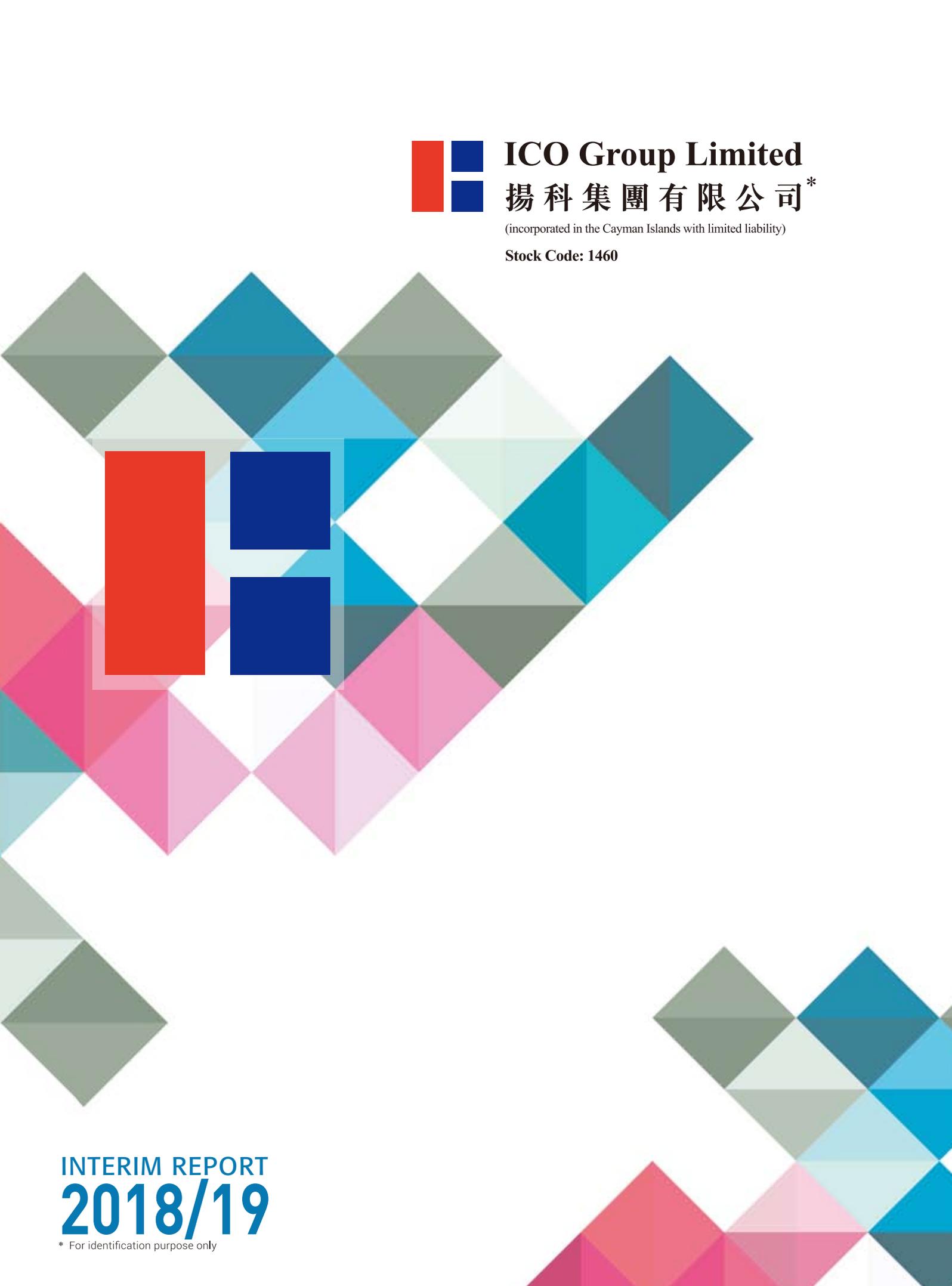
The logo consists of a red vertical bar on the left, followed by two dark blue squares stacked vertically.

ICO Group Limited
揚科集團有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1460

The background features a large, abstract geometric pattern composed of various colored triangles and squares in shades of blue, green, pink, and grey, arranged in a complex, overlapping design.

INTERIM REPORT
2018/19

* For identification purpose only

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 2018, together with the comparative figures for the corresponding periods in 2017, respectively, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2018

	Note	Six months ended 30 September	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue	6	242,227	198,144
Cost of sales		(202,835)	(176,404)
Gross profit		39,392	21,740
Other revenue and net income	7	533	15
General and administrative expenses		(28,111)	(25,726)
Profit/(loss) from operations		11,814	(3,971)
Change in fair value of contingent consideration payables	15	25,353	–
Change in fair value of derivative component in convertible bonds	16	42,402	–
Gain on conversion of convertible bonds		5,992	–
Finance costs	8(a)	(1,710)	(301)
Share of profit of an associate		2,654	–
Profit/(loss) before taxation	8	86,505	(4,272)
Income tax	9	(1,548)	(614)
Profit/(loss) for the period		84,957	(4,886)
Attributable to:			
Equity shareholders of the Company		81,071	(6,408)
Non-controlling interests		3,886	1,522
Profit/(loss) for the period		84,957	(4,886)
Earnings/(loss) per share	11		
Basic (HK cents per share)		1.85	(0.16)
Diluted (HK cents per share)		0.18	(0.16)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit/(loss) for the period	84,957	(4,886)
Other comprehensive (loss)/income for the period		
Items that will not be reclassified to profit or loss:		
Change in fair value of financial asset at fair value through other comprehensive income	(10,409)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	(17)	6
Other comprehensive (loss)/income for the period	(10,426)	6
Total comprehensive income/(loss) for the period	74,531	(4,880)
Attributable to:		
Equity shareholders of the Company	70,645	(6,402)
Non-controlling interests	3,886	1,522
Total comprehensive income/(loss) for the period	74,531	(4,880)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 and 30 September 2018

	Note	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		49,259	49,889
Intangible assets		200	264
Interest in an associate	12	64,599	–
Available-for-sale investment		–	71,709
Financial asset at fair value through other comprehensive income		61,300	–
Deposits paid for acquisition of a subsidiary	13	106,495	8,659
		281,853	130,521
Current assets			
Trade and other receivables	13	159,903	151,355
Contract assets		4,726	–
Tax recoverable		6,134	6,134
Pledged bank deposits		3,197	3,197
Cash and cash equivalents		38,033	38,286
		211,993	198,972
Current liabilities			
Trade and other payables	14	(73,196)	(62,850)
Contract liabilities		(9,420)	–
Bank loans		(7,150)	(22,900)
Contingent consideration payable	15	(6,853)	(31,268)
Derivative component in convertible bonds	16	(761)	–
Tax payable		(1,963)	(415)
		(99,343)	(117,433)
Net current assets		112,650	81,539
Total assets less current liabilities		394,503	212,060
Non-current liabilities			
Liability component in convertible bonds	16	(39,193)	–
Deferred tax liabilities		(161)	(161)
		(39,354)	(161)
Net assets		355,149	211,899
Capital and reserves			
Share capital	17	11,741	10,546
Reserves		336,718	195,364
Total equity attributable to equity shareholders of the Company		348,459	205,910
Non-controlling interests		6,690	5,989
Total equity		355,149	211,899

