, qualification and expected contribution to the Company before recommending for appointment as additional directors or to fill Board vacancies as and when they arise;

(d) make recommendations to the Board on matters relating to the appointment or reappointment of Directors and succession planning for Directors;

(e) assess the independence of independent non-executive Directors and review the independent non-executive Directors' annual confirmations on their independence; and make disclosure of its review results in the corporate governance report; and

(f) report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions not to do so.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2017, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditors, Crowe Horwath (HK) CPA Limited, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report from pages 45 to 49 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board oversees the risk management and internal control framework and has overall responsibility for the establishment, maintenance and review of the Group's risk management and internal control system to manage risks and safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimizes the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The objective of the Group's risk management framework is to provide a clear governance structure and procedures in managing risks across business operations. The Board has evaluated the risks that the Group may expose to when achieving the Group's strategic objectives and has overseen the management in the design, implementation and monitoring of the risk management procedures.

The Group has adopted risk management procedures to identify, evaluate and manage significant risks. At least on an annual basis, the Board conducts a risk assessment and continuous review to determine the status of monitoring and effectiveness of risk management of the Company. The Board also conducts annual review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented effective and adequate procedures to safeguard the Group's assets against unauthorized use or misappropriation, maintain proper accounting records, and executed with appropriate authority and compliance of the relevant laws and regulations.

The Board and the senior management of the Group adopted the following main procedures to monitor the effectiveness of the Group's risk management and internal control functions:

- Organise work meetings to determine the Group's risk appetite and the overall risk management and internal control framework;

- Establish internal control and risk management procedures to define the responsibilities of monitoring levels within the Group;

- Conduct risk identification and evaluation based on various factors and review the operational process to ensure appropriate operation workflows and controls are in place to mitigate significant risks;

- Review and monitor internal control deficiencies, if any, and ensure the delegated risk owners have taken remediation actions promptly by tracking the status of actions completion; and

- Promote the norms of internal control amongst staff and enhance staff awareness of the importance and necessity of internal control system.

The Group also has internal guidelines in place to ensure inside information is disseminated to the public in accordance with the applicable laws and regulations. Executive Directors and financial function of the Group are delegated with responsibilities to control and monitor the proper procedures regarding inside information disclosures. To prevent possible mishandling of inside information within the Group, access to inside information is restricted only to relevant senior personnel and other professional parties involved and they are constantly reminded to preserve confidentially of the inside information until it is publicly disclosed.

In addition to the above policies and procedures, the Group has engaged external professional service firm to perform internal audit function and conduct independent risk management and internal control review. The professional service firm reports their findings to the Board annually via face-to-face meetings and written reports that highlights key risks and action plans. Deficiencies in the design and implementation of internal controls, if any, are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis. For the year ended 31 March 2017, the professional service firm reported that there were no significant control failings or weaknesses identified and the Group's processes for financial reporting and Listing Rules compliance are effective.

AUDITOR'S REMUNERATION

The amount of fees charged by the external auditors generally depends on the scope and volume of the external auditors' work performed.

For the year ended 31 March 2017, the remuneration paid or payable to the external auditors of the Company in respect of audit services and non-audit services for the Group are as follows:

	Fees paid/payable for the services rendered HK$'000
Audit services	650
Non-audit services	250

COMPANY SECRETARY

Mr. Pang Yick Him is the Company Secretary and has taken no less than 15 hours of relevant professional training for the year ended 31 March 2017. The biographical details of Mr. Pang Yick Him are set out under the section headed "Biographical Details of Directors and Senior Management" of this annual report.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interest and rights, separate resolutions can be proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. All resolutions put forward at shareholders' meeting will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the Stock Exchange's website and the Company's website after the relevant shareholders' meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislation and regulation, in particular the Listing Rules (as amended from time to time):

(a) any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such requisition;

(b) Eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Office A, 25th Floor, TG Place, No. 10 Shing Yip Street, Kowloon, Hong Kong, or Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for the attention of the Board and/or the Company Secretary;

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM;

(e) if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "**Corporate Information**" of this annual report).

Should there are any enquiries and concerns from shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Office A, 25th Floor, TG Place, No. 10 Shing Yip Street, Kowloon, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself and its shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual and interim reports, notices, announcements and circulars, the Company's website at www.ico.com.hk and meetings with investors and shareholders. News update of the Group's business development and operation are also available on the Company's website.

For the year ended 31 March 2017, there had been no significant change in the Company's constitutional documents.

From left:
Mr. Chan Kwok Pui (Non-executive Director), Mr. Yong Man Kin (Ex-Chairman), Dr. Chan Mee Yee (Independent Non-executive Director), Ms. Kam Man Yi Margaret (Independent Non-executive Director), Mr. Lee Cheong Yuen (Chairman and Chief Executive Officer) and Mr. Tam Kwok Wah (Non-executive Director)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lee Cheong Yuen (李昌源) ("**Mr. Lee**"), aged 49, is the Chairman, Chief Executive Officer and an executive Director. Mr. Lee is also a member of the Nomination Committee. Mr. Lee founded the Group in 1992. Mr. Lee is primarily responsible for overseeing the business development, in-house operations, overall strategic planning, devising market strategies and business expansion plans of the Group. In the past years, he led the Group to successfully complete several large-scale IT application and solution development projects for major clients in the public sector, private sector, banking and finance sector and logistics sector. Mr. Lee obtained a degree of bachelor of science in computer studies from The University of Hong Kong ("**HKU**") in December 1989. He has over 20 years of experience in the IT industry. Mr. Lee is also one of the controlling shareholders of the Company.

Mr. Pang Yick Him (彭翊謙) ("**Mr. Pang**"), aged 30, is an executive Director and also a member of the Nomination Committee. Mr. Pang joined the Group in 2015. He is also the company secretary and financial controller of the Group. Mr. Pang held a bachelor degree of business administration from the Hong Kong Baptist University and had over eight years of experience in the field of accounting and auditing. Mr. Pang is a practising member of the Hong Kong Institute of Certified Public Accountants and a Certified Financial Risk Manager admitted by the Global Association of Risk Professionals. Mr. Pang is responsible for overseeing the in-house operations including accounting and financial operations, human resources activities and company secretarial functions of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Chan Kwok Pui (陳國培) ("**Mr. Chan**"), aged 60, is a non-executive Director and is responsible for advising on business opportunities for investment, development and expansion of the Group. Mr. Chan obtained a degree of bachelor of science in computer studies from HKU in December 1989. Mr. Chan has over 20 years of experience in the IT industry. Mr. Chan was a computer officer at HKU from August 1992 to August 1995. He then joined our Group in 1995. Mr. Chan is also one of the controlling shareholders of the Company.

Mr. Tam Kwok Wah (譚國華) ("**Mr. Tam**"), aged 67, is a non-executive Director and is responsible for advising on business opportunities for investment, development and expansion of our Group. Mr. Tam obtained a degree of bachelor of social sciences from HKU in November 1975. He further received a master degree of science from The University of Manchester in the United Kingdom in December 1982. Mr. Tam was an assistant professor of HKU's business school, which was the last position he held at HKU from January 1985 to June 2004. Mr. Tam is also one of the controlling shareholders of the Company.

From left:
Mr. Tam Kwok Wah (Non-executive Director), Mr. Pang Yick Him (Executive Director), Mr. Lee Cheong Yuen (Chairman and Chief Executive Officer) and Mr. Chan Kwok Pui (Non-executive Director)

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chan Mee Yee (**陳敏兒**) ("**Dr. Chan**"), aged 55, is an independent non-executive Director and is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group. Dr. Chan is also the chairlady of the Remuneration Committee, and a member of the Nomination Committee and the Audit Committee. Dr. Chan graduated from the University of California, San Diego in the United States of America with a degree of bachelor of arts majoring in computer science in June 1980 and a degree of master of science in computer science in June 1981. She further received her degree of doctor of philosophy from HKU in November 1988. In August 2003, Dr. Chan obtained a degree of bachelor of laws through distance learning from the University of London and a postgraduate certificate in laws from HKU in June 2004. Dr. Chan has also been a chartered financial analyst of The Institute of Chartered Financial Analysts since September 1998.

Dr. Cheung Siu Nang Bruce (**張少能**) ("**Dr. Cheung**"), aged 52, is an independent non-executive Director and is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group. Dr. Cheung is also the chairman of the Nomination Committee, and a member of the Remuneration Committee and the Audit Committee. Dr. Cheung obtained a degree of doctor of philosophy from HKU in January 1995. Dr. Cheung has extensive experience in IT technology and has been serving HKU SPACE as a Senior Programme Director since 1992. He is responsible for the strategic planning and development of new programmes in IT and new technologies. Currently, he is also serving as an Associate Head of the College of Life Science and Technology, HKU SPACE.

Ms. Kam Man Yi Margaret (**甘敏儀**) ("**Ms. Kam**"), aged 49, is an independent non-executive Director and is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group. Ms. Kam is also the chairlady of the Audit Committee, and a member of the Remuneration Committee and the Nomination Committee. Ms. Kam obtained a degree of bachelor of commerce from the University of Melbourne in Australia in July 1990 and a master degree of business administration through distance learning from the University of Southern Queensland in Australia in May 2008. Ms. Kam was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in September 1994. She has been a fellow member of the Hong Kong Institute of Certified Public Accountants since October 2004. Ms. Kam is a qualified accountant who possesses extensive experience in auditing and accounting, finance, treasury management and corporate compliance for various companies listed on the Stock Exchange.

