ICO GROUP LIMITED
揚科集團有限公司 *

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1460)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of ICO Group Limited (the "**Company**") is presenting the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2018, together with comparative audited figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

	Note	2018	2017
		HK$'000	*HK$'000*
Revenue	4	**409,935**	487,468
Cost of sales		**(361,221)**	(391,296)
Gross profit		**48,714**	96,172
Other revenue	5	**93**	616
Other net (loss)/income	6	**(17)**	125
General and administrative expenses		**(56,593)**	(55,185)
(Loss)/profit from operations		**(7,803)**	41,728
Change in fair value of contingent consideration payable		**2,901**	–
Finance costs	7(a)	**(657)**	(136)
(Loss)/profit before taxation	7	**(5,559)**	41,592
Income tax	8	**(1,524)**	(7,684)
(Loss)/profit for the year		**(7,083)**	33,908
Attributable to:			
Equity shareholders of the Company		**(11,169)**	30,445
Non-controlling interests		**4,086**	3,463
(Loss)/profit for the year		**(7,083)**	33,908
(Loss)/earnings per share	10		
Basic (HK cents per share)		**(0.27)**	0.76
Diluted (HK cents per share)		**(0.34)**	0.76

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the year	**(7,083)**	33,908
Other comprehensive income/(loss) for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	**13**	(5)
Total comprehensive (loss)/income for the year	**(7,070)**	33,903
Attributable to:		
Equity shareholders of the Company	**(11,156)**	30,440
Non-controlling interests	**4,086**	3,463
Total comprehensive (loss)/income for the year	**(7,070)**	33,903

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2018 HK$'000	31 March 2017 HK$'000
Non-current assets			
Property, plant and equipment		**49,889**	51,302
Intangible assets		**264**	395
Available-for-sale investment	*11*	**71,709**	–
Deposit paid for acquisition of a subsidiary		**8,659**	–
		130,521	51,697
Current assets			
Trade and other receivables	*12*	**151,355**	165,953
Tax recoverable		**6,134**	–
Pledged bank deposits		**3,197**	3,197
Cash and cash equivalents		**38,286**	27,403
		198,972	196,553
Current liabilities			
Trade and other payables	*13*	**(62,850)**	(47,595)
Bank loan		**(22,900)**	(15,500)
Contingent consideration payable	*14*	**(31,268)**	–
Tax payable		**(415)**	(968)
		(117,433)	(64,063)
Net current assets		**81,539**	132,490
Total assets less current liabilities		**212,060**	184,187
Non-current liabilities			
Deferred tax liabilities		**(161)**	(161)
Net assets		**211,899**	184,026
Capital and reserves			
Share capital	*15*	**10,546**	10,000
Reserves		**195,364**	169,526
Total equity attributable to equity shareholders of the Company		**205,910**	179,526
Non-controlling interests		**5,989**	4,500
Total equity		**211,899**	184,026

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Attributable to equity shareholders of the Company						
	Share Capital	Share premium	Exchange reserve	Retained earnings	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 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 and 1 April 2017	10,000	78,785	(51)	90,792	179,526	4,500	184,026
Changes in equity for 2017/18:							
Loss for the year	–	–	–	(11,169)	(11,169)	4,086	(7,083)
Other comprehensive income for the year – Exchange differences on translation of financial statements of overseas subsidiary	–	–	13	–	13	–	13
Total comprehensive loss for the year	–	–	13	(11,169)	(11,156)	4,086	(7,070)
Shares issued upon acquisition of available-for-sale investment	546	36,994	–	–	37,540	–	37,540
Interim dividend declared to non-controlling shareholders in respect of the current year	–	–	–	–	–	(2,597)	(2,597)
Balance at 31 March 2018	**10,546**	**115,779**	**(38)**	**79,623**	**205,910**	**5,989**	**211,899**

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 Group is 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 GEM of the Stock Exchange on 18 March 2015 and subsequently transferred the listing to the Main Board of the Stock Exchange on 12 October 2016 (the "**Transfer of Listing**").

2. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("**HKICPA**") has issued a number of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2018 have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the 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 consolidated financial statements for the year ended 31 March 2018 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following liability is stated at its fair value:

– contingent consideration payable.

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.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The amount of each significant category of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
IT application and solution development		
— IT application solution services	**36,207**	80,804
— Procurement of third party hardware and software	**2,775**	75,908
	38,982	156,712
IT infrastructure solutions		
— IT infrastructure solution services	**39,082**	18,944
— Procurement of third party hardware and software	**223,672**	236,330
	262,754	255,274
Secondment services	**47,949**	32,008
Maintenance and support services	**60,250**	43,474
	409,935	487,468

Information about major customers

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

	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**N/A***	74,839

1 Revenue from IT application and solution development.

* The revenue from customer A did not contribute over 10% of the total revenue of the Group for the year ended 31 March 2018.

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

(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 solution 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.

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 2018 and 2017 is set out below.

	Year ended 31 March 2018				
	IT application and solution development *HK$'000*	IT infrastructure solutions *HK$'000*	Secondment services *HK$'000*	Maintenance and support services *HK$'000*	Total *HK$'000*
Revenue from external customers and reportable segment revenue	38,982	262,754	47,949	60,250	409,935
Reportable segment gross profit	1,185	24,848	12,582	10,099	48,714

	Year ended 31 March 2017				
	IT application and solution development	IT infrastructure solutions	Secondment services	Maintenance and support services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*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

(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 2018 and 2017 and the Group's specified non-current assets as at 31 March 2018 and 2017 is set out below:

	Revenue from external customers		**Specified non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong (place of domicile)	**409,935**	487,468	**50,110**	51,658
The People's Republic of China (the "**PRC**")	**–**	–	**43**	39
	409,935	487,468	**50,153**	51,697

5. OTHER REVENUE

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**2**	48
Marketing income	**91**	565
Others	**–**	3
	93	616

6. OTHER NET (LOSS)/INCOME

	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange (loss)/gain	**(17)**	125

7. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

(a) Finance costs

	2018	2017
	HK$'000	*HK$'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank borrowings	**657**	136

(b) Staff costs (including directors' remuneration)

	2018	2017
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**136,542**	134,600
Contributions to defined contribution retirement plan	**4,612**	4,661
	141,154	139,261

(c) Other items

	2018	2017
	HK$'000	*HK$'000*
Cost of hardware and software sold	**200,319**	257,959
Amortisation of intangible assets	**131**	99
Depreciation of property, plant and equipment	**2,654**	2,172
Loss on disposal of property, plant and equipment	**277**	–
Auditors' remuneration		
— audit services	**680**	650
— other services	**388**	250
Operating lease charges in respect of properties	**1,681**	3,620

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

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

	2018	2017
	HK$'000	*HK$'000*
Current tax — Hong Kong Profits Tax		
Provision for the year	**1,524**	7,684

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**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% (2017: 16.5%). The PRC's Corporate Income Tax rate is 25% (2017: 25%). The Malaysia Corporate Tax standard rate is 24% (2017: Not applicable).

No provision for PRC Corporate Income Tax and Malaysia Corporate Tax has been made as the subsidiaries established in the PRC and Malaysia did not have assessable profits subject to PRC Corporate Income Tax and Malaysia Corporate Tax during the years ended 31 March 2018 and 2017.

9. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

10. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of approximately HK$11,169,000 (2017: profit attributable to equity shareholders of the Company of approximately HK$30,445,000) and the weighted average of 4,062,187,432 ordinary shares (2017: 4,000,000,000 ordinary shares) in issue during the year.

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of approximately HK$14,070,000 (2017: profit attributable to equity shareholders of the Company of HK$30,445,000) and the weighted average number of ordinary shares of 4,124,374,864 shares (2017: 4,000,000,000 shares), calculated as follow.