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to equity shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve (non-recycling) (Note) 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 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 income/(loss) for the period	–	–	6	–	(6,408)	(6,402)	1,522	(4,880)
Interim dividend declared to the non-controlling interest	–	–	–	–	–	–	(2,597)	(2,597)
Balance at 30 September 2017	10,000	78,785	(45)	–	84,384	173,124	3,425	176,549
For the six months ended 30 September 2018								
(Unaudited)								
Balance at 1 April 2018	10,546	115,779	(38)	–	79,623	205,910	5,989	211,899
Changes in equity for the six months ended 30 September 2018:								
Profit for the period	–	–	–	–	81,071	81,071	3,886	84,957
Change in fair value of financial asset at fair value through other comprehensive income	–	–	–	(10,409)	–	(10,409)	–	(10,409)
Exchange differences on translation of financial statements of overseas subsidiary	–	–	(17)	–	–	(17)	–	(17)
Total comprehensive (loss)/income for the period	–	–	(17)	(10,409)	81,071	70,645	3,886	74,531
Shares issued for settlement of contingent consideration payable in relation to acquisition of financial asset at fair value through other comprehensive income	545	29,355	–	–	–	29,900	–	29,900
Shares issued for acquisition of an associate	432	30,674	–	–	–	31,106	–	31,106
Shares issued upon conversion of convertible bonds	218	10,680	–	–	–	10,898	–	10,898
Interim dividend declared to the non-controlling interest	–	–	–	–	–	–	(3,185)	(3,185)
Balance at 30 September 2018	11,741	186,488	(55)	(10,409)	160,694	348,459	6,690	355,149

Note: The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income under HKFRS 9 that are held at the end of reporting period.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash generated from operating activities	19,703	12,998
Investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(722)	(1,384)
Deposits paid for acquisition of a subsidiary	–	(2,700)
Other cash inflows arising from investing activities	1	1
Net cash used in investing activities	(721)	(4,083)
Financing activities		
Dividends paid to non-controlling interest	(3,185)	(2,597)
Interest on bank borrowings paid	(300)	(301)
Proceeds from bank loans	17,650	31,298
Repayment of bank loans	(33,400)	(23,798)
Net cash (used in)/generated from financing activities	(19,235)	4,602
Net (decrease)/increase in cash and cash equivalents	(253)	13,517
Cash and cash equivalents at the beginning of the period	38,286	27,403
Cash and cash equivalents at the end of the period	38,033	40,920

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

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 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 2018 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 2018.

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 2018, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2019. Details of any changes in accounting policies are set out in note 3.

This interim report contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2018. The unaudited condensed consolidated 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”).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

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

Details of the changes in accounting policies are discussed in note 3(a) for HKFRS 9 and note 3(b) for HKFRS 15.

(a) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. Therefore, comparative information continues to be reported under HKAS 39.

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI-recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(i) Classification of financial assets and financial liabilities (Continued)

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. There were no impact on the amounts reported set out in the unaudited condensed consolidated interim financial statements except the following:

	HKAS 39 carrying amount at 31 March 2018 HK\$'000	Reclassification HK\$'000	HKFRS 9 carrying amount at 1 April 2018 HK\$'000
Financial asset classified as available-for-sale investment under HKAS 39	71,709	(71,709)	–
Financial asset measured at fair value through other comprehensive income	–	71,709	71,709
	71,709	–	71,709

The Group has an unlisted equity investment and was classified as available-for-sale investment stated at cost less impairment under previous standard HKAS 39. With the adoption of HKFRS 9, this investment is classified as financial asset measured at fair value. The Group has elected to present any changes in fair value in other comprehensive income as the investment is held as long-term strategic investments that are not expected to be sold in the short to medium term.

As a result, the above investment has been stated at fair value and there was no significant difference between the fair value and the carrying amount of the investment as at 1 April 2018, therefore no adjustment was made to the opening equity.

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(ii) Credit losses

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit losses (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables) and contract assets as defined in HKFRS 15.

Financial assets measured at fair value, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(ii) Credit losses (Continued)

As at 30 September 2018, the Group has applied the simplified approach and measured loss allowance at an amount equal to lifetime ECLs on trade receivables, cash and placements with banks and financial institutions, and general approach and measured loss allowance at an amount equal to 12-month ECLs on other receivables. The Group determined that there are no significant financial impacts arising from these changes.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(ii) Credit losses (Continued)

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

The Group has concluded that there would be no material impact for the initial application of the new impairment requirements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(a) HKFRS 9, Financial instruments (Continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for 30 September 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The designation of investment in equity instrument not held for trading to be classified as at FVOCI (non-recycling) has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group);
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(b) HKFRS 15, Revenue from Contracts with Customers, and related amendments

HKFRS 15, *Revenue from Contracts with Customers* replaced HKAS 18, *Revenue* and HKAS 11, *Construction Contracts*, which resulted in changes in accounting policies. The new accounting policies in relation to revenue recognition are set out below.

To determine whether to recognise revenue, the Group follows a five-step approach:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) performance obligations are satisfied

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 15, *Revenue from Contracts with Customers*, and related amendments (Continued)

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its unaudited condensed consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

(i) *IT application and solution development services*

For stand-alone sale of IT application and solution development services or when goods are sold together with significant IT application and solution development services, the goods and services represent a single combined performance obligation over which control is considered to be transferred over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for work completed to date if the contract is terminated by the customer or another party for reasons other than the Group's failure to perform as promised. Revenue for these performance obligations is recognised over time as the IT application and solution development work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the Group's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

(ii) *IT infrastructure solution services*

For stand-alone sale of goods that are neither customised by the Group nor subject to IT services performed by the Group, revenue is recognised when the Group transfers control of the goods at the point in time when the customer takes undisputed delivery of the goods.

For stand-alone sales of IT infrastructure solution services or for sale of goods together with IT infrastructure solution services which are simple and could be performed by another party, such IT infrastructure solution service is accounted for as a separate performance obligation. Transaction price will be allocated to each performance obligation based on their stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. For sale of goods, revenue is recognised when the Group transfers control of the goods at the point in time when the customer takes undisputed delivery of the goods. For IT infrastructure solution services, revenue is recognised when customer acknowledged undisputed completion of milestones.