Saved as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information in relation to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the date of this annual report.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Leung Man Lun Walter (**梁萬倫**) ("**Mr. Walter Leung**"), aged 55, is the managing director of ICO Technology Limited. He joined the Group in 2006 and is responsible for the overall management of ICO Technology Limited including strategic planning and sales and marketing in Hong Kong. Mr. Walter Leung has over 30 years of experience in the IT industry including data processing, programming, customer support strategic planning, sales and marketing and management of daily operations.

Mr. Ho Chak Keung (**何澤強**) ("**Mr. Ho**"), aged 48, is the general manager of ICO Technology Limited. He joined the Group in 2006 and is responsible for the daily operations and supervision of the business of ICO Technology Limited, he is also responsible for sales and marketing in Hong Kong including identifying business opportunities, generating sales leads, building relationships with our customers and building our brand awareness of the Group. Mr. Ho obtained a degree of bachelor of science in computer systems engineering from the University of Kent in the United Kingdom. He has over 20 years of IT sales and marketing experience.

From left:
Mr. Ho Chak Keung (Senior Management), Mr. Chan Kwok Pui (Non-executive Director), Mr. Yong Man Kin (Ex-Chairman), Ms. Kam Man Yi Margaret (Independent Non-executive Director), Dr. Chan Mee Yee (Independent Non-executive Director), Mr. Lee Cheong Yuen (Chairman and Chief Executive Officer), Mr. Tam Kwok Wah (Non-executive Director) and Mr. Leung Man Lun Walter (Senior Management)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the first Environmental, Social and Governance ("**ESG**") report for the Group which highlights its ESG performance with disclosure reference made to the ESG reporting principles as set out in Appendix 27 of the Listing Rules.

This ESG report covers the Group's overall performance in two subject areas, namely Environmental and Social for the business operations of all entities comprising the Group which operated in three office premises in Hong Kong during the year ended 31 March 2017. As for the information on corporate governance of the Group, please refer to the "Corporate Governance Report" on pages 11 to 23 of this annual report.

SECTION A. ENVIRONMENTAL

A1: Emissions

The Group is principally engaged in provision of IT solutions and services which does not involve in emission of significant levels of polluted air and greenhouse gas, discharge of pollutants into water and land, and generation of hazardous waste. Packaging boxes, stationaries and files are reused by staff to reduce waste.

A2: Use of Resources

Energy saving measures were introduced to reduce our carbon footprint and promote an environmental-friendly working environment. The Group encourages its staff to turn on power saving mode for computers, printers and monitors to reduce energy consumption when the machines are in idle. Lights, printers, air conditioners and power of computers are turned off when not in use. Notices are posted to remind staff to turn off water taps after use and switch off all electronic compliances by the end of the working day.

Notice posted at the Group's office premises to remind staff to save electricity

During the year ended 31 March 2017, the total energy consumption in terms of electricity is as follows:

Energy Consumption	2017
Energy consumption – electricity (kwh)	200,009
Energy consumption – electricity per floor area (kwh/m^2)	221.2392

During the year ended 31 March 2017, the total water consumption is as follows:

Water Consumption	2017
Water consumption (m^3)	39
Water consumption per floor area (m^3/m^2)	0.0431

A3: The Environmental and Natural Resources

Although our main operations do not have significant impact on the environment and natural resources, we are committed to adopt eco-friendly practices to help protecting the environment. The natural resources consumed during operations are mainly printing papers. The Group promotes reduction of paper printing and encourages the use of electronic communication instead of paper. Single-sided papers are reused as scrap papers or used for printing internal documents. Electronic leave application system is used to replace leave approval records in paper form. When there is a need to dispose used papers, the Group engages recycling service provider to collect the used papers so as to reduce damages to the environment.

Notice posted at the Group's office premises to remind staff to save papers

SECTION B. SOCIAL

B1: Employment

The Group has employment policies governing the recruitment, compensation, promotion, dismissal, leave entitlements and other benefits and welfare. Terms of employment and benefits are communicated to staff in the staff handbook. The Group is committed to create a working environment with equal opportunity and diversity. All staff are assessed based on their performance without discrimination against age, sex, pregnancy, disability, race, marital status or family status. During the year ended 31 March 2017, there was no material non-compliance with applicable legislation or regulations.

As at 31 March 2017, the staff gender and age distribution by position is as follows:

Position	No. of employees	Male	Female	Aged under 30	Aged 30 to 40	Aged 41 to 50	Aged above 50
Manager or above	52	42	10	1	11	32	8
General staff	271	212	59	115	105	37	14

Awards from management to staff with long service years

Awards from management to staff with outstanding performance

Staff turnover during the year ended 31 March 2017 is as follows:

Category	No. of employees	Male	Female	Aged under 30	Aged 30 to 40	Aged 41 to 50	Aged above 50
New staff	64	49	15	32	23	7	2
Staff turnover	72	61	11	30	30	8	4

B2: Health and Safety

As a people-oriented organization, the Group strives to provide its staff with a safe and healthy workplace. The Group offers medical protection for permanent staff. We subsidized our staff with access to fitness centers so as to encourage them to exercise and maintain a healthy lifestyle. First aid kits are available in every office location. During the relocation of our head office, professionals are hired to carry out removal of formaldehyde and air catalyst purification service to ensure good air quality. During the year ended 31 March 2017, there was no material non-compliance with applicable legislation or regulations.

B3: Development and Training

Regular trainings are provided to staff to ensure they are equipped with the appropriate and up-to-date skills to handle their job duties. The Group also sponsors staff for completing external training courses that are required for their job engagements. Team leaders are encouraged to work closely with staff to understand their needs of development. Management Recognition Awards are presented to staff annually to recognize their consistent development and contribution to the Group. To encourage its staff to further enhance their profile and skills, the Group is working on a plan to provide financial aid to eligible staff for further studies.

Certificate of appreciation awarded to staff with contribution to the Group's in-house training programmes

B4: Labour Standards

The Group strictly complies with the labour legislation in relation to prevention of child and forced labour. There is a procedure to collect and review documents for identity and age verification during recruitment. During the reporting period, there is no non-compliance of regulations in relation to prevention of child and forced labour.

B5: Supply Chain Management

The Group has maintained long term and stable relationships with major suppliers. All suppliers are evaluated carefully and are subjected to regular monitoring and assessment. During the reporting period, the Group was not aware that any key suppliers had any actions or practices that have a significant negative impact on business ethics, environmental protection, human rights and labour practices.

B6: Product Responsibility

It is the Group's policy to respect intellectual property rights and prohibit the use of infringing articles in our business. All staff are required to strictly follow the relevant laws such as Copyright Ordinance. During the reporting period, there is no material non-compliance with relevant laws and regulations.

The continuous support from customers has been one of the critical success factors of the Group, therefore the Group put strong emphasis on providing quality products and services to its customers. Customer complaints, if any, are reviewed by respective technical team members to address. If necessary, the team will also escalate complaints to management for follow-up actions.

The Group has a comprehensive security policy in place to safeguard its assets and information. The Group's security and confidentiality guideline requires its staff to comply with regulations in relation to physical security, access control security, data security, application security, network and communication, and password management.

Regarding data privacy, the Group requires its staff to follow the applicable laws such as Personal Data (Privacy) Ordinance when handling both customers' and internal personal data. Staff are required to agree to hold all confidential information in trust and confidence upon contract signing, during and after the staff's period of service. For governmental projects, the Group treats all information received from the Government as confidential and agrees to use the confidential information solely for the purposes of assignment contracts.

B7: Anti-corruption

All staff must perform duties with integrity and act with due diligence to ensure the Group's reputation is not tarnished by misconduct and corruption. The Group's code of conduct requires staff to follow the applicable legislation and regulations such as Prevention of Bribery Ordinance. Policies on solicitation of advantages, acceptance of advantages, acceptance of entertainment and offer of advantages are established to prohibit staff from committing bribery offence. For any incidents and queries on possible breach of the Group's code of conduct, an employee may inform the appropriate management in accordance with the staff handbook. During the reporting period, there was no confirmed case of corruption and non-compliance of the relevant laws and regulations.

B8: Community Investment

Over the years, the Group believes in the importance of developing young talents in the society. The Group has been working closely with different educational organisations to provide scholarships and internship opportunities to their students to support education of young generation and for them to learn real-life working skills. During the year ended 31 March 2017, the Group has also sponsored a basketball team by provide funding for their operations in order to promote sports and healthy lifestyle. In the coming years, the Group will continue to work actively on contributing the community and promoting the social responsibility culture among its staff.

Certificates of appreciation awarded to the Group for its support towards young generation development

REPORT OF DIRECTORS

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in note 14 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

A fair review of the Group's business, an indication of likely future development in the Group's business, an analysis using financial key indicators as required by Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622) can be found in the "Chairman Statement" and "Management Discussion and Analysis" section, which forms part of this Report of Directors of this annual report.