(i) (Loss)/profit attributable to equity shareholders of the Company (diluted)

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity shareholders of the Company	**(11,169)**	30,445
Effect of change in fair value of contingent consideration payable	**(2,901)**	–
(Loss)/profit attributable to equity shareholders of the Company (diluted)	**(14,070)**	30,445

(ii) Weighted average number of ordinary shares (diluted)

	2018	2017
	Number of Shares	Number of Shares
Weighted average number of ordinary shares at 31 March	**4,062,187,432**	4,000,000,000
Effect of exercise of contingent consideration payable *(note 1)*	**62,187,432**	–
Weighted average number of ordinary shares (diluted) at 31 March	**4,124,374,864**	4,000,000,000

Note 1: The Company's dilutive potential ordinary shares comprise consideration shares to be issued under the sale and purchase agreement in respect acquisition of available-for-sale investment as the directors of the Company is virtually certain that the performance target as disclosed in note 11 to these financial statements would be met.

11. AVAILABLE-FOR SALE INVESTMENT

On 18 December 2017, the Group completed the acquisition of 15% equity interest in a private limited company incorporated in Hong Kong (the "Investee"), through the acquisition of a subsidiary. The acquisition is to be satisfied by (i) the issuance of 218,253,968 new ordinary shares of the Company as an initial consideration; (ii) the issuance of a maximum number of 218,253,968 consideration shares of the Company based on the formula as set out in the relevant sale and purchase agreement (the "S&P Agreement") when the net profit after tax of the Investee shall be greater than HK$10 million for the period from 1 May 2017 to 31 October 2017 (the "First Contingent Consideration Shares"); and (iii) the issuance of a maximum number of 218,253,968 consideration shares of the Company based on the formula as set out in the S&P Agreement when the net profit after tax of the Investee shall be greater than HK$10 million for the period from 1 May 2017 to 30 April 2018 (the "Second Contingent Consideration Shares"). In accordance with the S&P Agreement, the total of the First Contingent Consideration Shares and the Second Contingent Consideration Shares must not be greater than 218,253,968 consideration shares of the Company.

The available-for-sale investment is measured at cost less impairment at the end of the reporting period because the ranges of reasonable fair value estimates are so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

The available-for-sale investment is initially stated at fair value, which is based on the fair value of consideration shares of the Company issued as at 18 December 2017 plus the fair value of contingent consideration payable as at 18 December 2017. The fair value of the contingent consideration payable is determined by the directors of the Company with reference to the valuation report prepared by an independent professional valuer, by applying probabilistic approach on the estimated profit of the Investee in respect of the two periods and the probability of occurrence of each expected earning scenario.

Based on the Investee's latest financial position and financial performance, the directors of the Company consider no impairment should be recognised during the year ended 31 March 2018.

Further details of this acquisition are set out in the announcements of the Company dated 10 November 2017, 17 November 2017 and 18 December 2017.

12. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade debtors	**118,004**	92,636
Gross amounts due from customers for contract work	**30,382**	68,892
Other receivables	**19**	17
Rental and other deposits	**705**	1,786
Prepayments	**2,245**	2,622
	151,355	165,953

Notes:

(a) Ageing analysis of trade debtors

As at 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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**91,487**	69,194
1 to 3 months	**16,550**	15,830
Over 3 months	**9,967**	7,612
	118,004	92,636

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 years ended 31 March 2018 and 2017, 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:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**91,367**	79,700
Less than 1 month past due	**12,195**	5,324
1 to 3 months past due	**5,985**	3,116
Over 3 months past due	**8,457**	4,496
	26,637	12,936
	118,004	92,636

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.

13. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade creditors	**51,793**	33,465
Gross amounts due to customers for contract work	**168**	432
Customers' deposits received	**7,279**	11,124
Accrued expenses and other payables	**3,610**	2,574
	62,850	47,595

Note:

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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**30,851**	13,996
1 to 3 months	**20,491**	14,161
Over 3 months	**451**	5,308
	51,793	33,465

14. CONTINGENT CONSIDERATION PAYABLE

At 31 March 2018, the fair value of the contingent consideration payable is determined by the directors of the Company with reference to the valuation report prepared by an independent professional valuer, by applying probabilistic approach on the estimated profit from the Investee in respect of the period from 1 May 2017 to 30 April 2018 and the probability of occurrence of expected earning scenario. The contingent consideration payable is expected to be settled within one year and therefore classified as current liabilities.