(iii) *Secondment services*

The Group enters into secondment contracts with its customers to second its staff or sub-contractors at a contracted rate. Revenue is recognised over time based on the manpower utilised by customers.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. CHANGES IN ACCOUNTING POLICIES (Continued)

(b) HKFRS 15, Revenue from Contracts with Customers, and related amendments (Continued)

(iv) Maintenance and support services

Revenue for maintenance and support services performed by third party suppliers of the goods sold on stand-alone basis or with simple IT infrastructure solution services is recognised when the Group completed the procurement for such maintenance and support services.

The Group also performs maintenance and support services itself or together with its sub-contractors and enters into fixed price maintenance contracts with its customers. Customers are required to pay the service fee according to the due dates specified in each contract. Revenue is recognised over time based on the maintenance service period.

The Group adopted HKFRS 15 using the modified retrospective method of adoption to contracts that were not completed as at 1 April 2018. The Group has assessed and determined that there was no material impacts on the Group's unaudited condensed consolidated financial statements when HKFRS 15 was adopted in accounting for the Group's revenue from contracts not yet completed as at 1 April 2018, so there was no transitional adjustments recognised against the opening balance of retained earnings as at 1 April 2018. The comparative information for each of the primary financial statements and disclosures for the comparative period in the notes to the unaudited condensed consolidated financial statements were presented based on the requirements of HKAS 11, HKAS 18 and related interpretations.

As required for the unaudited condensed consolidated financial statements, the Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The disclosure on disaggregated revenue are set out in note 6.

Furthermore, reclassifications were made to the unaudited condensed consolidated financial statements as at 1 April 2018 to be consistent with the terminology used under HKFRS 15. A reconciliation between the carrying amounts under HKAS 18 and HKAS 11 to the balances reported under HKFRS 15 as of 1 April 2018 is as follows:

	As previously stated under HKAS 18 and HKAS 11 HK\$'000	Reclassification HK\$'000	Stated under HKFRS 15 HK\$'000
Gross amounts due from customers			
from contract work (included in note 13)	30,382	(30,382)	–
Contract assets	–	30,382	30,382
Gross amounts due to customers			
from contract work (included in note 14)	168	(168)	–
Customers' deposits received (included in note 14)	7,279	(7,279)	–
Contract liabilities	–	7,447	7,447

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. ESTIMATES AND JUDGEMENTS

When preparing this interim financial report, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal to the estimated results.

The judgements, estimates and assumptions applied in this interim report, including the key sources of estimation uncertainty, were the same as those applied in the Group's annual financial statements for the year ended 31 March 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 9, which are described below.

Provision for impairment of financial assets at amortised cost

The provision policy for financial assets at amortised cost of the Group is based on the evaluation of the risk of default and the expected loss rate. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, which include the current creditworthiness, the past collection history, the realisation of any repayment pattern promised as well as forward-looking estimates at the end of each reporting period.

5. FAIR VALUES MEASUREMENT

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, that is, unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs, that is, observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5 FAIR VALUES MEASUREMENT (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

The Group engages an independent professional valuer performing valuation for its financial asset at fair value through other comprehensive income, contingent consideration payable and derivative component in convertible bonds, which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement is prepared by independent valuer at each interim and annual reporting date, and is reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and audit committee is held twice a year, to coincide with the reporting dates.

	Fair value at	Fair value measurements as at			Fair value at	Fair value measurements as at		
	30 September	30 September 2018 categorised into			31 March	31 March 2018 categorised into		
	2018	Level 1	Level 2	Level 3	2018	Level 1	Level 2	Level 3
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Group								
Recurring fair value measurements								
Assets:								
Financial asset at fair value through other comprehensive income	61,300	-	-	61,300	-	-	-	-
Liabilities:								
Contingent consideration payable	6,853	-	-	6,853	31,268	-	-	31,268
Derivative component in convertible bonds	761	-	-	761	-	-	-	-

During the six months ended 30 September 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

Description	Fair value at		Valuation technique	Significant unobservable inputs	Range of inputs	Favourable/(unfavourable) change in profit or loss/other comprehensive income	
	30 September	31 March				Six months ended	Year ended
	2018	2018				30 September	31 March
	(unaudited)	(audited)			2018	2018	
	HK\$'000	HK\$'000			(unaudited)	(audited)	
	HK\$'000	HK\$'000			HK\$'000	HK\$'000	
Group							
Financial asset at fair value through other comprehensive income	61,300	-	Market-based approach	Marketability discount	+5% -5%	(3,900) 3,900	-
Financial liabilities at fair value							
Contingent consideration payable	6,853	31,268	Probabilistic approach	Probability-weighted profit	+5% -5%	208 (232)	1,075 (2,997)
Derivative component in convertible bonds	761	-	Binomial option pricing model	Expected volatility	+5% -5%	1,090 (1,149)	-

The movements during the reporting period in the balance of contingent consideration payable and derivative component in convertible bonds are set out in notes 15 and 16.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5. FAIR VALUES MEASUREMENT (Continued)

(i) Financial assets and liabilities measured at fair value (Continued)

Information about Level 3 fair value measurements (Continued)

The movement during the reporting period in the balance of financial asset at fair value through other comprehensive income is set out below:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Unlisted equity security:		
At beginning of the period/year	71,709	–
Initial recognition in respect of available-for-sale investment measured at cost less impairment (Note)	–	71,709
Change in fair value of financial asset at fair value through other comprehensive income	(10,409)	–
At end of the reporting period/year	61,300	71,709

Note: Upon adoption of HKFRS 9, the unlisted equity security was reclassified from available-for-sale investment measured at cost less impairment to financial asset at fair value through other comprehensive income.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 September 2018 and 31 March 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

6. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are 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:

	For the six months ended 30 September 2018			For the six months ended 30 September 2017		
	Timing of revenue recognition			Timing of revenue recognition		
	Over time	At a point	Total	Over time	At a point	Total
	(Unaudited)	in time		(Unaudited)	in time	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
IT application and solution development	7,773	-	7,773	26,660	-	26,660
IT infrastructure solutions	-	154,082	154,082	-	129,865	129,865
Secondment services	26,072	-	26,072	20,968	-	20,968
Maintenance and support services	32,716	21,584	54,300	7,242	13,409	20,651
	66,561	175,666	242,227	54,870	143,274	198,144

Note: All revenue from the Group are derived from Hong Kong.

(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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(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 2018 and 2017 is set out below.