KEY RISKS AND UNCERTAINTIES FACING BY THE GROUP

The followings are part of the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

The Group may encounter cost overruns or delays in the IT application and solution development projects, which may materially and adversely affect the Group's business, financial position and results of operation

The Group generally provides IT application and solution development services on a project basis. Some IT application and solution development projects are awarded through competitive tendering process. The Group has to estimate the time and costs needed for the implementation of these IT application and solution development projects in order to determine the quotations. There is no assurance that the actual time taken and costs incurred would not exceed the estimation. The Group expects to continue bidding on fixed-price contracts, the terms of which normally require the Group to complete a project for a fixed price, increasing the possibility of exposing the Group to cost overruns and resulting in lower profits or losses in a project.

The actual time taken and cost incurred by the Group in completing IT application and solution development projects may be affected by many factors, including technical difficulties, integration with third party vendors' products, and other unforeseeable problems and circumstances. Any one of these factors can cause delays in the completion of project or cost overruns.

Most of the IT application and solution development projects are subject to specific completion schedules and some of the customers are entitled to claim liquidated damages from the Group if the Group does not meet the schedules. Liquidated damages are typically levied at an agreed rate for each day or part of a day for such delay. Failure to meet the schedule requirements of the contracts may result in a significant number of liquidated damages claims, other contract liabilities and disputes with the customers or even the termination of relevant contracts. There is no guarantee that the Group would not encounter cost overruns or delays in the current and future IT application and solution development projects. Should such problems occur, the Group's business, financial position and results of operations of the Group would be materially and adversely affected.

The Group relies on contracts with its major customers

The Group relies on contracts with its major customers, including a subcontractor contract for its largest IT application and solution development project in progress and provision of relevant maintenance and support services ("**Project A**") for a government department in Hong Kong till 2027. Revenue for the Group's top five customers accounted for approximately 57% and 39% respectively of the Group's total revenue for the year ended 31 March 2016 and 2017. It is not assured that the Group can successfully expand its customer base and secure new customers given the competitiveness of the industry in which the Group operates. Reduction in demand for services or termination of the contract by the top five customers of the Group may cause material decrease in revenue which in turn may adversely affect the Group's business, financial condition and results of operation.

Furthermore, if there is early termination, suspension, delay or postponement of Project A, the Group's revenue, gross profit and financial performance will be adversely affected. In such case, the Group may not be able to achieve a level of profit comparable to that of the past in the future. Should the early termination or material delays of Project A result in deterioration of the Group's financial performance, the liquidity, financial position, business operations and prospect of the Group will be adversely affected and investors of the Company will be exposed to high risk of investment.

The Group's contracts are project basis which creates uncertainty on future revenue streams

The Group's IT application and solution development services are conducted on a project-by-project basis which is not recurring in nature. The Group's customers may subsequently engage the Group in enhancement works or conducting upgrades for the systems developed by the Group in previous projects. The customers may also engage the Group to develop new IT systems after the retirement of outdated systems. However, there is no assurance that the customers will continue to provide the Group with new businesses after completion of the Group's projects.

After the completion of IT application and solution development projects, the Group usually provides maintenance and support services to the customers under separate agreements. The Group cannot guarantee that these maintenance and support service agreements will be renewed in the future nor can the Group guarantees that it shall be able to enter into new agreements with the customers.

The contracts are project basis which creates uncertainty on future revenue streams. In the event that the Group is unable to renew the existing agreements or secure new engagements with customers or customers substantially reduce their purchase orders, the Group's business and future revenue will likely be adversely affected.

REPORT OF DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the environmental polices and performance of the Company can be found in the "Environmental, Social and Governance Report" section, which forms part of this Director's Report of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 50 to 51 of this annual report.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

The Company is not aware of any arrangements under which a shareholder has waived or agreed to waive any dividends.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 94 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements in this annual report.

BORROWINGS

Particulars of borrowings as at 31 March 2017 are set out in note 19 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in note 21 to the consolidated financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2017.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2017, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK$78.8 million (2016: HK$79.1 million).

MAJOR CLIENTS AND SUPPLIERS

For the year ended 31 March 2017, sales to the Group's five largest customers accounted for approximately 39% of the total sales for the year and sales to the largest customer included therein amounted to approximately 15%. Purchases from the Group's five largest suppliers accounted for approximately 47% of the total cost of sales for the year and purchase from the largest supplier included therein amounted to approximately 16%.

At no time during the year have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group's success depends on the support from key stakeholders which comprise employees, customers and suppliers.

Employees

Employees are regarded as the most important and valuable assets of the Group. The Group is committed to provide its employees with a safe and healthy workplace and encourage them to have a work-life balance. The Group also ensures all employees are reasonably remunerated and regular trainings are provided for its technical staff. During the year ended 31 March 2017, the Group has not experienced any significant problems with its employees nor has experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains good relationship with its employees.

Customers

The Group has a diversified customer base with hundreds of customers across various industries, including government and statutory bodies, financial institutions and general business enterprises. The Group stays connected with its customers through various channels to obtain their feedback and suggestions. During the year ended 31 March 2017, the Group does not have any disputes with its customers and maintained good relationship with them.

Suppliers

The Group carefully selects its suppliers as the success of the Group depends on the quality of products and services obtained from them. During the year ended 31 March 2017, the Group does not have any disputes with its suppliers and maintained good relationship with them.

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**"). Summary of the Scheme as set out below:

(1) Purpose of the Scheme

The purpose of this Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, in particular, (i) to motivate and optimize their performance and efficiency of the Group; and (ii) to attract and retain or maintain ongoing business relationships with those have or will have contributions to the Group.

(2) Participants

The Board may, subject to and in accordance with the provisions of the Scheme and the Listing Rules, at their absolute discretion, invite full-time or part-time employees of the Group including any Directors, advisers, consultants, suppliers, customers and agent of the Group, who have contributed or will contribute to the Group to take up options to subscribe for such number of shares at the subscription price determined by the Board.

(3) Maximum number of shares available for subscription

(i) The maximum number of shares which may be issued upon exercise of all options to be granted at any time under the Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the relevant class of the shares in issue as at the date when the Scheme was approved and adopted by the shareholders (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) The Company may seek approval by its shareholders in general meeting for "refreshing" the Scheme Mandate Limit under the Scheme. However, the total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company under the limit as "refreshed" must not exceed 10% of the relevant class of the shares in issue as at the date of passing the relevant resolution to refresh such limit. Options previously granted under the Scheme and any other schemes (including those outstanding, cancelled, lapsed in accordance with the Scheme or any other schemes or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as "refreshed".

(iii) The Company may seek separate approval by its shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided the options in excess of the Scheme Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought. The Company must send a circular to the shareholders containing a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose, the information and the disclaimer required under the Listing Rules.

(iv) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the relevant class of the shares in issue from time to time. No options may be granted under the Scheme or any other schemes of the Company if this will result in this limit being exceeded.

(4) Maximum entitlement of each participant

(i) Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the relevant class of the shares in issue.

(ii) The Company may grant further options in excess of such limit subject to the approval of the shareholders in general meeting with such participant and his associates abstaining from voting (or his associates if the participant is a core connected person abstaining from voting).

(iii) The Company shall send a circular to the shareholders and the circular must disclose the identity of the participant, the numbers and terms of the options to be granted (and options previously granted to such participant), the information and the disclaimer required under the Listing Rules. The number and terms (including the subscription price) of options to be granted to such participant must be fixed before shareholders' approval and the date of Board meeting proposing such further grant will be taken as the offer date for the purpose of calculating the subscription price.

(5) Option Period

An option may be exercised at any time during a period to be determined and notified by the Directors to each grantee and such period shall not exceed the period of ten (10) years from the offer date.

(6) No performance target and minimum period to hold

Unless otherwise specified by the Board, a grantee is not required to achieve any performance target or to hold an option for a minimum period from the date of grant before any option granted under the Scheme can be exercised.

(7) Amount payable on acceptance of the option and the period within which payments must be made

(i) An offer of the grant of an option shall be made to participants by letter in such form as the Board may from time to time determine and shall remain open for acceptance by the participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the Scheme.

(ii) A non-refundable nominal consideration of HK$1.00 is payable by the grantee upon acceptance of an option. An option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the option duly signed by the participant together with the said consideration of HK$1.00 is received by the Company.

(8) Subscription price

The subscription price shall be determined by the Board in its absolute discretion but in any event shall be not less than the higher of (i) the closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheet) on the offer date, which must be a business day; (ii) the average closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotations sheets) for the five (5) business days immediately preceding the offer date; and (iii) the nominal value of the shares.

(9) The remaining life of the Scheme

The Scheme will remain in force for a period of ten (10) years after the Adoption Date, i.e. 12 August 2016.

No options were granted since the Adoption Date and up to the date of this report, 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 report). For further details of the Scheme, please refer to the Company's circular dated 27 June 2016.

REPORT OF DIRECTORS

DIRECTORS

The Directors during the year and up to the date of this annual report were as follows:

Executive Directors

Mr. Lee Cheong Yuen *(redesignated as Chairman and Chief Executive Officer on 5 April 2017)*
Mr. Yong Man Kin *(resigned as Chairman and Executive Director on 5 April 2017)*
Mr. Pang Yick Him *(appointed on 5 April 2017)*

Non-executive Directors

Mr. Chan Kwok Pui
Mr. Tam Kwok Wah

Independent non-executive Directors

Dr. Chan Mee Yee
Dr. Cheung Siu Nang Bruce *(appointed on 1 January 2017)*
Dr. Chow Kam Pui *(resigned on 1 January 2017)*
Ms. Kam Man Yi Margaret

Pursuant to Article 112 of the Articles, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any directors so appointed by the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

Pursuant to Article 108 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Group are set out on pages from 24 to 26 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service agreement with the Company for an initial term of three years and will continue thereafter until terminated in accordance with the terms of the agreement.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in notes 9 and 10 to the consolidated financial statements in this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 March 2017.