15. SHARE CAPITAL

	Number of shares	Share capital
		HK$'000
Authorised:		
Ordinary shares of HK$0.0025 each *(note (i))*	40,000,000,000	100,000
Issued and fully paid:		
At 1 April 2016 and 31 March 2017	4,000,000,000	10,000
At 1 April 2017	4,000,000,000	10,000
Shares issued upon acquisition of available-for-sale investment *(note (ii))*	218,253,968	546
At 31 March 2018	4,218,253,968	10,546

Notes:

(i) 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.

(ii) On 18 December 2017, the Company allotted and issued 218,253,968 new shares to the vendors in respect of the acquisition of the available-for-sale investment pursuant to the sale and purchase agreement dated 10 November 2017.

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.

For the year ended 31 March 2018, the Group recorded consolidated net loss attributable to the Shareholders of the Company of approximately HK$11.2 million. The loss making position was a combined result of the unfavourable tender bidding results and the significant decrease in revenue recognised from the Group's large-scale IT projects.

For the year ended 31 March 2018 ("**FY2018**"), the revenue of the Group was approximately HK$409.9 million, representing a decrease of approximately HK$77.5 million or 16% as compared to the year ended 31 March 2017 ("**FY2017**") which was primarily attributable to a significant decrease in revenue derived from provision of IT application and solution development services. Due to the significant decrease in revenue, for FY2018, the Group recorded loss before taxation of approximately HK$5.6 million (FY2017: profit before taxation of approximately HK$41.6 million). Loss before interests, tax, depreciation and amortization of approximately HK$2.1 million (FY2017: earnings before interests, tax, depreciation and amortization of approximately HK$44.0 million), and loss attributable to equity shareholders of the Company of approximately HK$11.2 million (FY2017: profit attributable to equity shareholders of the Company of approximately HK$30.4 million).

BUSINESS REVIEW AND OUTLOOK

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$39.0 million, representing approximately 10% of the revenue for FY2018. The revenue derived from provision of IT application and solution development services decreased by approximately 75% from HK$156.7 million for FY2017 to approximately HK$39.0 million for FY2018, the significant decrease was primarily attributable to: i) the significant drop of revenue recognised from the Group's large-scale projects as the implementation phase of the projects were substantially completed during FY2018 and according to the project implementation plans the final implementation phase of these projects would contribute less revenue than past phases which were executed in past years; ii) the significant drop of revenue derived from direct procurement of hardware and software for the Group's large-scale projects in FY2018 as the procurement services were substantially completed in past years; and iii) following the substantial completion of the implementation phase of the Group's large-scale projects, the Group is yet to secure another large-scale IT project that would provide new stream of income to the Group as the result of tender bids submitted by the Group for projects commenced during FY2018 were unfavorable. The significant drop of revenue from provision of IT application and solution developments was the primary reason that led to the net loss recorded by the Group for FY2018.

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 64% of the revenue for FY2018. The revenue from provision of IT infrastructure solutions increased 3% from approximately HK$255.3 million for FY2017 to approximately HK$262.8 million for FY2018, the slight increase was primarily due to i) significant increase in amount of revenue generated from customers in the construction, transportation and financial sectors as a result of their business expansion and technological refreshment, offset by the drop in purchase orders from several significant customers as the life cycles of the products they purchased during FY2017 were long than one year and ii) the number of active customers for the Group increased as a result of the Group's effort to expand its sales channel and customer portfolio.

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$47.9 million, representing approximately 12% of the revenue for FY2018. Secondment income is a relatively stable revenue source when compared with project basis income, during FY2018, the Group started to expand its secondment business so as to reduce the impact of unfavourable tender results and therefore, the revenue derived from provision of secondment services increased by approximately 50% from approximately HK$32.0 million for FY2017 to approximately HK$47.9 million for FY2018. 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 the client increased its demand for services during FY2018 thus contributed significant revenue to the Group; and ii) the Group was awarded two new secondment contracts from its customers in the financial sectors during FY2018.

