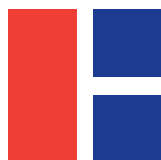


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ICO GROUP LIMITED

揚科集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1460)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

INTERIM RESULTS

The board of directors (the “**Board**”) of ICO Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2017, together with the comparative figures for the corresponding periods in 2016, respectively, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2017

		Six months ended	
		30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000
Revenue	4	198,144	230,511
Cost of sales		<u>(176,404)</u>	<u>(183,711)</u>
Gross profit		21,740	46,800
Other revenue and net income	5	15	221
General and administrative expenses		<u>(25,726)</u>	<u>(25,372)</u>

* For identification purposes only

		Six months ended	
		30 September	
		2017	2016
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
(Loss)/profit from operations		(3,971)	21,649
Finance costs	<i>6(a)</i>	<u>(301)</u>	–
(Loss)/profit before taxation	<i>6</i>	(4,272)	21,649
Income tax	<i>7</i>	<u>(614)</u>	<u>(4,580)</u>
(Loss)/profit for the period		<u>(4,886)</u>	<u>17,069</u>
Attributable to:			
Equity shareholders of the Company		(6,408)	15,058
Non-controlling interests		<u>1,522</u>	<u>2,011</u>
(Loss)/profit for the period		<u>(4,886)</u>	<u>17,069</u>
(Loss)/earnings per share	<i>9</i>		
Basic and diluted (HK cents per share)		<u>(0.16)</u>	<u>0.38</u>

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

For the six months ended 30 September 2017

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	(4,886)	17,069
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	<u>6</u>	<u>159</u>
Total comprehensive (loss)/income for the period	<u>(4,880)</u>	<u>17,228</u>
Attributable to:		
Equity shareholders of the Company	<u>(6,402)</u>	<u>15,217</u>
Non-controlling interests	<u>1,522</u>	<u>2,011</u>
Total comprehensive (loss)/income for the period	<u>(4,880)</u>	<u>17,228</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017 and 30 September 2017

	<i>Note</i>	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		51,031	51,302
Intangible assets		330	395
		51,361	51,697
Current assets			
Trade and other receivables	10	170,009	165,953
Deposit paid for a possible acquisition	11	2,700	–
Pledged bank deposits		3,197	3,197
Cash and cash equivalents		40,920	27,403
		216,826	196,553
Current liabilities			
Trade and other payables	12	(66,895)	(47,595)
Bank loan		(23,000)	(15,500)
Current taxation		(1,582)	(968)
		(91,477)	(64,063)
Net current assets		125,349	132,490
Total assets less current liabilities		176,710	184,187
Non-current liability			
Deferred tax liabilities		(161)	(161)
Net assets		176,549	184,026
Capital and reserves			
Share capital	13	10,000	10,000
Reserves		163,124	169,526
Total equity attributable to equity shareholders of the Company		173,124	179,526
Non-controlling interests		3,425	4,500
Total equity		176,549	184,026

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

Attributable to equity shareholders of the Company

	Capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
For the six months ended 30 September 2016 (Unaudited)							
Balance at 1 April 2016	10,000	78,785	(46)	60,347	149,086	6,917	156,003
Changes in equity for the six months ended 30 September 2016:							
Profit for the period	–	–	–	15,058	15,058	2,011	17,069
Other comprehensive income for the period	–	–	159	–	159	–	159
Total comprehensive income for the period	–	–	159	15,058	15,217	2,011	17,228
Interim dividend declared to the non-controlling shareholders	–	–	–	–	–	(4,900)	(4,900)
Balance at 30 September 2016	10,000	78,785	113	75,405	164,303	4,028	168,331
For the six months ended 30 September 2017 (Unaudited)							
Balance at 1 April 2017	10,000	78,785	(51)	90,792	179,526	4,500	184,026
Changes in equity for the six months ended 30 September 2017:							
(Loss)/profit for the period	–	–	–	(6,408)	(6,408)	1,522	(4,886)
Other comprehensive income for the period	–	–	6	–	6	–	6
Total comprehensive (loss)/income for the period	–	–	6	(6,408)	(6,402)	1,522	(4,880)
Interim dividend declared to the non-controlling shareholders	–	–	–	–	–	(2,597)	(2,597)
Balance at 30 September 2017	10,000	78,785	(45)	84,384	173,124	3,425	176,549