EMOLUMENT POLICY

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group.

MANDATORY PROVIDENT FUND RETIREMENT BENEFIT SCHEME

The Group operates a defined contribution mandatory provident fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500. Contributions to the MPF Scheme vest immediately. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

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 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 year ended 31 March 2017.

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company has undertaken to the Company in the deed of non-competition (the "**Deed of Non-Competition**") that it/he will not, and procure its/his associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes, or may compete, with the Group's business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the controlling shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group.

For the year ended 31 March 2017, the Company has received an annual written confirmation from each controlling shareholder of the Company in respect of its/his and its/his associates' compliance with the Deed of Non-Competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2017, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Lee (Notes 2 and 3)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000 (L) (Note 1)	64.5%
Mr. Chan (Notes 2 and 4)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000 (L) (Note 1)	64.5%
Mr. Yong Man Kin ("**Mr. Yong**") (Notes 2 and 5)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000 (L) (Note 1)	64.5%
Mr. Tam (Notes 2 and 6)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000 (L) (Note 1)	64.5%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

2. On 27 February 2015, our ultimate controlling shareholders, namely, Mr. Lee, Mr. Chan, Mr. Yong and Mr. Tam ("**Controlling Shareholders**"), entered into the confirmation deed to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, our ultimate Controlling Shareholders together are deemed to have controlling interest in the share capital of the Company through BIZ Cloud Limited, Cloud Gear Limited, Friends True Limited and Imagine Cloud Limited.

3. Shares in which Mr. Lee is interested consist of (i) 1,170,000,000 Shares held by BIZ Cloud Limited, a company wholly owned by Mr. Lee, and (ii) 1,410,000,000 Shares in which Mr. Lee is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan, Mr. Yong and Mr. Tam.

4. Shares in which Mr. Chan is interested consist of (i) 160,000,000 Shares held by Cloud Gear Limited, a company wholly owned by Mr. Chan, and (ii) 2,420,000,000 Shares in which Mr. Chan is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Tam.

5. Shares in which Mr. Yong is interested consist of (i) 1,125,000,000 Shares held by Friends True Limited, a company wholly owned by Mr. Yong, and (ii) 1,455,000,000 Shares in which Mr. Yong is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Chan and Mr. Tam. On 5 April 2017, Mr. Yong resigned as the Chairman and executive Director.

6. Shares in which Mr. Tam is interested consist of (i) 125,000,000 Shares held by Imagine Cloud Limited, a company wholly owned by Mr. Tam, and (ii) 2,455,000,000 Shares in which Mr. Tam is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Chan.

7. As at 31 March 2017, the Company's issued ordinary share capital was HK$10,000,000 divided into 4,000,000,000 of HK$0.0025 each.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year ended 31 March 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2017, the following parties held interests or short positions (directly or indirectly) in the Company's Shares or underlying Shares were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage of shareholding
Mr. Lee (Notes 2 and 3)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000 (L) (Note 1)	64.5%
BIZ Cloud Limited (Note 3)	Beneficial owner	2,580,000,000 (L) (Note 1)	64.5%
Ms. Saetia Ladda (Note 4)	Interest in spouse	2,580,000,000(L) (Note 1)	64.5%
Mr. Chan (Notes 2 and 5)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000(L) (Note 1)	64.5%
Cloud Gear Limited (Note 5)	Beneficial owner	2,580,000,000 (L) (Note 1)	64.5%
Mr. Yong (Notes 2 and 6)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000 (L) (Note 1)	64.5%
Friends True Limited (Note 6)	Beneficial owner	2,580,000,000 (L) (Note 1)	64.5%
Ms. Ma Kit Ling (Note 7)	Interest in spouse	2,580,000,000 (L) (Note 1)	64.5%
Mr. Tam (Notes 2 and 8)	Interest held jointly with another person; interest of a controlled corporation	2,580,000,000 (L) (Note 1)	64.5%
Imagine Cloud Limited (Note 8)	Beneficial owner	2,580,000,000 (L) (Note 1)	64.5%
Lau Calvin Chuen Yien	Beneficial owner	259,804,000 (L)	6.5%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.

2. On 27 February 2015, our ultimate Controlling Shareholders, namely, Mr. Lee, Mr. Chan, Mr. Yong and Mr. Tam, entered into the confirmation deed to acknowledge and confirm, among other things, that they were parties acting in concert of each of the members of the Group. As such, our ultimate Controlling Shareholders together are deemed to have controlling interest in the share capital of the Company through BIZ Cloud Limited, Cloud Gear Limited, Friends True Limited and Imagine Cloud Limited.

3. Shares in which Mr. Lee is interested consist of (i) 1,170,000,000 Shares held by BIZ Cloud Limited, a company wholly owned by Mr. Lee, and (ii) 1,410,000,000 Shares in which Mr. Lee is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan, Mr. Yong and Mr. Tam.

4. Ms. Saetia Ladda is the spouse of Mr. Lee. Under the SFO, Ms. Saetia Ladda is deemed to be interested in the same number of Shares in which Mr. Lee is interested.

5. Shares in which Mr. Chan is interested consist of (i) 160,000,000 Shares held by Cloud Gear Limited, a company wholly owned by Mr. Chan, and (ii) 2,420,000,000 Shares in which Mr. Chan is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Tam.

6. Shares in which Mr. Yong is interested consist of (i) 1,125,000,000 Shares held by Friends True Limited, a company wholly owned by Mr. Yong, and (ii) 1,455,000,000 Shares in which Mr. Yong is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Chan and Mr. Tam.

7. Ms. Ma Kit Ling is the spouse of Mr. Yong. Under the SFO, Ms. Ma Kit Ling is deemed to be interested in the Shares in which Mr. Yong is interested.

8. Shares in which Mr. Tam is interested consist of (i) 125,000,000 Shares held by Imagine Cloud Limited, a company wholly owned by Mr. Tam, and (ii) 2,455,000,000 Shares in which Mr. Tam is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Chan.

9. As at 31 March 2017, the Company's issued ordinary share capital was HK$10,000,000 divided into 4,000,000,000 of HK$0.0025 each.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 March 2017 which required to be recorded pursuant to Section 336 of SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 March 2017 are set out in note 24 to the consolidated financial statements. None of these related party transactions constitute connected transactions or continuing connected transactions as defined under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the Listing Rules.

PRE-EMPTIVE RIGHTS

There is no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

REPORT OF DIRECTORS

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the share option scheme, no equity-linked agreements were entered into during the year ended 31 March 2017 or subsisted as at 31 March 2017.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the reporting period. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors.

EVENTS AFTER THE REPORTING PERIOD

On 5 April 2017, Mr. Yong Man Kin resigned as the Chairman and executive Director. Mr. Lee Cheong Yuen was appointed as the Chairman and Mr. Pang Yick Him was appointed as an executive Director. For details, please refer to the announcement of the Company dated 5 April 2017.

On 7 April 2017 and 28 April 2017, the controlling shareholders of the Company disposed a total of 150,000,000 shares of the Company. For details, please refer to the announcements of the Company dated 7 April 2017 and 28 April 2017.

Saved as disclosed above, there are no significant events after the reporting period of the Group.

AUDITOR

Crowe Horwath (HK) CPA Limited was the reporting accountants of the Group for the purpose of the listing of the Company's Shares on GEM of the Stock Exchange. Crowe Horwath (HK) CPA Limited was appointed by the Directors as the first auditor of the Company. The consolidated financial statements for the year ended 31 March 2017 have been audited by Crowe Horwath (HK) CPA Limited.

Crowe Horwath (HK) CPA Limited will retire, and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting. A resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

The Audit Committee currently consists of three independent non-executive Directors namely Dr. Chan Mee Yee, Dr. Cheung Siu Nang Bruce and Ms. Kam Man Yi Margaret (chairlady of the Audit Committee). The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 March 2017.

There have been no change in auditors of the Company in any of the preceding three years.

By order of the Board
Lee Cheong Yuen
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 June 2017

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ICO GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ICO Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 50 to 93, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of contract revenue and profit

(Refer to note 3(c) to the consolidated financial statements and the accounting policies in notes 2(i) and 2(q)(i) to the consolidated financial statements)

The Key Audit Matter	How the matter was addressed in our audit
The Group's business involves entering into contractual relationships with customers to provide a range of services, including the provision of IT application and solution development, IT infrastructure solutions, secondment services, maintenance and support services. A significant proportion of the Group's revenue and profits is derived from long term contracts, most of which are fixed price contracts. The recognition of revenue and profit on long term contracts is based on the stage of completion of work performed on a contract at the end of the reporting period. The recognition of revenue and profit for an incomplete project is dependent on estimating the total outcome of the contract as well as the work performed to date. Forecasting the outcome of a contract involves the exercise of significant management judgement. Errors in contract forecasts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. We identified the recognition of contract revenue as a key audit matter because contract revenue accounts for a significant proportion of the Group's revenue and because the recognition of contract revenue and profit involves a significant degree of management judgement in estimating the total outcome of the contracts as well as the percentage of completion of work performed.	Our audit procedures to assess the recognition of contract revenue and profit including the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the contract revenue and profit recognition processes; • on a sample basis, comparing management's estimated costs to complete selected contracts at the end of the previous financial year with actual costs incurred during the current year and enquiring of the management about any significant variances identified; and • selecting a sample of contracts and performing the following procedures for each contract selected: – inspecting key terms, including contract sum, deliverables, timetable and milestones, set out in the contract and evaluating whether these key terms had been appropriately reflected in the total estimated revenue and costs to complete under the forecasts of contract; – discussing with the project manager and financial management the performance of the contract and challenging their judgements in their estimations of total estimated contract costs and estimated costs to complete the contract where it was still in progress at the end of the reporting period by comparing their estimates with underlying documentation, including contract agreements and sub-contracts, suppliers' quotations and certifications or correspondence with sub-contractors and suppliers; – comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation; – agreeing total contract revenue to the contracted terms; – recalculating the percentage of completion based on contract costs occurred up to the end of the reporting period and estimated total contract costs; and – recalculating revenue recognised to date, based on total contract revenue and the percentage of completion.