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$60.3 million, representing approximately 15% of the revenue for FY2018. The revenue derived from provision of maintenance and support services increased by approximately 39% from HK$43.5 million for FY2017 to HK$60.3 million for FY2018, the increase was primarily due to the significant revenue recorded from the maintenance phase of the Group's largest IT Project which commenced since November 2017 after the completion of the implementation phase of the project.

Business outlook and future prospects

FY2018 was a challenging year for the Group, with the significant decrease in revenue derived from provision of IT application and solution development services, the Group recorded a net loss for FY2018. Nevertheless, there are the following positive signs:

Firstly, while the Group has to retain a sizeable team of IT professionals to get itself ready for the next large-scale project, it also realized the importance of cost saving during unfavorable business cycle. As a result, the Group has downsized its number of staff from 323 as at 31 March 2017 to 283 as at 31 March 2018. The cost saving effect of the downsize exercise is expected to be materialized in the next financial year.

Secondly, upon the substantial completion of the implementation phase of the Group's large-scale IT projects during FY2018, the maintenance phase of these projects has been either commenced or will commence during the six months ending September 2018. The maintenance contract of these projects will last for 10 years and are expected to contribute a total revenue of over HK$60 million per year to the Group until 2027.

Thirdly, as announced by the Company on 19 April 2018, the shareholders of the Company approved the Group to acquire the entire issued capital of O2O Limited, which is currently through a subsidiary in Malaysia developing an e-Marketplace project with both physical stores and online trading platforms ("**Project CKB**"). By acquiring Project CKB (which shall be completed by the first quarter of year 2020), the Group shall be able to diversify its revenue sources by receiving stable rental income from the physical stores as well as service income from the online trading platform. Upon completion, it is expected that Project CKB will generate rental income from physical stores of approximately HK$20 million per year as well as income from the usage of the online trading platform. For details of the acquisition of Project CKB, please refer to the announcements and circular of the Company dated 7 December 2017, 8 January 2018, 28 March 2018, 19 April 2018 and 5 June 2018 (collectively the "**Project CKB Announcements and Circular**").

Lastly, as announced by the Company on 18 December 2017 and 28 June 2018, the Group has completed two acquisitions to acquire 15% equity interest of INAX Technology Limited ("**INAX**") and 40% equity interest of Pointsoft Limited ("**Pointsoft**"). INAX is a company with its business focus on IT & Telecommunication infrastructures and data centre industry, while Pointsoft is a company with its business focus on developing and managing food and beverage point-of-sale system. By entering these transactions, it is expected the Group can diversify its business portfolio and thus broaden its revenue sources. For details of the acquisition of 15% equity interest of INAX, please refer to the announcements of the Company dated 10 November 2017, 17 November 2017 and 18 December 2017 (collectively the "**INAX Announcements**"). For details of the acquisition of 40% equity interest of Pointsoft, please refer to the announcements of the Company dated 20 June 2018, 21 June 2018 and 28 June 2018 (collectively the "**Pointsoft Announcements**").

Looking forward, based on the above factors, it is expected the financial situation of the Group would be improved in the foreseeable future.