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 September 2017*

	Six months ended	
	30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash generated from/(used in) operating activities	12,998	(45,306)
Investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(1,384)	(604)
Increase in pledged bank deposits	–	(2,032)
Decrease in bank deposits with maturity over three months at acquisition	–	30,163
Deposit paid for a possible acquisition	(2,700)	–
Other cash inflows arising from investing activities	1	41
Net cash (used in)/generated from investing activities	(4,083)	27,568
Net cash generated from/(used in) financing activities	4,602	(4,900)
Net increase/(decrease) in cash and cash equivalents	13,517	(22,638)
Cash and cash equivalents at the beginning of the period	27,403	47,391
Cash and cash equivalents at the end of the period	40,920	24,753

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2017

1. GENERAL

The Company was incorporated in the Cayman Islands on 26 April 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. Its shares were initially listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 18 March 2015 and were subsequently transferred from listing on GEM to Main Board of the Stock Exchange (the “Transfer of Listing”) on 12 October 2016. The Company’s registered office address is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is Office A, 25th Floor, TG Place, No. 10 Shing Yip Street, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in the businesses of IT application and solution development, IT infrastructure solutions, secondment services and maintenance and support services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2017 have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). It was authorised for issue on 30 November 2017.

The unaudited condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2017, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2018. Details of any changes in accounting policies are set out in note 3.

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

This interim financial statements contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2017. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

3. CHANGES IN ACCOUNTING POLICIES

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
IT application and solution development	26,660	74,379
IT infrastructure solutions	129,865	119,143
Secondment services	20,968	15,690
Maintenance and support services	20,651	21,299
	<u>198,144</u>	<u>230,511</u>

(b) Segment reporting

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

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

(i) Segment results, assets and liabilities

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2017 and 2016 is set out below.

	Six months ended 30 September 2017 (Unaudited)				
	IT application and solution development <i>HK\$'000</i>	IT infrastructure solutions <i>HK\$'000</i>	Secondment services <i>HK\$'000</i>	Maintenance and support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>26,660</u>	<u>129,865</u>	<u>20,968</u>	<u>20,651</u>	<u>198,144</u>
Reportable segment gross profit	<u>767</u>	<u>11,902</u>	<u>5,746</u>	<u>3,325</u>	<u>21,740</u>
	Six months ended 30 September 2016 (Unaudited)				
	IT application and solution development <i>HK\$'000</i>	IT infrastructure solutions <i>HK\$'000</i>	Secondment services <i>HK\$'000</i>	Maintenance and support service <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>74,379</u>	<u>119,143</u>	<u>15,690</u>	<u>21,299</u>	<u>230,511</u>
Reportable segment gross profit	<u>21,891</u>	<u>11,080</u>	<u>5,115</u>	<u>8,714</u>	<u>46,800</u>

(ii) *Geographic information*

No geographical information was presented as more than 90% of the Group's revenue and assets are derived from activities in Hong Kong (place of domicile).

5. OTHER REVENUE AND NET INCOME

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	1	41
Marketing income	19	354
Net foreign exchange loss	(5)	(174)
	<u>15</u>	<u>221</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank borrowings	301	–
	<u>301</u>	<u>–</u>

(b) Staff costs (including directors' remuneration)

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other benefits	66,281	65,939
Contributions to defined contribution retirement plans	2,381	2,430
	<u>68,662</u>	<u>68,369</u>

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

(c) **Other items**

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Amortisation of intangible assets	66	34
Depreciation of property, plant and equipment	1,348	1,085
Operating lease charges in respect of properties	957	1,371

7. INCOME TAX

The taxation charged to profit or loss represents:

	Six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Hong Kong Profits Tax	614	4,580

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

The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong for the six months ended 30 September 2017 and 2016 was 16.5%. The PRC's Corporate Income Tax rate was 25% for the six months ended 30 September 2017 and 2016.

No provision for PRC Corporate Income Tax has been made as the subsidiary established in the PRC did not have assessable profits subject to PRC Corporate Income Tax during the six months ended 30 September 2017 and 2016.