Impairment loss for doubtful debts

(Refer to notes 3(b) and 15 to the consolidated financial statements and the accounting policies in note 2(h)(i) to the consolidated financial statements)

The Key Audit Matter	How the matter was addressed in our audit
The Group's operations gave rise to significant trade debtors and gross amounts due from customers for contract work at the end of the reporting period. As at 31 March 2017, trade debtors and gross amounts due from customers for contract work amounted to HK$92,636,000 and HK$68,892,000, which represented 37.3% and 27.8% of the Group's total assets as at that date, respectively. Trade debtors and gross amounts due from customers for contract work are reviewed by management on an individual customer basis at the end of each reporting period to determine whether there is objective evidence of impairment. These evaluations focus on the ageing of amounts due, the customer's past history of making payments when due and current ability to pay and also take into account information specific to the customers as well as pertaining to economic environment in which the customers operate. We identified assessing the impairment loss for doubtful debts as a key audit matter because of the significance of the balances of trade debtors and gross amounts due from customers for contract work to the consolidated financial statements and because of the significant management judgement required in estimating the impairment loss for doubtful debts at the end of the reporting period, which can be inherently uncertain.	Our audit procedures to assess the impairment loss for doubtful debts included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and recognising the impairment loss for doubtful debts; • comparing, on a sample basis, the categorisation of trade debtors and gross amounts due from customers for contract work in the ageing report with invoices issued, contract terms, contract progress reports and other relevant underlying documentation; • inquiring of management about the recoverability of individual balances and evaluating, on a sample basis, the impairment loss for doubtful debts made by management for these individual balances, if any, with reference to the customer's financial condition, the ageing of overdue balances and historical and post year-end payment records; • assessing the historical accuracy of management's processes for estimating the impairment loss for doubtful debts by comparing the utilisation, write-offs and new impairment loss made in the current year with the balances of trade debtors and gross amounts due from customers for contract work as at the end of the previous reporting period; and • inspecting cash receipts, on a sample basis, from customers subsequent to the end of the reporting period relating to trade debtors and gross amounts due from customers for contract work as at 31 March 2017.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 30 June 2017

Yau Hok Hung
Practising Certificate Number P04911

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	4	**487,468**	505,117
Cost of sales		**(391,296)**	(419,210)
Gross profit		**96,172**	85,907
Other revenue	5	**616**	1,209
Other net income	6	**125**	4
General and administrative expenses		**(55,185)**	(47,510)
Profit from operations		**41,728**	39,610
Finance costs	7(a)	**(136)**	(3)
Profit before taxation	7	**41,592**	39,607
Income tax	8	**(7,684)**	(6,630)
Profit for the year		**33,908**	32,977
Attributable to:			
Equity shareholders of the Company		**30,445**	28,817
Non-controlling interests		**3,463**	4,160
Profit for the year		**33,908**	32,977
Earnings per share	11		
Basic and diluted (HK cents per share)		**0.76**	0.72

The notes on pages 56 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	**33,908**	32,977
Other comprehensive (loss)/income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	**(5)**	216
Total comprehensive income for the year	**33,903**	33,193
Attributable to:		
Equity shareholders of the Company	**30,440**	29,033
Non-controlling interests	**3,463**	4,160
Total comprehensive income for the year	**33,903**	33,193

The notes on pages 56 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2017 HK$'000	31 March 2016 HK$'000
Non-current assets			
Property, plant and equipment	12	**51,302**	49,227
Intangible assets	13	**395**	62
		51,697	49,289
Current assets			
Trade and other receivables	15	**165,953**	116,502
Pledged bank deposits	16	**3,197**	1,198
Bank deposits with maturity over three months at acquisition		**–**	30,163
Cash and cash equivalents	17	**27,403**	47,391
		196,553	195,254
Current liabilities			
Trade and other payables	18	**(47,595)**	(87,606)
Bank loan	19	**(15,500)**	–
Current taxation	20(a)	**(968)**	(773)
		(64,063)	(88,379)
Net current assets		**132,490**	106,875
Total assets less current liabilities		**184,187**	156,164
Non-current liabilities			
Deferred tax liabilities	20(b)	**(161)**	(161)
Net assets		**184,026**	156,003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2017 HK$'000	31 March 2016 HK$'000
Capital and reserves			
Share capital	21(b)	10,000	10,000
Reserves		169,526	139,086
Total equity attributable to equity shareholders of the Company		179,526	149,086
Non-controlling interests		4,500	6,917
Total equity		184,026	156,003

The financial statements on pages 50 to 93 were approved and authorised for issue by the board of directors on 30 June 2017 and were signed on its behalf by:

Lee Cheong Yuen
Chairman, Chief executive officer and executive director

Pang Yick Him
Executive director

The notes on pages 56 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to equity shareholders of the Company						
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'000
Balance at 1 April 2015	10,000	78,785	(262)	31,530	120,053	5,011	125,064
Changes in equity for 2015/16:							
Profit for the year	–	–	–	28,817	28,817	4,160	32,977
Other comprehensive income for the year							
– Exchange differences on translation of financial statements of overseas subsidiary	–	–	216	–	216	–	216
Total comprehensive income for the year	–	–	216	28,817	29,033	4,160	33,193
Interim dividend declared to non-controlling shareholders in respect of the current year	–	–	–	–	–	(2,254)	(2,254)
Balance at 31 March 2016 and 1 April 2016	10,000	78,785	(46)	60,347	149,086	6,917	156,003
Changes in equity for 2016/17:							
Profit for the year	–	–	–	30,445	30,445	3,463	33,908
Other comprehensive loss for the year							
– Exchange differences on translation of financial statements of overseas subsidiary	–	–	(5)	–	(5)	–	(5)
Total comprehensive income for the year	–	–	(5)	30,445	30,440	3,463	33,903
Interim dividend declared to non-controlling shareholders in respect of the current year	–	–	–	–	–	(5,880)	(5,880)
Balance at 31 March 2017	10,000	78,785	(51)	90,792	179,526	4,500	184,026

The notes on pages 56 to 93 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Operating activities			
Profit before taxation		**41,592**	39,607
Adjustments for:			
Depreciation and amortisation		**2,271**	1,439
Interest income		**(48)**	(650)
Finance costs		**136**	3
Net foreign exchange differences		**3**	222
		43,954	40,621
Changes in working capital:			
Increase in trade and other receivables		**(49,456)**	(45,339)
(Decrease)/increase in trade and other payables		**(40,011)**	2,325
Cash used in operations		**(45,513)**	(2,393)
Income tax paid		**(7,489)**	(10,562)
Net cash used in operating activities		**(53,002)**	(12,955)
Investing activities			
Payment for purchase of property, plant and equipment		**(4,250)**	(49,327)
Payment for purchase of intangible assets		**(432)**	–
Increase in pledged bank deposits		**(1,999)**	(1,198)
Release/(placement) of bank deposits with maturity over three months at acquisition		**30,163**	(30,163)
Interest received		**48**	650
Net cash generated from/(used in) investing activities		**23,530**	(80,038)
Financing activities			
Proceeds from bank loans		**50,085**	–
Repayment of bank loans		**(34,585)**	–
Capital element of finance lease rentals paid		**–**	(149)
Interest element of finance lease rentals paid		**–**	(2)
Interest on bank borrowings paid		**(136)**	–
Other borrowing costs paid		**–**	(1)
Dividend paid to non-controlling shareholders		**(5,880)**	(2,254)
Net cash generated from/(used in) financing activities		**9,484**	(2,406)
Net decrease in cash and cash equivalents		**(19,988)**	(95,399)
Cash and cash equivalents at the beginning of the year		**47,391**	142,790
Cash and cash equivalents at the end of the year	17	**27,403**	47,391

The notes on pages 56 to 93 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. GENERAL INFORMATION

ICO Group Limited (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. The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in the businesses of IT application and solution development, IT infrastructure solutions, secondment services and maintenance and support services.

Pursuant to a group reorganisation (the "**Reorganisation**") which was completed on 27 February 2015 to rationalise the group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), the Company became the holding company of the subsidiaries now comprising the Group. The Company's shares were listed on the GEM of the Stock Exchange on 18 March 2015 and subsequently transferred the listing of the Company's shares to the Main Board of the Stock Exchange on 12 October 2016 (the "**Transfer of Listing**").