	Six months ended 30 September 2018 (Unaudited)				
	IT application and solution development	IT infrastructure solutions	Secondment services	Maintenance and support service	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	7,773	154,082	26,072	54,300	242,227
Reportable segment gross profit	1,285	19,036	7,158	11,913	39,392

	Six months ended 30 September 2017 (Unaudited)				
	IT application and solution development	IT infrastructure solutions	Secondment services	Maintenance and support service	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers and reportable segment revenue	26,660	129,865	20,968	20,651	198,144
Reportable segment gross profit	767	11,902	5,746	3,325	21,740

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

6. REVENUE AND SEGMENT REPORTING (Continued)

(b) Segment reporting (Continued)

(ii) Geographic information

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

7. OTHER REVENUE AND NET INCOME

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Bank interest income	1	1
Marketing income	534	19
Net foreign exchange loss	(2)	(5)
	533	15

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank borrowings	300	301
Effective interest expenses on convertible bonds (note 16)	1,410	–
	1,710	301

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

8. PROFIT/(LOSS) BEFORE TAXATION (Continued)

(b) Staff costs (including directors' remuneration)

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Salaries, wages and other benefits	59,385	66,281
Contributions to defined contribution retirement plans	1,815	2,381
	61,200	68,662

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	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Amortisation of intangible assets	64	66
Depreciation of property, plant and equipment	1,348	1,348
Operating lease charges in respect of properties	469	957

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

9. INCOME TAX

The taxation charged to profit or loss represents:

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax – Hong Kong Profits Tax	1,548	614

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 2018 and 2017 was 16.5%. The PRC's Corporate Income Tax rate was 25% for the six months ended 30 September 2018 and 2017. The Malaysia Corporate Tax Standard rate was 24% (for the six months ended 30 September 2017: not applicable).

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 2018 and 2017.

No provision for Malaysia Corporate Tax has been made as the subsidiary established in Malaysia did not have assessable profits subject to Malaysia Corporate Tax during the six months ended 30 September 2018 (for the six months ended 30 September 2017: not applicable).

10. DIVIDENDS

The directors of the Company (the "Directors") do not recommend the payment of any dividend for the six months ended 30 September 2018 (for the six months ended 30 September 2017: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of the basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$81,071,000 (for the six months ended 30 September 2017: loss attributable to equity shareholders of the Company of approximately HK\$6,408,000) and the weighted average number of 4,380,991,173 ordinary shares (for the six months ended 30 September 2017: 4,000,000,000 ordinary shares) in issue during the period.

(i) Weighted average number of ordinary shares

	Six months ended 30 September	
	2018 (Unaudited) Number of shares	2017 (Unaudited) Number of shares
Issued ordinary shares at 1 April	4,218,253,968	4,000,000,000
Effect of shares issued (note 17(i), 17(ii) and 17(iii))	162,737,205	–
Weighted average number of ordinary shares at 30 September	4,380,991,173	4,000,000,000

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$8,734,000 (for the six months ended 30 September 2017: loss attributable to equity shareholders of the Company of approximately HK\$6,408,000) and the weighted average number of ordinary shares of 4,818,979,339 shares (2017: 4,000,000,000 shares), calculated as follow.

(i) Profit/(loss) attributable to equity shareholders of the Company (diluted)

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Profit/(loss) attributable to equity shareholders of the Company	81,071	(6,408)
Effect of change in fair value of contingent consideration payable	(25,353)	–
Effect of change in fair value of derivative component in convertible bonds	(42,402)	–
Effect of gain on conversion of convertible bonds	(5,992)	–
Effect of effective interest expense of convertible bonds	1,410	–
Profit/(loss) attributable to equity shareholders of the Company (diluted)	8,734	(6,408)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. EARNINGS/(LOSS) PER SHARE (Continued)

(b) Diluted earnings/(loss) per share (Continued)

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

	Six months ended 30 September	
	2018 (Unaudited) Number of shares	2017 (Unaudited) Number of shares
Weighted average number of ordinary shares at 30 September	4,380,991,173	4,000,000,000
Effect of conversion of convertible bonds	254,271,632	–
Effect of exercise of contingent consideration payable (see note below)	183,716,534	–
Weighted average number of ordinary shares (diluted) at 30 September	4,818,979,339	4,000,000,000

Note:

The Company's dilutive potential ordinary shares comprise consideration shares:

- i) in relation to acquisition of available-for-sale investment that are issued during the six months ended 30 September 2018 as if these shares are issued at the beginning of the reporting period; and
- ii) in relation to acquisition of an associate that would be issuable as if the end of reporting period is the end of contingency period, for the purpose of calculating diluted earnings per share, these shares are assumed to be issued on the completion date of the acquisition.

12. INTEREST IN AN ASSOCIATE

On 20 June 2018, the Group entered in to a sale and purchase agreement in relation to an acquisition of 40% equity interest in Pointsoft Limited ("Pointsoft"), a private limited company incorporated in Hong Kong, through the acquisition of a subsidiary. The consideration of the acquisition is to be satisfied by (i) the issuance of 172,811,060 new ordinary shares of the Company as an initial consideration (the "Initial Consideration Shares"); and (ii) the issuance of a maximum number of 172,811,060 new ordinary shares of the Company based on the formula set out in the sale and purchase agreement when the audited net profit after tax of Pointsoft shall be greater than HK\$5 million for the period from 1 April 2018 to 31 March 2019. In accordance with the sale and purchase agreement, the total number of new ordinary shares to be issued as consideration for the acquisition must not be greater than 345,622,120.

The interest in associate is initially stated at cost of HK\$61,945,000, which is measured at (i) the fair value of the Initial Consideration Shares of the Company as at the completion date (being approximately HK\$31,106,000) and (ii) the fair value of contingent consideration payable as at the completion date (being approximately HK\$30,839,000). 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 Pointsoft for the period from 1 April 2018 to 31 March 2019 and the probability of occurrence of each expected earning scenario.

Further details of this acquisition are set out in the announcements of the Company dated 20 June 2018, 21 June 2018, 28 June 2018 and 4 July 2018 (collectively "the Pointsoft Announcements").

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. TRADE AND OTHER RECEIVABLES

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Non-current		
Deposits paid for acquisition of a subsidiary (note b)	106,495	8,659
Current		
Trade debtors (note a)	153,532	118,004
Gross amounts due from customers for contract work (note c)	–	30,382
Other receivables	17	19
Rental and other deposits	692	705
Prepayments	5,662	2,245
	159,903	151,355

Notes:

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

The ageing analysis of trade debtors based on the date of billing is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within 1 month	96,969	91,487
1 to 3 months	39,439	16,550
Over 3 months	17,124	9,967
	153,532	118,004

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

(b) **Deposits paid for acquisition of a subsidiary**

On 6 December 2017, ICO IT Properties (Malaysia) Limited, a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Rainbow Field Investment Limited, Teoh Teng Guan, Tan Yun Harn and Lau Chuen Yien Calvin, at a consideration of RM145 million for the 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 "Project CKB"). As at 30 September 2018, RM4,500,000 (equivalent to approximately HK\$8,659,000) has been paid by cash and convertible bonds measured at fair value at the date of issue of approximately HK\$97,836,000 has been issued as deposits paid for the acquisition pursuant to the payment schedule as set out in the sale and purchase agreement. The details of the convertible bonds are set out in note 16. As at the date of the issuance of this interim report, the acquisition has not yet been completed.

Further details of this acquisition are set out in the announcements of the Company dated 7 December 2017, 8 January 2018, 5 June 2018, 27 July 2018, 9 November 2018, 15 November 2018 and the circular of the Company dated 28 March 2018 (collectively "the CKB Announcements and Circular").