FINANCIAL REVIEW

Revenue

The Group's revenue for FY2018 amounted to approximately HK$409.9 million, representing a decrease of approximately HK$77.5 million or 16% compared to FY2017 (2017: approximately HK$487.5 million). The decrease was mainly attributable to the decrease in revenue generated from provision of IT application and solution development services of approximately HK$117.7 million, offset by (i) the increase in revenue generated from provision of IT infrastructure solutions of approximately HK$7.5 million; (ii) the increase in revenue generated from provision of secondment services of approximately HK$15.9 million; and (iii) the increase in revenue generated from provision of maintenance and support services of approximately HK$16.8 million.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 49% from approximately HK$96.2 million for FY2017 to approximately HK$48.7 million for FY2018, while the gross profit margin of the Group decreased from approximately 20% for FY2017 to approximately 12% for FY2018. During FY2018, while the Group was in the process of bidding new tenders in order to secure new revenue streams, the Group had to retain a sizeable team of IT professionals to get itself ready for the next large-scale project. During this transitional period, apart from devoting its manpower on presale and tender bidding activities, the Group also rearranged its human resources to focus on completing existing engagements so that all of its staff were utilized. As such, the gross profit and gross profit margin generated from provision of IT application and solution development services, IT infrastructure solutions, and maintenance and support services were decreased during FY2018. On the other hand, the gross profit generated from provision of secondment services increased by HK$3.8 million as compared to FY2017, which is in line with the increase in revenue from provision of secondment services, meanwhile, the gross profit margin from provision of secondment services remained relatively stable at approximately 26% (FY2017: 27%).

Administrative expenses

The Group's administrative expenses for FY2018 amounted to approximately HK$56.6 million, representing an increase by approximately HK$1.4 million or 3% as compared to FY2017 (2017: approximately HK$55.2 million). Such increase was mainly due to the increase in staff cost of approximately HK$4.4 million primarily attributable to the effort incurred for tender bidding processes and other presale activities during FY2018 with an aim to secure another large-scale IT project, offset by (i) the decrease in professional fees of approximately HK$1.1 million due to the absence of professional fee incurred for the Transfer of Listing during FY2017; and (ii) the decrease of rental expenses paid by the Group of approximately HK$1.8 million following the relocation of the head office of the Group to an acquired premises in Kwun Tong.

Change in fair value of contingent consideration payable

According to the sale and purchase agreement to acquire 15% equity interest of INAX, a contingent consideration payable by the Group with reference to certain performance target for INAX was created. According to the valuation report issued by an independent professional valuer, the fair value of the contingent consideration payable is significantly dependent on the stock price of the Company. As the stock price of the Company as at 31 March 2018 dropped when compared with the stock price of the Company as at the date of completion of the acquisition, a valuation gain was resulted. Nevertheless, the valuation gain was merely a result of accounting treatment and does not have any real impact on the results of the operations and cash flows of the Group. For details of the contingent consideration payable, please refer to the INAX Announcements.

Loss for the year

The Group recorded a net loss of approximately HK$7.1 million for FY2018 as compared to a net profit of approximately HK$33.9 million for FY2017. The loss recorded by the Group was mainly attributable to the combined effect of: (i) the decrease in gross profit of approximately HK$47.5 million as compared to FY2017; (ii) the increase in administrative expenses of approximately HK$1.4 million as compared to FY2017; (iii) the decrease in provision for income tax of approximately HK$6.2 million as compared to FY2017 due to the significant decrease in taxable profits as a result of the net loss recorded by the Group; and (iv) the gain on change in fair value of contingent consideration payable of approximately HK$2.9 million in relation to the acquisition of 15% equity interest of INAX.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2018, the shareholders' funds of the Group amounted to approximately HK$205.9 million (2017: approximately HK$179.5 million). Current assets were approximately HK$199.0 million (2017: approximately HK$196.6 million), mainly comprised of cash and cash equivalents of approximately HK$38.3 million (2017: approximately HK$27.4 million), tax recoverable of approximately HK$6.1 million and trade and other receivables of approximately HK$151.4 million (2017: approximately HK$166.0 million). Current liabilities mainly comprised of trade and other payables of approximately HK$62.9 million (2017: approximately HK$47.6 million), contingent consideration payable of approximately HK$31.3 million and bank loan of HK$22.9 million (2017: HK$15.5 million). The changes in current assets and current liabilities of the Group are primarily due to:

(i) the increase in cash and cash equivalent and the decrease in the combined amount of trade debtors and gross amounts due from customers for contract work (both included in trade and other receivables) reflected the collection of payments from customers after the payment milestones of projects-in-progress are reached following the substantial completion of the Group's large-scale IT projects;