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("**the Listing Rules**"). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2017 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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. 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with notes 2(l) or (m) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(h)):

- Land classified as being held under finance lease and buildings thereon (see note 2(g)); and

- Other items of plant and equipment

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

- Leasehold land classified as held under finance leases is depreciated over the unexpired term of lease.
- Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives.

– Leasehold improvements	5 years
– Computer equipment	4 years
– Furniture and other office equipment	4–5 years
– Motor vehicles	4 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(s)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(h)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The acquired computer software with finite useful lives is amortised from the date they are available for use and their estimated useful lives of 4 years.

Both the period and method of amortisation are reviewed annually.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are recognised in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(h)(ii). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets; and
- investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior reporting periods. Reversals of impairment losses are credited to profit or loss in the reporting period in which the reversals are recognised.

(i) Project contracts in progress

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 2(q)(i)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as "Gross amounts due from customers for contract work" (as part of trade and other receivables) in the statement of financial position for all contracts in which costs incurred plus recognised profits less recognised losses exceed progress billings. If progress billings exceed costs incurred plus recognised profits less recognised losses, then the difference is presented as "Gross amounts due to customers for contract work" (as part of trade and other payables) in the statement of financial position.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Employee benefits

(i) Short term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Retirement benefits

Retirement benefits are provided by the Group under the Mandatory Provident Fund Scheme as defined contribution scheme. The employer's monthly contributions to the scheme are at a maximum of 5% of each employee's monthly salary, subject to a cap of monthly relevant income of HK$30,000.

The entities within the Group in the PRC participate in defined contribution retirement benefit plans organized by relevant government authorities for its employees in the PRC and contribute to these plans based on certain percentage of the salaries of the employees on a monthly basis, up to a maximum fixed monetary amount, as stipulated by the relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans.

The cost of all these schemes is charged to profit or loss of the Group for the reporting period concerned and the assets of all these schemes are held separately from those of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the reporting period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the asset and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenue from design and implementation of IT application solution services

When the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (Continued)

(ii) Revenue from sales of goods

Revenue from sales of goods is recognised when goods are delivered at customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue is after deduction of any trade discounts.

(iii) Revenue from secondment and maintenance services

Revenue arising from the provision of secondment and maintenance services is recognised when the services are rendered.

(iv) Revenue from other services

Revenue from rendering of services is recognised when the services are rendered.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The assets and liabilities of foreign operations are translated to Hong Kong dollars at the closing foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to Hong Kong dollars at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management (i.e. chief operating decision maker), the board of directors, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

(a) Impairment for property, plant and equipment and intangible assets

If circumstances indicate that the carrying amounts of property, plant and equipment and intangible assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 2(h)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgment relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods, where applicable.

(b) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases its estimates on the assessment of recoverability of individual receivable balance, customer credit-worthiness and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated and could significantly affect the result in future periods.

(c) Revenue recognition

As explained in notes 2(i) and 2(q)(i), revenue recognition on an uncompleted project is dependent on management's estimation of the total outcome of the service contract, as well as the work done to date. Based on the Group's recent experience and the nature of the services activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the gross amounts due from and due to customers for contract work as disclosed in note 15 and note 18, respectively, will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total costs or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in the future periods as an adjustment to the amounts recorded to date.

The Group reviews and revises the estimates of contract revenue and contract costs prepared for each service contract as the contract progresses. Budgeted contract costs are prepared by the management based on their experiences. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted contract costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue and contract costs which may have an impact on percentage of completion of the service contracts and the corresponding profit taken.

Management base their judgements of contract costs and revenues on the latest available information. In some cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. The impact of the changes in accounting estimates is then reflected in the ongoing results.

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:

	2017 HK$'000	2016 HK$'000
IT application and solution development		
– IT application solution services	80,804	77,648
– Procurement of third party hardware and software	75,908	153,076
	156,712	230,724
IT infrastructure solutions		
– IT infrastructure solution services	18,944	10,990
– Procurement of third party hardware and software	236,330	212,303
	255,274	223,293
Secondment services	32,008	23,094
Maintenance and support services	43,474	28,006
	487,468	505,117

Information about major customers

Revenues from customers contributing over 10% of the total revenue of the Group during the year are as follows:

	2017 HK$'000	2016 HK$'000
Customer A[1]	74,839	196,813

[1] Revenue from IT application and solution development.

Details of concentrations of credit risk arising from these customers are set out in note 22(a).

Further details regarding the Group's principal activities are discussed below.

4. REVENUE AND SEGMENT REPORTING

(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 year. 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.

4. REVENUE AND SEGMENT REPORTING

(b) Segment reporting (Continued)

(i) Segment results, assets and liabilities (Continued)

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 years ended 31 March 2017 and 2016 is set out below.

	Year ended 31 March 2017				
	IT application and solution development HK$'000	IT infrastructure solutions HK$'000	Secondment services HK$'000	Maintenance and support service HK$'000	Total HK$'000
Revenue from external customers and reportable segment revenue	**156,712**	**255,274**	**32,008**	**43,474**	**487,468**
Reportable segment gross profit	**40,982**	**30,676**	**8,760**	**15,754**	**96,172**

	Year ended 31 March 2016				
	IT application and solution development HK$'000	IT infrastructure solutions HK$'000	Secondment services HK$'000	Maintenance and support service HK$'000	Total HK$'000
Revenue from external customers and reportable segment revenue	230,724	223,293	23,094	28,006	505,117
Reportable segment gross profit	53,266	18,671	4,525	9,445	85,907

4. REVENUE AND SEGMENT REPORTING

(b) Segment reporting (Continued)

(ii) Geographic information

The following table sets 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 years ended 31 March 2017 and 2016 and the Group's specified non-current assets as at 31 March 2017 and 2016 is set out below:

	Revenue from external customers		Specified non-current assets	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong (place of domicile)	**487,468**	505,117	**51,658**	49,248
The PRC	**–**	–	**39**	41
	487,468	505,117	**51,697**	49,289

5. OTHER REVENUE

	2017	2016
	HK$'000	HK$'000
Bank interest income	**48**	650
Marketing income	**565**	197
Others	**3**	362
	616	1,209

6. OTHER NET INCOME

	2017	2016
	HK$'000	HK$'000
Net foreign exchange gain	**125**	4

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2017 HK$'000	2016 HK$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank borrowings	136	1
Finance charges on obligation under a finance lease	–	2
	136	3

(b) Staff costs (including directors' remuneration)

	2017 HK$'000	2016 HK$'000
Salaries, wages and other benefits	134,600	120,639
Contributions to defined contribution retirement plan	4,661	4,219
	139,261	124,858

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. The MPF scheme is a defined contribution retirement plan administered by independent trustees. 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

	2017 HK$'000	2016 HK$'000
Cost of hardware and software sold	257,959	302,276
Amortisation of intangible assets (note 13)	99	26
Depreciation of property, plant and equipment (note 12)	2,172	1,413
Auditors' remuneration		
— audit services	650	620
— other services	250	85
Operating lease charges in respect of properties	3,620	2,829

8. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Income tax in the consolidated statement of profit or loss represents:

	2017 HK$'000	2016 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	7,684	6,630

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.

The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong is 16.5% (2016: 16.5%). The PRC's Corporate Income Tax rate is 25% (2016: 25%).

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 years ended 31 March 2017 and 2016.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2017 HK$'000	2016 HK$'000
Profit before taxation	41,592	39,607
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	6,862	6,512
Effect of non-deductible expenses	676	290
Effect of non-taxable income	(28)	(107)
Effect of unused tax losses not recognised	1	12
Effect of temporary differences not recognised	(33)	(25)
Statutory tax concession	(60)	(60)
Others	266	8
Actual tax expense	7,684	6,630

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

For the year ended 31 March 2017:

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Lee Cheong Yuen *(Chief executive officer)*	–	1,917	18	1,935
Yong Man Kin *(Chairman)* (note (iv))	–	1,805	18	1,823
Non-executive directors				
Chan Kwok Pui	180	–	9	189
Tam Kwok Wah	180	–	–	180
Independent non-executive directors				
Chan Mee Yee	150	–	8	158
Chow Kam Pui (note (i))	113	–	5	118
Kam Man Yi Margaret	150	–	8	158
Cheung Siu Nang Bruce (note (ii))	36	–	–	36
	809	3,722	66	4,597

For the year ended 31 March 2016:

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Lee Cheong Yuen *(Chief executive officer)*	–	1,809	18	1,827
Yong Man Kin *(Chairman)* (note (iv))	–	1,805	18	1,823
Non-executive directors				
Chan Kwok Pui	180	–	9	189
Tam Kwok Wah	180	–	2	182
Independent non-executive directors				
Chan Mee Yee	150	–	8	158
Chow Kam Pui (note (i))	150	–	8	158
Kam Man Yi Margaret	150	–	8	158
	810	3,614	71	4,495

Notes:

(i) Mr. Chow has resigned as the independent non-executive directors of the Company on 1 January 2017.

(ii) Mr. Cheung was appointed as the independent non-executive director of the Company on 1 January 2017. The amount for the relevant year represented the remuneration of this director from the date of appointment.

(iii) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2017 and 2016. No director waived or agreed to waive any emoluments during the years ended 31 March 2017 and 2016.