(c) Upon the adoption of HKFRS 15, gross amounts due from customers for contract work is included in contract assets (see note 3).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14. TRADE AND OTHER PAYABLES

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Trade creditors (note a)	71,690	51,793
Gross amounts due to customers for contract work (note b)	–	168
Customers' deposits received (note b)	–	7,279
Accruals and other payables	1,506	3,610
	73,196	62,850

Notes:

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

As at 30 September 2018 and 31 March 2018, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Within 1 month	27,256	30,851
1 to 3 months	38,227	20,491
Over 3 months	6,207	451
	71,690	51,793

(b) Upon adoption of HKFRS 15, gross amounts due to customers for contract work and customers' deposits received are included in contract liabilities (see note 3).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15. CONTINGENT CONSIDERATION PAYABLE

The movements of contingent consideration payables are as follows

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Fair value		
At beginning of the period/year	31,268	–
Initial recognition in respect of acquisition of available-for-sale investment	–	34,169
Initial recognition in respect of acquisition of an associate (see note 12)	30,839	–
Change in fair value up to settlement date in respect of contingent consideration payable for acquisition of financial asset at fair value through other comprehensive income (previously classified as available-for-sale investment)	(1,367)	–
Derecognition upon settlement of contingent consideration payable for acquisition of financial asset through other comprehensive income (previously classified as available-for-sale investment)	(29,901)	–
Change in fair value for contingent consideration payable in respect of acquisition of an associate/available-for-sale investment	(23,986)	(2,901)
At end of the period/year	6,853	31,268
Total gain for the period/year included in profit or loss	25,353	2,901

The fair value of the contingent consideration payables at initial recognition and at the end of reporting period are determined by the directors of the Company with reference to the valuation report prepared by an independent professional valuer, by applying probabilistic approach (31 March 2018: probabilistic approach) on the estimated profit of the associate in respect of the period from 1 April 2018 to 31 March 2019 (31 March 2018: the estimated profit of the available-for-sale investment 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 end therefore classified as current liabilities.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. CONVERTIBLE BONDS

During the six months ended 30 September 2018, the Company issued convertible bonds as deposits paid for acquisition of a subsidiary (see note 13(b)) in an aggregate principal amount of approximately HK\$68,132,000 with initial conversion price of HK\$0.1323 per share. The convertible bonds carry no interest.

During the six months ended 30 September 2018, convertible bonds with principal amount of approximately HK\$11,535,000 were converted and the Company allotted and issued 87,186,224 new ordinary shares on 27 August 2018 accordingly.

At initial recognition, the derivative component in the convertible bonds are measured at fair value and are separately presented. Any excess of the fair values of the convertible bonds over the amounts initially recognised as derivative component in convertible bonds are recognised as liability component in the convertible bonds.

At the end of the reporting period, the fair values of the derivative component in convertible bonds are remeasured and the gain or loss on remeasurement to fair value are recognised in profit or loss.

The liability component in convertible bonds are subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss.

If the convertible bonds are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability component in convertible bonds are recognised in profit or loss.

The movements of liability component in convertible bonds are as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
At beginning of the period/year	–	–
Initial recognition on issue of convertible bonds	45,440	–
Conversion of convertible bond	(7,657)	–
Amortisation of liability component in convertible bonds	1,410	–
At end of the period/year	39,193	–

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. CONVERTIBLE BONDS (Continued)

The movements of derivative component in convertible bonds are as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Fair value		
At beginning of the period/year	–	–
Initial recognition on issue of convertible bonds	52,396	–
Conversion of convertible bond	(9,233)	–
Fair value change of derivative component in convertible bonds	(42,402)	–
At end of the period/year	761	–

The fair values of the derivative component in the convertible bonds and the fair value of the convertible bonds are determined by the directors of the Company with reference to the valuation report prepared by an independent valuer by applying the binomial option pricing model, which taken into account of various factors including the stock price, conversion price, discount rate, maturity date and volatility of the Company and the convertible bonds.

Since the maturity date of the convertible bonds are three years from the date of issuance, the liability component in the convertible bonds are classified as non-current liability.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. SHARE CAPITAL

	30 September 2018		31 March 2018	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.0025 each	40,000,000,000	100,000	40,000,000,000	100,000
Issued and fully paid:				
At 1 April	4,218,253,968	10,546	4,000,000,000	10,000
Shares issued for settlement of contingent consideration payable in relation to acquisition of financial asset at fair value through other comprehensive income/ available-for-sale investment (note (i))	218,253,969	545	218,253,968	546
Shares issued for acquisition of an associate (note (ii))	172,811,060	432	–	–
Shares issued upon conversion of convertible bonds (note (iii))	87,186,224	218	–	–
At 30 September/31 March	4,696,505,221	11,741	4,218,253,968	10,546

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

Note:

- (i) On 18 December 2017 and 10 August 2018, the Company allotted and issued 218,253,968 and 218,253,969 new shares respectively to the vendors in respect of the acquisition of the available-for-sale investment (subsequently reclassified as financial asset at fair value through other comprehensive income under HKFRS 9) pursuant to the sale and purchase agreement dated 10 November 2017. Further details of the acquisition are set out in the announcements of the Company dated 10 November 2017, 18 December 2017 and 10 August 2018 (collectively "the INAX Announcements").
- (ii) On 4 July 2018, the Company allotted and issued 172,811,060 new shares to the vendors in respect of the acquisition of an associate (see note 12) pursuant to the sale and purchase agreement dated 20 June 2018.
- (iii) On 27 August 2018, the Company allotted and issued 87,186,224 new shares upon the conversion of convertible bond issued as deposits paid for acquisition of a subsidiary pursuant to the sale and purchase agreement dated 6 December 2017 (see note 13(b) and 16).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

18. 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	
	2018	2017
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short-term employee benefits	4,397	3,599
Post-employment benefits	56	54
	4,453	3,653

Total remuneration is included in staff costs (see note 8(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 2018 and 2017.

19. CAPITAL COMMITMENT

On 6 December 2017, ICO IT Properties (Malaysia) Limited, a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Rainbow Field Investment Limited, Teoh Teng Guan, Tan Yun Harn and Lau Chuen Yien Calvin at a consideration of RM145 million in relation to acquisition of group of companies. After the payment of a cash deposit of RM4,500,000 (equivalent to approximately HK\$8,659,000) and issue of convertible bonds with aggregate principal amount of approximately HK\$68,132,000 (see note 13(b) and 16) in accordance with the sale and purchase agreement, there was an outstanding capital commitment of RM105.86 million in relation to the acquisition of as at 30 September 2018 (as at 31 March 2018: RM140.5 million).

Completion of the acquisition is subject to satisfaction of conditions precedent as set out in the sale and purchase agreement. As at 30 September 2018, the acquisition was not yet completed.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

20. NON ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 2 October 2018, a performance bond amounted to approximately HK\$26.5 million was issued by a bank to a customer of the Group to protect the customer from the Group's default on its obligation under the contract. Shall the customer demand compensation for the Group's default under the performance bond, the Group will be liable to reimburse the bank up to the full amount of the performance bond.