8. DIVIDENDS

The directors of the Company (the "**Directors**") do not recommend the payment of any dividend for the six months ended 30 September 2017 (for the six months ended 30 September 2016: Nil).

9. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Loss attributable to equity shareholders of the Company used in the calculation of the basic loss per share for the six months ended 30 September 2017 is HK\$6,408,000.

Profit attributable to equity shareholders of the Company used in the calculation of the basic earnings per share for the six months ended 30 September 2016 was HK\$15,058,000.

The weighted average number of ordinary shares used in the calculation of the basic (loss)/earnings per share during the six months ended 30 September 2017 and 2016 is 4,000,000,000 shares, which is based on the number of shares in issue throughout the period.

(b) Diluted (loss)/earnings per share

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 September 2017 and 2016.

10. TRADE AND OTHER RECEIVABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade debtors	99,328	92,636
Gross amounts due from customers for contract work	66,728	68,892
Other receivables	17	17
Rental and other deposits	820	1,786
Prepayments	3,116	2,622
	<u>170,009</u>	<u>165,953</u>

Notes:

(A) Ageing analysis of trade debtors

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

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 1 month	73,929	69,194
1 to 3 months	16,454	15,830
Over 3 months	8,945	7,612
	<u>99,328</u>	<u>92,636</u>

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

B) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly. For the six months ended 30 September 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:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Neither past due nor impaired	83,471	79,700
Less than 1 month past due	6,913	5,324
1 to 3 months past due	5,621	3,116
Over 3 months past due	3,323	4,496
	<u>15,857</u>	<u>12,936</u>
	<u>99,328</u>	<u>92,636</u>

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

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

11. DEPOSIT PAID FOR A POSSIBLE ACQUISITION

On 7 September 2017 and 6 October 2017, the Group entered into a memorandum of understanding and a supplemental memorandum of understanding respectively for a possible acquisition of a group of companies which will undergo a building construction project and an online-to-offline wholesale marketplace project in Malaysia (together “the **CKB Project**”). HK\$2,700,000 of refundable earnest money was paid by the Group to the vendors pursuant to the memorandum of understanding and the supplemental memorandum of understanding.

12. TRADE AND OTHER PAYABLES

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Trade creditors	56,051	33,465
Gross amounts due to customers for contract work	–	432
Customers' deposits received	8,984	11,124
Other accrued expenses	1,860	2,574
	<u>66,895</u>	<u>47,595</u>

Note:

Ageing analysis of trade creditors

As at 30 September 2017 and 31 March 2017, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	30 September 2017 (Unaudited) HK\$'000	31 March 2017 (Audited) HK\$'000
Within 1 month	15,087	13,996
1 to 3 months	34,723	14,161
Over 3 months	6,241	5,308
	<u>56,051</u>	<u>33,465</u>

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
Authorised:		
As at 31 March 2017 (audited) and 30 September 2017 (unaudited) Ordinary shares of HK\$0.0025 each	<u>40,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
As at 31 March 2017 (audited) and 30 September 2017 (unaudited) Ordinary shares of HK\$0.0025 each	<u>4,000,000,000</u>	<u>10,000</u>

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

14. MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	Six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Short-term employee benefits	3,599	4,023
Post-employment benefits	54	61
	<u>3,653</u>	<u>4,084</u>

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

(b) Other related party transactions

Saved as disclosed elsewhere in the unaudited condensed consolidated financial statements, there were no other significant related party transactions and balances during the six months ended 30 September 2017 and 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 September 2017 (“**Interim 2017**”), the Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$6.4 million as compared to the profit attributable to equity shareholders of the Company of approximately HK\$15.1 million for the six months ended 30 September 2016 (“**Interim 2016**”). The loss was primarily attributable to a decrease of the Group's revenue by approximately HK\$32.4 million during Interim 2017.