(iv) Mr. Yong resigned as the Chairman and executive Director on 5 April 2017.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining three (2016: three) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries and other emoluments	5,241	4,428
Performance bonuses	–	500
Retirement scheme contributions	54	54
	5,295	4,982

The emoluments of these three (2016: three) individuals with the highest emoluments are within the following bands:

	2017 Number of individuals	2016 Number of individuals
HK$Nil to HK$1,000,000	–	–
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	3	3

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2017 and 2016.

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$30,445,000 (2016: HK$28,817,000) and the weighted average number of 4,000,000,000 ordinary shares (2016: 4,000,000,000 ordinary shares after adjusting for the share subdivision as detailed in note 21(b)) in issue during the year.

(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 years ended 31 March 2017 and 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture and other office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 April 2015	–	336	3,413	445	480	4,674
Additions	48,524	121	616	66	–	49,327
Exchange adjustments	–	–	(12)	–	–	(12)
At 31 March 2016	48,524	457	4,017	511	480	53,989
At 1 April 2016	**48,524**	**457**	**4,017**	**511**	**480**	**53,989**
Additions	**–**	**3,426**	**528**	**296**	**–**	**4,250**
Disposals	**–**	**(110)**	**(1,471)**	**(305)**	**–**	**(1,886)**
Exchange adjustments	**–**	**–**	**(16)**	**–**	**–**	**(16)**
At 31 March 2017	**48,524**	**3,773**	**3,058**	**502**	**480**	**56,337**
Accumulated depreciation:						
At 1 April 2015	–	121	2,480	348	410	3,359
Depreciation for the year	783	64	456	40	70	1,413
Exchange adjustments	–	–	(10)	–	–	(10)
At 31 March 2016	783	185	2,926	388	480	4,762
At 1 April 2016	**783**	**185**	**2,926**	**388**	**480**	**4,762**
Depreciation for the year	**1,565**	**69**	**497**	**41**	**–**	**2,172**
Written back on disposals	**–**	**(110)**	**(1,471)**	**(305)**	**–**	**(1,886)**
Exchange adjustments	**–**	**–**	**(13)**	**–**	**–**	**(13)**
At 31 March 2017	**2,348**	**144**	**1,939**	**124**	**480**	**5,035**
Net book value:						
At 31 March 2017	**46,176**	**3,629**	**1,119**	**378**	**–**	**51,302**
At 31 March 2016	47,741	272	1,091	123	–	49,227

The analysis of net book value of properties is as follows:

	2017 HK$'000	2016 HK$'000
In Hong Kong		
– medium-term lease	**46,176**	47,741

13. INTANGIBLE ASSETS

	Acquired computer software HK$'000
Cost:	
At 1 April 2015	303
Additions	–
At 31 March 2016	303
At 1 April 2016	**303**
Additions	**432**
At 31 March 2017	**735**
Accumulated amortisation:	
At 1 April 2015	215
Charge for the year	26
At 31 March 2016	241
At 1 April 2016	**241**
Charge for the year	**99**
At 31 March 2017	**340**
Net book value:	
At 31 March 2017	**395**
At 31 March 2016	62

The amortisation charge for the year is included in "general and administrative expenses" in the consolidated statement of profit or loss.

14. INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business and kind of legal entity	Particulars of issued and paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activity
Great Talent Holdings Limited ("**Great Talent**")	The British Virgin Islands ("**BVI**"), limited liability company	100 shares of US$1 each	100%	100%	–	Investment holding
Wide Ocean Technologies Limited ("**Wide Ocean**")	BVI, limited liability company	100 shares of US$1 each	100%	100%	–	Investment holding
ICO Holdings Limited	Hong Kong, limited liability company	10,000 shares	100%	–	100%	Investment holding
ICO Group Holdings Limited	Hong Kong, limited liability company	1 share	100%	–	100%	Not yet commenced its business
ICO Investments Limited	Hong Kong, limited liability company	1 share	100%	–	100%	Not yet commenced its business
Wide Faith Management Limited	BVI, limited liability company	100 shares of US$1 each	100%	–	100%	Investment holding
Value Digital Limited	BVI, limited liability company	1 share of US$1 each	100%	–	100%	Dormant
Digital Faith International Limited	BVI, limited liability company	1 share of US$1 each	100%	–	100%	Dormant
ICO Limited	Hong Kong, limited liability company	1,000,000 shares	100%	–	100%	Provision of information technology service
ICO Technology Limited	Hong Kong, limited liability company	1,000,000 shares	51%	–	51%	Provision of information technology service
Tian Li Shi Software Development (Shenzhen) Co. Ltd. (note (i)) (天利時軟件開發(深圳)有限公司)	The People's Republic of China (the "**PRC**"), wholly-owned foreign enterprise	HK$600,000	100%	–	100%	Provision of information technology service

Note:

(i) The English translation of the name is for reference only and the official name of this entity is in Chinese.

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the information relating to ICO Technology Limited ("**ICOT**"), the only subsidiary of the Group which has material non-controlling interests ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-company elimination:

	2017 HK$'000	2016 HK$'000
NCI percentage of ICOT	**49%**	49%
Current assets	**67,964**	77,647
Non-current assets	**178**	96
Current liabilities	**(58,950)**	(63,618)
Non-current liabilities	**(9)**	(9)
Net assets attributable to owners of ICOT	**9,183**	14,116
Carrying amount of NCI	**4,500**	6,917

	2017 HK$'000	2016 HK$'000
Revenue	**334,566**	261,644
Profit for the year attributable to owners of ICOT	**7,067**	8,490
Total comprehensive income	**7,067**	8,490
Profit and total comprehensive income allocated to NCI	**3,463**	4,160
Dividend paid to NCI	**5,880**	2,254
Cash flows (used in)/generated from operating activities	**(3,183)**	16,521
Cash flows used in investing activities	**(143)**	(76)
Cash flows used in financing activities	**(12,009)**	(4,600)

15. TRADE AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade debtors	**92,636**	51,103
Gross amounts due from customers for contract work	**68,892**	63,297
Other receivables	**17**	18
Rental and other deposits	**1,786**	990
Prepayments	**2,622**	1,094
	165,953	116,502

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Ageing analysis of trade debtors

As of the end of the reporting period, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date of billing, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	69,194	31,972
1 to 3 months	15,830	12,646
Over 3 months	7,612	6,485
	92,636	51,103

Trade debtors are due within 60 days from the date of billing. Further details on the Group's credit policy are set out in note 22(a).

(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 (see note 2(h)(i)). For the years ended 31 March 2017 and 2016, 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:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	79,700	39,183
Less than 1 month past due	5,324	5,390
1 to 3 months past due	3,116	2,803
Over 3 months past due	4,496	3,727
	12,936	11,920
	92,636	51,103

Receivables that were neither past due nor impaired relate to a number of customers 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 with the Group. 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.

(d) Project contracts in progress

As at 31 March 2017, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amounts due from customers for contract work, was approximately HK$143,589,000 (2016: HK$71,311,000).

(e) Retention receivables

As at 31 March 2016, included in trade debtors are retention receivables in respect of project contract of HK$375,000. The balance was expected to be recovered within one year.

There were no retention receivables as at 31 March 2017.

16. PLEDGED BANK DEPOSITS

As at 31 March 2017, bank deposits of approximately HK$3,197,000 (2016: approximately HK$1,198,000) were pledged to a bank for performance guarantees issued by the bank in respect of projects in progress.

17. CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash on hand	105	104
Cash at banks	27,298	47,287
Cash and cash equivalents in the consolidated statements of financial position and cash flows	27,403	47,391

As at 31 March 2017, cash and cash equivalents in the amount of approximately HK$54,000 (2016: HK$57,000) are denominated in Renminbi.

18. TRADE AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade creditors	33,465	26,566
Gross amounts due to customers for contract work	432	1,062
Customers' deposits received	11,124	47,151
Other accrued expenses	2,574	12,827
	47,595	87,606

Note:

(a) **Ageing analysis of trade creditors**

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	13,996	15,098
1 to 3 months	14,161	9,931
Over 3 months	5,308	1,537
	33,465	26,566

18. TRADE AND OTHER PAYABLES (CONTINUED)

(b) Project contract in progress

As at 31 March 2017, the aggregate amount of costs incurred plus recognised profits less recognised losses to date included in the gross amounts due to customers for contract work was approximately HK$5,166,000 (2016: HK$11,257,000).

19. BANK LOAN

As at 31 March 2017, the bank loan was repayable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year or demand	15,500	–

As at 31 March 2017, the bank loan was secured as follows:

	2017 HK$'000	2016 HK$'000
Bank loan		
– secured and guaranteed	15,500	–

The effective interest rate of the bank loan is as follows:

	2017	2016
Effective interest rate:		
Bank loan	HIBOR + 1.8% per annum	–

At 31 March 2017, the bank loan of the Group was secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$44,372,000 (2016: not applicable) and corporate guarantee provided by the Company. Such bank loan facilities amounted to HK$30,000,000 (2016: not applicable). The facilities were utilised to the extent of HK$15,500,000 (2016: not applicable).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 22(b). As at 31 March 2017 none of the covenants relating to drawn down facilities had been breached (2016: not applicable).

20. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

Current taxation movement	2017 HK$'000	2016 HK$'000
At the beginning of the year	**773**	4,705
Charged to profit or loss	**7,684**	6,630
Tax paid for the year	**(7,489)**	(10,562)
At the end of the year	**968**	773

(b) Deferred tax assets and liabilities recognised:

The components of deferred tax assets and liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Depreciation allowance in excess of related depreciation	
	2017 HK$'000	2016 HK$'000
At the beginning of the year	**161**	161
Charged to profit or loss	**–**	–
At the end of the year	**161**	161

(c) Deferred tax assets and liabilities not recognised:

There were no other material unrecognised deferred tax assets and liabilities as at 31 March 2017 and 2016.

21. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital $'000	Share premium $'000	Retained profits $'000	Total $'000
Balance at 1 April 2015	10,000	78,785	(95)	88,690
Changes in equity for 2015/16:				
Profit and total comprehensive income for the year	–	–	415	415
Balance at 31 March 2016 and 1 April 2016	10,000	78,785	320	89,105
Changes in equity for 2016/17:				
Loss and total comprehensive loss for the year	–	–	(332)	(332)
Balance at 31 March 2017	10,000	78,785	(12)	88,773

21. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

Authorised and issued share capital

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.0025 each (note)	40,000,000,000	100,000
Issued and fully paid:		
At 1 April 2015	1,000,000,000	10,000
Share subdivision (note)	3,000,000,000	–
At 31 March 2016	4,000,000,000	10,000
At 31 March 2017	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.

Note: Pursuant to a resolution dated 2 October 2015, the Company subdivided one share into four ordinary shares and reduced par value from HK$0.01 each to HK$0.0025 each accordingly. The share subdivision was effective on 5 October 2015. After the share subdivision, the total number of authorised ordinary shares were increased to 40,000,000,000 shares of HK$0.0025 each and total number of issued and fully paid ordinary shares were increased to 4,000,000,000 shares of HK$0.0025 each.

(c) Nature and purpose of reserves

(i) Share premium

Share premium arose from the issue of shares at a price greater than the par value of the shares.

The share premium account is governed by the Companies Law of the Cayman Islands and may be applied by the Company subject to the provisions, if any, of its memorandum and articles of association in paying distributions or dividends to equity shareholders.

No distribution or dividend may be paid to the equity shareholders 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.

(ii) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

21. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Dividends

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2017 (2016: Nil).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by sound capital position, and makes adjustments to capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted debt-to-capital ratio. For this purpose, the Group defines adjusted debt as total debt (which includes interest-bearing loans and borrowings, obligations under finance leases, and trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents, pledged bank deposits and bank deposits with maturity over three months. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year, the Group's strategy (which was unchanged from 2016) was to maintain an adjusted debt-to-capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity owners of the Company, issue new shares, raise new debt financing or sell assets to reduce debt. As at 31 March 2017, the adjusted debt-to-capital ratio of the Group was 17.7% (2016: 5.7%).

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arise in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers and debtors requiring credit over a certain amount. These evaluations focus on the past history of making payments of the customers/debtors when due and current ability to pay, and take into account information specific to the customers/debtors as well as pertaining to the economic environment in which the customers/debtors operate. For project contracts, the Group generally requires customers to settle billings in accordance with the contracted terms, whereas for sales of goods and provision of services, the Group generally requires customers to settle billings (a) immediately after the completion of related transactions or (b) in accordance with the contracted terms. Normally, the Group does not obtain collateral from customers.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer/debtor rather than the industry or country in which the customers/debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers/debtors. As at 31 March 2017, 41% (2016: 15%) of the trade debtors was due from the Group's largest debtors; and 68% (2016: 42%) of the trade debtors was due from the Group's five largest debtors.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 15.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

All financial liabilities disclosed in the consolidated statement of financial position are required to be settled within one year or on demand and the total contractual undiscounted cash flows of these financial liabilities are not materially different from their carrying amounts as at 31 March 2017 and 2016.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loan and cash at banks. Banks loan issued at variable rates, and expose the Group to cash flow interest rate risk. Interest rate risk on cash at banks is considered immaterial and therefore has been excluded from the sensitivity analysis below. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile as monitored by the management is set out in note (i) below.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from its variable-rate bank loan. The interest rates and terms of repayment of interest-bearing bank loan of the Group are disclosed in notes 19 and 22(c)(i) to the consolidated financial statements.

i) **Interest rate profile**

The following table details the interest rate profile of the Group's borrowings at the end of each reporting period:

	2017		2016	
	Effective interest rate	**Amount HK$'000**	Effective interest rate	Amount HK$'000
Variable rate borrowings:				
Bank loan	**2.24%**	**15,500**	-	-

ii) **Sensitivity analysis**

At 31 March 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately HK$129,000 (2016: not applicable).

The sensitivity analysis above indicates the exposure to cash flow interest rate risk arising from variable-rate bank loan held by the Group at the end of the reporting period, the impact on the Group's profit after taxation and retained profits is estimated as an annualised impact on interest expense of such a change in interest rates.

(d) Foreign currency exchange risk

For presentation purposes, the Group's financial statements is shown in Hong Kong dollars (HKD), which is also the functional currency of the Company. The companies within the Group, whose functional currencies are different from Hong Kong dollars, have translated their financial statements into HKD for consolidation purpose.

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, being primarily United States dollars (USD).

As the HKD is pegged to the USD, the Company considers the risk of movements in exchange rates between the HKD and the USD to be insignificant.

In the opinion of the directors of the Company, a reasonably possible change in foreign exchange rates on the Group's financial instruments, which are denominated in a currency other than the functional currency of the entity to which they relate, is not expected to have significant impact to the Group in the near future, hence sensitivity analysis is not presented.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 March 2017 and 2016.

23. OPERATING LEASE COMMITMENTS

As at 31 March 2017 and 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**1,762**	2,408
After one year but within five years	**2,723**	–
	4,485	2,408

The Group is the lessee in respect of the Group's offices under operating leases. The leases typically run for an initial period of one to three years, with an option to renew when all terms are renegotiated. Lease payments are usually increased at the end of the lease term to reflect market rentals. None of the leases includes contingent rentals.

24. 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 as disclosed in note 9 and certain of the highest paid employees of the Group as disclosed in note 10, is as follows:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	**8,806**	8,816
Post-employment benefits	**120**	141
	8,926	8,957

Total remuneration is included in staff costs (see note 7(b)).

25. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 March 2017 HK$'000	31 March 2016 HK$'000
Non-current assets			
Investments in subsidiaries	14	1	1
		1	1
Current assets			
Amounts due from subsidiaries*		89,192	89,284
		89,192	89,284
Current liabilities			
Accrued expenses		(30)	(30)
Current taxation		(390)	(150)
		(420)	(180)
Net current assets		88,772	89,104
Net assets		88,773	89,105
Capital and reserves	21		
Share capital		10,000	10,000
Reserves		78,773	79,105
Total equity		88,773	89,105

* The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Approved and authorised for issue by the board of directors on 30 June 2017 and were signed on its behalf by Lee Cheong Yuen, Chairman, Chief executive officer and executive director, and Pang Yick Him, executive director.

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 March 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7, "Statement of Cash Flows": Disclosure initiative	1 January 2017
Amendments to HKAS 12, "Income Taxes": Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 "Financial Instruments"	1 January 2018
HKFRS 15 "Revenue from Contracts with Customers"	1 January 2018
Amendments to HKFRS 2, "Share-based Payment": Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 "Leases"	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, "Revenue", which covers revenue arising from sale of goods and rendering of services, and HKAS 11, "Construction Contracts", which specifies the accounting for revenue from construction contracts. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

The Group's revenue recognition policies are disclosed in note 2(q). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 15, Revenue from contracts with customers (continued)

(a) Timing of revenue recognition (continued)

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15 some of the Group's contract activities that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, and the Group is in the process of making an assessment of an impact of the financing benefit obtained from customers. Currently, the Group does not apply such a policy when payments are received in advance.

26. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2017 (CONTINUED)

HKFRS 16, Leases

As disclosed in note 2(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 23, at 31 March 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK$4,485,000 for office properties, the majority of which is payable either between 1 and 5 years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

27. ULTIMATE CONTROLLING PARTY

The directors regard Mr. Lee Cheong Yuen, Mr. Yong Man Kin, Mr. Chan Kwok Pui and Mr. Tam Kwok Wah through their direct shareholdings in the Company as being the ultimate controlling parties. The Company does not have any parent company.

FINANCIAL SUMMARY

For the years ended 31 March 2014, 2015, 2016 and 2017

RESULTS

	Year ended 31 March			
	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	189,984	389,268	505,117	**487,468**
Profit before taxation	2,436	30,320	39,607	**41,592**
Income tax	(1,806)	(6,116)	(6,630)	**(7,684)**
Profit for the year	630	24,204	32,977	**33,908**
(Loss)/profit attributable to:				
Equity shareholders of the Company	(1,590)	20,067	28,817	**30,445**
Non-controlling interests	2,220	4,137	4,160	**3,463**
	630	24,204	32,977	**33,908**

ASSETS AND LIABILITIES

	As at 31 March			
	2014	2015	2016	**2017**
	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	63,108	215,360	244,543	**248,250**
Total liabilities	(39,088)	(90,296)	(88,540)	**(64,224)**
Total equity	24,020	125,064	156,003	**184,026**
Non-controlling interests	(2,834)	(5,011)	(6,917)	**(4,500)**
Total equity attributable to equity shareholders of the Company	21,186	120,053	149,086	**179,526**