On 9 November 2018, the Group entered into a second supplemental agreement in relation to acquisition of Project CKB to amend certain terms of the sale and purchase agreement dated 6 December 2017. Details of the second supplemental agreement are set out in the announcement of the Company dated 9 November 2018.

On 23 November 2018, following the announcement of the Company dated 15 November 2018, the Company issued convertible bond with principal amount of HK\$8,074,852.50 to the vendor of Project CKB pursuant to the amended milestones set out in the announcement of the Company date 9 November 2018.

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

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 services; (iii) provision of secondment services; and (iv) provision of maintenance and support services.

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 September 2018 (“**Interim 2018**”), the Group recorded a profit attributable to equity shareholders of the Company of approximately HK\$81.1 million as compared to the loss attributable to equity shareholders of the Company of approximately HK\$6.4 million for the six months ended 30 September 2017 (“**Interim 2017**”). As compared to Interim 2017, the turnaround was primarily attributable to: i) an increase in revenue of the Group by approximately HK\$44.1 million due to the increase in revenue arising from all business segments except for IT application and solution development services segment; ii) a decrease in staff cost of the Group by approximately HK\$7.5 million due to the cost saving effect of the Group’s downsizing exercise; iii) share of profit of an associate of approximately HK\$2.7 million; and iv) fair value gain on various financial liabilities of the Group and gain on conversion of convertible bonds of in aggregate approximately HK\$73.7 million (the gains were merely results of accounting treatments and do not have any real impacts on the results of the operations and cash flows of the Group).

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 2018 amounted to approximately HK\$7.8 million, representing approximately 3% of the total revenue for Interim 2018. The revenue derived from this segment decreased by approximately 71% from approximately HK\$26.7 million for Interim 2017 to approximately HK\$7.8 million for Interim 2018. The decrease was primarily due to i) the significant drop in revenue recognised from the Group’s sizable projects as the implementation phases of these projects are substantially completed during the year ended 31 March 2018; and ii) following the substantial completion of the implementation phases of the Group’s sizable projects, the Group is yet to secure another large-scale IT project that would provide new stream of income for this segment. During Interim 2018, on one hand the Group was striving to get sizable projects through competitive tendering process, on the other hand the Group also diverted its focus to expand other lines of business to mitigate the adverse effects of the temporary lack of projects for this segment.

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 64% of the total revenue for Interim 2018. The revenue from this segment increased by approximately 19% from approximately HK\$130.0 million for Interim 2017 to approximately HK\$154.1 million for Interim 2018, the increase was primarily due to the increased demand from the Group’s customers in the construction and financial sectors due to technological refreshment and business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

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\$26.1 million, representing approximately 11% of the total revenue for Interim 2018. The revenue derived from this segment increased by approximately 24% from approximately HK\$21.0 million for Interim 2017 to approximately HK\$26.1 million for Interim 2018, the increase was primarily due to the significant contribution of revenue from four secondment contracts awarded by the Group's clients in the financial sector which were absent during Interim 2017.

Provision of maintenance and support services

This segment provides maintenance and support services. The revenue generated from this segment amounted to approximately HK\$54.3 million, representing approximately 22% of the total revenue for Interim 2018. The revenue derived from this segment increased by approximately 1.63 times from approximately HK\$20.7 million for Interim 2017 to approximately HK\$54.3 million for Interim 2018, the significant increase of revenue for this segment was primarily due to the significant revenue recorded from the maintenance phase of the Group's sizable IT projects which commenced since November 2017 and August 2018 subsequent to the completion of their implementation phase.

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 2018. 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.

Although the Group is currently striving to get sizable projects for its IT application and solution development services segment through competitive tendering process in order to secure future revenue streams, the Group achieved a turnaround for Interim 2018 due to i) its effort to expand its business in other business segments; and ii) the cost saving effect of the downsize exercise commenced during the year ended 31 March 2018.

In the coming years, it is expected that the business of the Group will grow in a steady pace as: i) in addition to the Group's ability to further expand its business, the maintenance contracts for the Group's completed sizable IT projects are expected to contribute a total revenue of over HK\$60 million per year to the Group until 2027; ii) upon completion of its downsizing exercise, the Group will maintain a sustainable team size and closely monitor its cost structure and iii) in the long run, the Group is expected to benefit from the acquisitions made during Interim 2018 and the year ended 31 March 2018 from business synergies and broadened revenue sources. For details of the acquisitions, please refer to the INAX Announcements, Pointsoft Announcements and CKB Announcements and Circular as well as the annual report of the Company for the year ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for Interim 2018 amounted to approximately HK\$242.2 million, representing an increase of approximately HK\$44.1 million or 22% compared to Interim 2017 (Interim 2017: approximately HK\$198.1 million). The increase was mainly attributable to the increase in revenue generated from provision of IT infrastructure solutions, secondment services and maintenance and support services of approximately HK\$24.2 million, HK\$5.1 million and HK\$33.6 million respectively, offset by the decrease in revenue generated from provision of IT application and solution development services of approximately HK\$18.9 million.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately 81% from approximately HK\$21.7 million for Interim 2017 to approximately HK\$39.4 million for Interim 2018, while the gross profit margin of the Group increased from approximately 11% for Interim 2017 to approximately 16% for Interim 2018. The increase in gross profit of the Group was primarily due to the increase in gross profit generated from provision of IT infrastructure solutions, secondment services and maintenance and support services, which were in line with the increase in revenue from these segments. The increase in gross profit margin of the Group was primarily due to the increased gross profit margin for provision of IT application and solution development services, IT infrastructure solutions and maintenance and support services which was contributed by the enhanced cost structure as a result of the cost saving effect from the Group's downsizing exercise.

General and administrative expenses

The Group's general and administrative expenses for Interim 2018 amounted to approximately HK\$28.1 million, representing an increase of approximately HK\$2.4 million or 9% as compared to Interim 2017 (Interim 2017: approximately HK\$25.7 million). Such increase was mainly due to the increase in staff cost incurred for i) expansion of the Group's sale team despite its effort to downsize its technical team so as to expand its sales channels; ii) presale and tender bidding activities in order to secure new projects for the IT application and solution development segment; and iii) commission paid to sales staff which was in line with the increase in revenue of the Group during Interim 2018.