Provision of IT application and solution development services

This segment provides design and implementation of IT application solution and procurement of third party hardware and software. The revenue generated from this segment during Interim 2017 amounted to approximately HK\$26.7 million, representing approximately 13% of the total revenue for Interim 2017. The revenue derived from this segment decreased by approximately 64% from approximately HK\$74.4 million for Interim 2016 to approximately HK\$26.7 million for Interim 2017. The decrease was primarily due to (i) a drop in revenue recognised from the Group's largest IT project in progress by approximately HK\$29.0 million as compared to Interim 2016 as it entered into its final implementation phase during Interim 2017 which according to the project implementation plan would contribute substantially less

revenue than past phases; and (ii) a drop in revenue recognised from a sizable IT project by HK\$16.5 million following the substantial completion of the direct procurement of hardware and software for the project during the year ended 31 March 2017.

Provision of IT infrastructure solutions

This segment provides IT infrastructure solutions services and sale of related IT hardware and software. The revenue generated from this segment accounted for approximately 66% of the total revenue for Interim 2017. The revenue from this segment increased by approximately 9% from approximately HK\$119.1 million for Interim 2016 to approximately HK\$130.0 million for Interim 2017, the increase was primarily due to the expansion the Group's sales channel in the construction and telecommunication sectors during Interim 2017.

Provision of secondment services

This segment provides secondment services for a fixed period of time pursuant to secondment service agreements. The revenue generated from this segment amounted to approximately HK\$21.0 million, representing approximately 11% of the total revenue for Interim 2017. The revenue derived from this segment increased by approximately 34% from approximately HK\$15.7 million for Interim 2016 to approximately HK\$21.0 million for Interim 2017, the increase was primarily due to (i) the Group was engaged by a new client in the financial sector as its secondment services provider since March 2017; and (ii) the increase in demand for seconded staff from one of the Group's clients in the financial sector.

Provision of maintenance and support services

This segment provides maintenance and support services. The revenue generated from this segment amounted to approximately HK\$20.7 million, representing approximately 10% of the total revenue for Interim 2017. The revenue derived from this segment decreased by approximately 3% from approximately HK\$21.3 million for Interim 2016 to approximately HK\$20.7 million for Interim 2017, the slight decrease of revenue from this segment was primarily due to the expiration of a sizable maintenance contract with a customer in the public sector during Interim 2017 offset by the new maintenance and support services agreements awarded to the Group subsequent to the completion of the relevant services in the IT infrastructure solutions segment and the IT application and solution development segment during the year ended 31 March 2017.

Prospects

The Group continues to face various risk and uncertainties which may adversely affect its business, results and financial position. The key risks and uncertainties facing by the Group are detailed under the Report of Directors in the annual report of the Company for the year ended 31 March 2017. In order to mitigate the risks, the management of the Group would closely monitor the operations and financial position of the Group, as well as maintaining good relationship with customers and suppliers.

The Group is currently going through its business cycle of bidding new tenders in order to secure future revenue streams. The profitability of the Group in the coming years will be greatly dependent

on the bidding success rate of new projects, the profitability of the maintenance contract following the completion of the Group's largest IT project in progress and the Group's ability to expand its revenue sources. Looking forward, despite the increasingly challenging business environment, the Group will continue to stay prudent yet innovative, on one hand the Group will continue to focus on its traditional IT business and on the other hand, the Group will actively explore new merger, acquisition and business opportunities that will benefit the shareholders as a whole.

FINANCIAL REVIEW

Revenue

The Group's revenue for Interim 2017 amounted to approximately HK\$198.1 million, representing a decrease of approximately HK\$32.4 million or 14% compared to Interim 2016 (2016: approximately HK\$230.5 million). The decrease was mainly attributable to the decrease in revenue generated from provision of IT application and solution development services and maintenance and support services of approximately HK\$47.7 million and HK\$0.6 million respectively, offset by: (i) the increase in revenue generated from provision of IT infrastructure solutions of approximately HK\$10.7 million; and (ii) the increase in revenue generated from provision of secondment services of approximately HK\$5.3 million.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 54% from approximately HK\$46.8 million for Interim 2016 to approximately HK\$21.7 million for Interim 2017, while the gross profit margin of the Group decreased from approximately 20% for Interim 2016 to approximately 11% for Interim 2017. The decrease in gross profit and gross profit margin of the Group was primarily due to the decrease in gross profit and gross profit margin generated from provision of IT application and solution development services and provision of IT maintenance and support services, which was due to (i) the decrease in revenue generated from these segments and (ii) while the Group was in the process of bidding new tenders in order to secure new revenue streams during Interim 2017, the Group rearranged the segments' manpower to complete existing projects on hand as well as to enhance its maintenance and support services. The gross profit margin for provision of secondment services was 27% during Interim 2017, which is consistent with the gross profit margin for provision of secondment services during the financial year ended 31 March 2017.