(ii) tax recoverable arose due to provisional profits tax paid which shall be refundable as ICO Limited, a wholly-owned subsidiary of the Group incurred a loss for FY2018;

(iii) the increase in outstanding bank loan as the Group needed to maintain sufficient working capital after payment of cash deposit of approximately HK$8.7 million in relation to the acquisition of Project CKB;

(iv) the increase in trade creditors (included in trade and other payables) as the purchases made by the Group near 31 March 2018 were not yet due; and

(v) the creation of contingent consideration payable following the acquisition of 15% equity interest of INAX.

The outstanding bank loan of HK$22.9 million as at 31 March 2018 will be matured by August 2018 and as at 31 March 2018, the Group has unutilised bank facilities amounted to HK$22.1 million. The net asset value per share attributable to equity shareholders of the Company as at 31 March 2018 was approximately HK$0.049 (2017: approximately HK$0.045). The Group's gearing ratio, expressed as a percentage of bank borrowings over total equity, was approximately 11% (2017: 8%). As at 31 March 2018, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 1.7 times (2017: approximately 3.1 times).

CAPITAL STRUCTURE

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

During FY2018, 218,253,968 new ordinary shares were issued by the Company as payment of consideration for acquiring 15% equity interest of INAX pursuant to the relevant sale and purchase agreement. For details of the acquisition, please refer to the INAX Announcements.

Except for the above, there were no changes in the share capital of the Company during FY2018, and there were no changes in the share capital of the Company during FY2017.

As at 31 March 2018 and 2017, the Company's issued share capital was HK$10,545,635 and HK$10,000,000 respectively and the number of its issued ordinary shares was 4,218,253,968 and 4,000,000,000 of HK$0.0025 each respectively.

The Group's capital is mainly derived from bank loans, net proceeds from placing and retained 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. As at 31 March 2018 and 31 March 2017, all outstanding bank loan are denominated in Hong Kong dollars and with a fixed interest rate with reference to HIBOR.

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 2018, the Group had operating lease commitments in respect of rented office of approximately HK$2,461,000 (2017: approximately HK$4,485,000).

As at 31 March 2018 and up to date of this announcement, subject to certain conditions, the Group has potential capital commitments on its acquisitions of 15% equity interest of INAX, 40% equity interest of Pointsoft and Project CKB. For details on the acquisitions, please refer to the INAX Announcements, Pointsoft Announcements and Project CKB Announcements and Circular.

As at 31 March 2017, the Group did not have any significant capital commitments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group from time to time is exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed elsewhere in this announcement, the Group does not have any concrete plans for acquisition of material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Except for the acquisition of 15% equity interest of INAX, 40% equity interest of Pointsoft and Project CKB, the Group did not have any material acquisition or disposals of subsidiaries and affiliated companies during FY2018 and up to the date of this announcement. For details of the acquisitions, please refer to INAX Announcements, Pointsoft Announcements and Project CKB Announcements and Circular. During FY2017, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

SIGNIFICANT INVESTMENTS AND ACQUISITION OF CAPITAL ASSETS

The Group acquired an office premises and a carpark in Kwun Tong during the year ended 31 March 2016 at a consideration of HK$45,294,000 and is still holding the office premises and the carpark as at the date of this announcement. As at 31 March 2018, according to a valuation report issued by an independent professional valuer, the fair value of the office premises and the carpark is HK$54.8 million (as at 31 March 2017: HK$52.0 million).

During FY2018 and up to the date of this announcement, the Group has entered into agreements to acquire 15% equity interest of INAX, 40% equity interest of Pointsoft and Project CKB. For details of the acquisitions, please refer to the INAX Announcements, the Pointsoft Announcements and the Project CKB Announcements and Circular.

As at the date of this announcement, the Group considers the performance of INAX is satisfactory as the management account of INAX (subject to audit) shows that it had fulfilled the performance target in accordance with the sale and purchase agreement in relation to the acquisition. On the other hand, as Project CKB is still under development and the acquisition of 40% equity interest of Pointsoft was just completed on 28 June 2018, the performance of these investments is hard to be reliably measured.