Change in fair value of contingent consideration payables and derivative component in convertible bonds

Contingent consideration payables and derivative component in convertible bonds were recognised by the Group as a result of the acquisitions made by the Group during the year ended 31 March 2018 and Interim 2018. According to the relevant accounting standards, these financial liabilities are required to be remeasured at fair value at the end of each reporting period with the remeasurement gain or loss recognised in profit or loss. As a result, with reference to valuation reports prepared by an independent professional valuer, valuation gains on these financial liabilities were determined and recognised during Interim 2018. Nevertheless, the valuation gains were merely results of accounting treatments and do not have any real impacts on the results of the operations and cash flows of the Group. For details of the acquisitions made by the Group, please refer to the annual report of the Company for the year ended 31 March 2018 and the INAX Announcements, Pointsoft Announcements and CKB Announcements and Circular.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

The increase in finance costs for Interim 2018 was solely due to the imputed interest expenses arising from amortisation of the liability component in convertible bonds in accordance with the relevant accounting standards. Such imputed interest expenses do not have any cash impacts on the Group, the interest expenses arising from bank borrowings of the Group remained stable at approximately HK\$0.3 million for Interim 2018 as compared to Interim 2017.

Share of profit of an associate

According to the management account provided by the associate of the Group, the associate recorded a net profit of approximately HK\$6.6 million during Interim 2018, accordingly, 40% of the net profit was shared by the Group during Interim 2018.

Income tax

As the valuation gains recognised by the Group are not taxable and the Group has tax loss brought forward from last year to set off taxable profit for the current period, the effective interest rate of the Group for Interim 2018 was only approximately 2%.

Profit for the period

The Group recorded a net profit of approximately HK\$85.0 million for Interim 2018, as compared to a net loss of approximately HK\$4.9 million for Interim 2017. The turnaround was mainly attributable to i) the increase in gross profit of approximately HK\$17.7 million; ii) the valuation gains of contingent consideration payables and derivative component of convertible bonds of approximately HK\$67.8 million; iii) gains on conversion of convertible bonds of approximately HK\$6.0 million; and iv) share of profit of an associate of approximately HK\$2.7 million, offset by the increase in general and administrative expenses, finance costs and income tax expenses of approximately HK\$2.4 million, HK\$1.4 million and HK\$0.9 million respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS AND USE OF PROCEEDS

As at 30 September 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 Interim 2018, the Group has entered into an agreement to acquire 40% equity interest in Pointsoft. For details of the acquisition, please refer to the Pointsoft Announcements. The unutilized amount of net proceeds allocated to this business objective is approximately HK\$4.5 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 30 September 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 during Interim 2018, approximately HK\$2.2 million of the net proceeds had been used for tender bidding, presale and business development activities. The amount of net proceeds allocated to this business objective was fully utilised during Interim 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the shareholders' funds of the Group amounted to approximately HK\$348.5 million (as at 31 March 2018: approximately HK\$205.9 million). Current assets were approximately HK\$212.0 million (as at 31 March 2018: approximately HK\$199.0 million), mainly comprised of cash and cash equivalents of approximately HK\$38.0 million (as at 31 March 2018: approximately HK\$38.3 million), tax recoverable of approximately HK\$6.1 million (as at 31 March 2018: approximately HK\$6.1 million), trade and other receivables and contract assets of approximately HK\$164.6 million (as at 31 March 2018: approximately HK\$151.4 million). Current liabilities mainly comprised of trade and other payables and contract liabilities of approximately HK\$82.6 million (as at 31 March 2018: approximately HK\$62.9 million), contingent consideration payable of approximately HK\$6.9 million (as at 31 March 2018: approximately HK\$31.3 million) and bank loans of approximately HK\$7.2 million (as at 31 March 2018: approximately HK\$22.9 million).

The changes in current assets and current liabilities of the Group are primarily due to:

- (i) the increase in the aggregate amount of trade and other receivables and contract assets arising from services rendered yet pending for settlement in accordance with the payment schedule set out in contracts with customers;
- (ii) the decrease in outstanding bank loans as the Group partially repaid its bank loans during Interim 2018 ahead of the original repayment schedule. On 2 October 2018, the Group used the refreshed facility limit for issuance of a performance bond in relation to a new secondment contract;
- (iii) the increase in trade creditors (included in trade and other payables) arising from increased purchases made by the Group but not yet due for settlement; and
- (iv) the decrease in contingent consideration payable due to settlement of contingent consideration payable in respect of the acquisition of 15% equity interest in INAX Technology Limited ("INAX"); offset by the recognition of contingent consideration payable in respect of the acquisition of 40% equity interest in Pointsoft.

The outstanding bank loans of approximately HK\$7.2 million as at 30 September 2018 will be matured by January 2019 and as at 30 September 2018, the Group has unutilised bank facilities amounted to approximately HK\$37.9 million. The net asset value per share attributable to equity shareholders of the Company as at 30 September 2018 was approximately HK\$0.074 (as at 31 March 2018: approximately HK\$0.049). The Group's gearing ratio, expressed as a percentage of bank loans and liability component in convertible bonds over total equity, was approximately 13% (as at 31 March 2018: 11%). As at 30 September 2018, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 2.1 times (as at 31 March 2018: approximately 1.7 times).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

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

During Interim 2018, the Company had the following changes in its share capital:

- (i) On 10 August 2018, the Company allotted and issued 218,253,969 new shares in respect of the acquisition of INAX pursuant to the sale and purchase agreement dated 10 November 2017;
- (ii) On 4 July 2018, the Company allotted and issued 172,811,060 new shares in respect of the acquisition of Pointsoft pursuant to the sale and purchase agreement dated 20 June 2018; and
- (iii) On 27 August 2018, the Company allotted and issued 87,186,224 new shares upon the conversion of convertible bond issued as deposits paid for the acquisition of Project CKB pursuant to the sale and purchase agreement dated 6 December 2017.

Except for the above, there were no changes in the share capital of the Company during Interim 2018, and there were no changes in the share capital of the Company during Interim 2017.

As at 30 September 2018 and 2017, the Company's issued share capital was approximately HK\$11,741,000 and HK\$10,000,000 respectively and the number of its issued ordinary shares was 4,696,505,221 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, long term debt (being convertible bonds) 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 30 September 2018 and 30 September 2017, all outstanding bank loans are denominated in Hong Kong dollars and with a fixed interest rate with reference to HIBOR. The convertible bonds issued by the Company carry no interest.

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 2018, the Group had operating lease commitments in respect of rented office of approximately HK\$2,109,000 (as at 31 March 2018: approximately HK\$2,461,000).

As at 30 September 2018 and up to the date of this interim report, subject to certain conditions, the Group has capital commitments on its acquisition of Project CKB. For details on the acquisition, please refer to the CKB Announcements and Circular.

As at 30 September 2017, the Group did not have any significant capital commitments.

MANAGEMENT DISCUSSION AND ANALYSIS

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 interim report, the Group does not have any concrete plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During Interim 2018 and up to the date of this interim report, except for the acquisition of 40% equity interest in Pointsoft, the Group did not enter into any material acquisitions or disposals of subsidiaries and affiliated companies. For details of the acquisition, please refer to the Pointsoft Announcements.

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

SIGNIFICANT INVESTMENTS AND 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 interim report. 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 (there are no indicators of impairment for the office premises and carpark during Interim 2018).