Administrative expenses

The Group's administrative expenses for Interim 2017 amounted to approximately HK\$25.7 million, representing a slight increase of approximately HK\$0.4 million or 1.40% as compared to Interim 2016 (2016: approximately HK\$25.4 million). Such increase was mainly due to the increase in staff cost incurred for tender bidding processes and other presale activities, offset by (i) the absence of professional fee incurred for the Transfer of Listing during Interim 2017; and (ii) the decrease of rental expenses paid by the Group following the relocation of the head office of the Group to an acquired premises in Kwun Tong.

Profit for the period

The Group recorded a net loss of approximately HK\$4.9 million for Interim 2017, as compared to a net profit of approximately HK\$17.1 million for Interim 2016. The loss was mainly attributable to the decrease in gross profit of approximately HK\$25.1 million as compared to Interim 2016, the increase in administrative expenses of approximately HK\$0.4 million for Interim 2017 and the increase in finance cost of approximately HK\$0.3 million in relation to drawdown of bank loan to finance working capital of the Group, offset by the decrease in provision for income tax of approximately HK\$4.0 million for Interim 2017 as a result of the loss before taxation incurred by the Group during Interim 2017.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as set out in the prospectus of the Company dated 10 March 2015 (the “**Prospectus**”) with the Group’s actual business progress for the period from 18 March 2015 (the “**Date of Listing**”) to 30 September 2017 is set out below:

Business objectives

Actual progress up to 30 September 2017

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

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

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

The Group from time to time recruits suitable IT talents. The Group has 267 IT staff as at 30 September 2017 as compared to 218 IT staff as at the Date of Listing.

Strategic growth through merger, acquisition or business collaboration

The Group from time to time attempts to identify suitable targets, as detailed in the announcements of the Company dated 10 November 2017 and 17 November 2017, the Group entered into a sale and purchase agreement for an acquisition to acquire 15% issued capital of INAX Technology Limited, a company principally engaged in IT infrastructure business with a focus on IT & telecommunication infrastructures and data centre industry. In addition, as detailed in the announcements of the Company dated 7 September 2017 and 6 October 2017, the Group entered into a memorandum of understanding and a supplemental memorandum of understanding for a possible acquisition of the CKB Project.

Expansion of IT application and solution development business

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

Starting a research and development team	The Group's research and development team has been established. The Group is in the process of exploring and developing new products.
Strengthening the Group's marketing efforts	The Group from time to time launches marketing and promotional events to promote its branding in the market.

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

USE OF PROCEEDS

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

An analysis of the utilisation of the net proceeds from the placing and the unused amount as at 30 September 2017 is set out below:

	Net proceeds from the placing HK\$'000	Planned amount utilised up to 30 September 2017 HK\$'000	Actual utilised amount as at 30 September 2017 HK\$'000	Unutilised amount as at 30 September 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	2,750	12,850
Expansion of IT application and solution development business	9,400	–	5,223	4,177
Starting a research and development team	5,400	5,400	5,400	–
Strengthening the Group's marketing efforts	2,400	2,400	2,400	–