Save and except for disclosed above, the Group did not hold any significant investments nor made any significant acquisition of capital assets during FY2018 and FY2017.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 March 2018 (2017: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For FY2018 and FY2017, the Group 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 and the foreign exchange rate fluctuation risk of the consideration payable for acquiring Project CKB is limited under the sale and purchase agreement. The currency exchange rate risk of the Group for FY2018 and FY2017 is therefore considered to be immaterial, and the Group did not engage in any hedging activity.

In the future, the Group will face foreign exchange exposure as the Group would have assets and operations in Malaysia after completion of Project CKB, as such, the Group will continue to monitor its foreign exchange expsoure and will consider hedging significant foreign currency exposure should the need arises.

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2018, except for the pledged bank deposit of approximately HK$3.2 million (as at 31 March 2017: 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$42.9 million (as at 31 March 2017: 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, there were no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group employed a total of 283 full-time employees (2017: 323). The staff costs, including Directors' emoluments, of the Group were approximately HK$141.2 million for FY2018 (2017: approximately HK$139.3 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 AND USE OF PROCEEDS

As at 31 March 2018, the business objectives as set out in the prospectus of the Company dated 10 March 2015 have been achieved and the corresponding net proceeds allocated to the business objectives have been fully utilized, except for the followings:

Business objectives	**Actual progress**
Strategic growth through merger, acquisition or business collaboration	During FY2018 and up to the date of this announcement, the Group has entered into agreements to acquire 15% equity interest of INAX, 40% equity interest of Pointsoft and Project CKB. For details of the acquisitions, please refer to INAX Announcements, Pointsoft Announcements and Project CKB Announcements and Circular. The unutilized amount of net proceeds allocated to this business objective is approximately HK$5.4 million, the Group will attempt to identify suitable targets from time to time in the future.
Expansion of IT application and solution development business	As at 31 March 2018, 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 and approximately HK$4.0 million had been used for tender bidding, presale and business development activities. The Group is still monitoring the latest development of tenders regarding IT projects from time to time. The unutilized amount of net proceeds allocated to this business objective is approximately HK$2.2 million, which will be reserved for placing performance guarantee or further business development activities.

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.

OTHER INFORMATION

Corporate Governance Practices

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

The 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 Board 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 2018, except for the followings:

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.

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 2018.

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 2018.

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 2018.

Events After the Reporting Period

On 20 June 2018, the Group entered into a sale and purchase agreement to acquire 40% equity interest of Pointsoft at a consideration of HK$60,000,000 which shall be settled by issue of new shares of the Company. The acquisition was completed on 28 June 2018. For details, please refer to the Pointsoft Announcements.

On 21 June 2018, following the announcement of the Company dated 5 June 2018, the Company issued convertible bonds with total face value of HK$59,842,612.50 to the vendors of Project CKB pursuant to the payment milestones set out in the sale and purchase agreement. For details, please refer to Project CKB Announcements and Circular.

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

Closure of Register of Members

The forthcoming annual general meeting (the "**2018 AGM**") will be held on Friday, 24 August 2018. For the purpose of determining shareholders' entitlements to attend and vote at the 2018 AGM, the transfer books and the register of members of the Company will be closed from Tuesday, 21 August 2018 to Friday, 24 August 2018 (both days inclusive), during which period no transfer of shares will be effected. In order to establish the right to attend and vote at the 2018 AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 20 August 2018.

Audit Committee and Review of Annual Results

The Company has established the audit committee of the Company (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 audited consolidated financial statements of the Group for the year ended 31 March 2018 have been reviewed by the Audit Committee, which was of the opinion that the consolidated financial statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2018 as set out in this results announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited (formerly known as Crowe Horwath (HK) CPA Limited), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited, on this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual report of the Company for the year ended 31 March 2018 containing all the information required by the Listing Rules will be despatched 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, 29 June 2018

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