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the shareholders' funds of the Group amounted to approximately HK\$173.1 million (as at 31 March 2017: approximately HK\$179.5 million). Current assets were approximately HK\$216.8 million (as at 31 March 2017: approximately HK\$196.6 million), mainly comprised of cash and cash equivalents of approximately HK\$40.9 million (as at 31 March 2017: approximately HK\$27.4 million) and trade and other receivables of approximately HK\$170.0 million (as at 31 March 2017: approximately HK\$166.0 million). Current liabilities mainly comprised of trade and other payables of approximately HK\$66.9 million (as at 31 March 2017: approximately HK\$47.6 million) and bank loan of approximately HK\$23.0 million (as at 31 March 2017: approximately HK\$15.5 million). The increase in cash reserves of the Group was primarily attributable to the settlement of accounts receivable generated in past years from various projects in progress as the payment milestone for these projects have been reached during Interim 2017 and the additional drawdown of bank loans to finance the working capital of the Group's various projects in progress. The increase in trade and other receivables and the increase in trade and other payables was primarily attributable to the increase in trade receivables and trade payables arising from businesses in the IT infrastructure solutions segment, for which a majority of them were not yet due as at 30 September 2017. The net asset value per share as at 30 September 2017 was approximately HK\$0.043 (as at 31 March 2017: approximately HK\$0.045). As at 30 September 2017, the Group's gearing ratio, expressed as a percentage of bank borrowings and long-term debts over total equity, was approximately 13% (as at 31 March 2017: approximately 8%). As at 30 September 2017, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was 2.4 times (as at 31 March 2017: 3.1 times).

CAPITAL STRUCTURE

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

During Interim 2017 and Interim 2016, there were no changes in the share capital of the Group.

As at 30 September 2017 and 31 March 2017, 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 30 September 2017, the Group had operating lease commitments in respect of rented office of approximately HK\$3,164,000 (At 31 March 2017: HK\$4,485,000).

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the announcements dated 10 November 2017 and 17 November 2017 in relation to acquisition of 15% of issued capital of INAX Technology Limited, the announcements dated 7 September 2017 and 6 October 2017 in relation to the memorandum of understanding and supplemental memorandum of understanding for a possible acquisition of the CKB Project and the business plans as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During Interim 2017 and Interim 2016, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

Save and except for the office premise and car park acquired as disclosed in the announcements of the Company dated 3 July 2015 and 10 September 2015, the Group did not hold any significant investments or capital assets as at 31 March 2017 and 30 September 2017.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2017 (as at 31 March 2017: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

During Interim 2017 and Interim 2016, the Group was only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars 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 GROUP'S ASSETS

As at 30 September 2017, except for the pledged bank deposit of approximately HK\$3.2 million (as at 31 March 2017: 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\$43.6 million (as at 31 March 2017: 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.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2017, the Group employed a total of 314 (as at 30 September 2016: 326) full-time employees. The staff costs, including Directors' emoluments, of the Group were approximately HK\$68.7 million for Interim 2017 (for Interim 2016: approximately HK\$68.4 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

OTHER INFORMATION

Corporate Governance Practices

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

For the six months ended 30 September 2017, 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**"), save for the deviation from the code provision A.2.1 and A.2.7 as explained below:

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.

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

Directors' Securities Transactions

The Company has adopted 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 six months ended 30 September 2017.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information subsequent to the date of the 2017 Annual Report of the Company are set out below:

The monthly salary and allowance of Mr. Lee Cheong Yuen, Chairman, Chief Executive Officer and Executive Director, has been adjusted to HK\$155,300.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company.

Competing Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2017.

Share Option Scheme

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

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

Events after 30 September 2017

On 10 November 2017, the Group entered into a sale and purchase agreement for an acquisition to acquire 15% issued capital of INAX Technology Limited, a company principally engaged in IT infrastructure business with a focus on IT & telecommunication infrastructures and data centre industry. The acquisition constitute a discloseable transaction and a share transaction on the part of the Company. For details of the transaction, please refer to the announcements of the Company dated 10 November 2017 and 17 November 2017.

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

Audit Committee

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

The Audit Committee currently consists of three independent non-executive Directors namely Dr. Chan Mee Yee, Dr. 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 has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2017 and was of the opinion that such statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ico.com.hk) respectively. The interim report of the Company for the six months ended 30 September 2017 containing all the information required by the Listing Rules will be dispatched to the Company’s shareholders and published on the above websites.

By Order of the Board

ICO Group Limited

Lee Cheong Yuen

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 November 2017

As at the date of this announcement, the executive directors of the Company are Mr. Lee Cheong Yuen and Mr. Pang Yick Him; the non-executive directors of the Company are Mr. Chan Kwok Pui and Mr. Tam Kwok Wah; and the independent non-executive directors of the Company are Dr. Chan Mee Yee, Dr. Cheung Siu Nang Bruce and Ms. Kam Man Yi Margaret.