During the year ended 31 March 2018 and Interim 2018, the Group has entered into agreements to acquire 15% equity interest in INAX, 40% equity interest in Pointsoft and Project CKB. For details of the acquisitions, please refer to the INAX Announcements, the Pointsoft Announcements and the CKB Announcements and Circular.

During Interim 2018, the Group recognised a downward fair value change for its investment in INAX, the primary reason for such decline in fair value was due to a decrease in profit recorded by INAX during Interim 2018 as compared with last year. Upon enquiry on the management of INAX, the primary reason for the decrease in profit during Interim 2018 was delays in project commencement for contracts signed but not yet kicked-off. The reason for such delays was due to the pessimistic view of its customers towards global economy and as a result demanded for deferral of projects in view of their tightened budget. Nevertheless, the management of INAX opined that such situation is only a temporary setback towards its long term growth as i) its customers merely demanded for a deferral of project but not cancellation and ii) the market for data centre industry is still in rapid growth and hence there will still be a strong demand for its services in the future.

As at the date of this interim report, the Group considers the performance of Pointsoft is satisfactory as the management accounts of Pointsoft (subject to audit) showed that there are no material deterioration of results and financial position since completion of the acquisition.

On the other hand, as Project CKB is still under development, the performance of such investment is hard to be reliably measured, nevertheless, the progress of development is on schedule without material delay.

Save and except for disclosed above, the Group did not hold any significant investments nor made any significant acquisition of capital assets during Interim 2018 and Interim 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

On 2 October 2018, a performance bond amounted to approximately HK\$26.5 million was issued by a bank to a customer of the Group to protect the customer from the Group's default on its obligation under the contract. Shall the customer demand compensation for the Group's default under the performance bond, the Group will be liable to reimburse the bank up to the full amount of the performance bond. Except for the above, the Group had no material contingent liabilities as at 30 September 2018 and up to the date of this interim report (as at 31 March 2018: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For Interim 2018 and Interim 2017, 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 Interim 2018 and Interim 2017 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 the completion of Project CKB, as such, the Group will continue to monitor its foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

CHARGE ON GROUP'S ASSETS

As at 30 September 2018, except for the pledged bank deposit of approximately HK\$3.2 million (as at 31 March 2018: 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\$42.1 million (as at 31 March 2018: approximately HK\$42.9 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 30 September 2018, the Group employed a total of 212 full-time employees (as at 30 September 2017: 314). The staff costs, including Directors' emoluments, of the Group were approximately HK\$61.2 million for Interim 2018 (for Interim 2017: approximately HK\$68.7 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018, 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 CG 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2018.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the Directors' information subsequent to those disclosed in the 2018 annual report of the Company for the year ended 31 March 2018 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\$168,000.

The monthly salary and allowance of Mr. Pang Yick Him, Executive Director, has been adjusted to HK\$79,500.

Dr. Chan Mee Yee resigned as independent non-executive Director, chairman of the remuneration committee of the Company, member of the audit committee and nomination committee of the Company with effect from 13 July 2018. For details of the resignation, please refer to the announcement of the Company published on 13 July 2018.

Mr. Fong Sing Chak Jack has been appointed as independent non-executive Director, chairman of the remuneration committee of the Company, member of the audit committee and nomination committee of the Company with effect from 1 September 2018. For details of the appointment, please refer to the announcement published by the Company on 31 August 2018.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 September 2018 and 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 2018 and 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 interim report, the Company had 400,000,000 shares available for issue under the Scheme (representing 10% of the issued capital of the Company as at the date when the Scheme was approved and adopted). For further details of the Scheme, please refer to the Company's Circular dated 27 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Events after 30 September 2018

On 2 October 2018, a performance bond amounted to approximately HK\$26.5 million was issued by a bank to a customer of the Group to protect the customer from the Group's default on its obligation under the contract. Shall the customer demand compensation for the Group's default under the performance bond, the Group will be liable to reimburse the bank up to the full amount of the performance bond.

On 9 November 2018, the Group entered into a second supplemental agreement in relation to acquisition of Project CKB to amend certain terms of the acquisition agreement dated 6 December 2017. For details, please refer to the announcement of the Company dated 9 November 2018.

On 23 November 2018, following the announcements of the Company dated 15 November 2018, the Company issued convertible bond with total face value of HK\$8,074,852.50 to the vendor of Project CKB pursuant to the amended milestones set out in the announcement of the Company date 9 November 2018.

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. Cheung Siu Nang Bruce, Mr. Fong Sing Chak Jack 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 2018 and was of the opinion that such statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 September 2018, the interests or short positions of the Directors and chief executives of the Company in the shares of the Company (the "Shares"), underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage to the issued capital of the Company
Mr. Lee Cheong Yuen ("Mr. Lee") (Notes 2 and 3)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	41.09%
Mr. Chan Kwok Pui ("Mr. Chan") (Notes 2 and 4)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	41.09%
Mr. Yong Man Kin ("Mr. Yong") (Notes 2 and 5)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	41.09%
Mr. Tam Kwok Wah ("Mr. Tam") (Notes 2 and 6)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	41.09%
Mr. Fong Sing Chak Jack	Beneficial owner; interest of spouse	3,448,000 (L) (Note 1)	0.07%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. On 27 February 2015, our ultimate controlling shareholders, namely, Mr. Lee, Mr. Chan, Mr. Yong and Mr. Tam ("**Controlling Shareholders**"), entered into the confirmation deed to acknowledge and confirm, among other things, that they were parties acting-in-concert of each of the members of the Group. As such, our ultimate Controlling Shareholders together are deemed to have controlling interest in the share capital of the Company through BIZ Cloud Limited, Cloud Gear Limited, Friends True Limited and Imagine Cloud Limited.
3. Shares in which Mr. Lee is interested consist of (i) 1,170,000,000 Shares held by BIZ Cloud Limited, a company wholly owned by Mr. Lee, and (ii) 760,000,000 Shares in which Mr. Lee is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan, Mr. Yong and Mr. Tam.
4. Shares in which Mr. Chan is interested consist of (i) 110,000,000 Shares held by Cloud Gear Limited, a company wholly owned by Mr. Chan, and (ii) 1,820,000,000 Shares in which Mr. Chan is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Tam.
5. Shares in which Mr. Yong is interested consist of (i) 525,000,000 Shares held by Friends True Limited, a company wholly owned by Mr. Yong, and (ii) 1,405,000,000 Shares in which Mr. Yong is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Chan and Mr. Tam. On 5 April 2017, Mr. Yong resigned as the Chairman and executive Director.
6. Shares in which Mr. Tam is interested consist of (i) 125,000,000 Shares held by Imagine Cloud Limited, a company wholly owned by Mr. Tam, and (ii) 1,805,000,000 Shares in which Mr. Tam is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Chan.
7. As at 30 September 2018, the Company's issued ordinary share capital was HK\$11,741,263 divided into 4,696,505,221 of HK\$0.0025 each.

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed above, at no time during the six months, ended 30 September 2018 and 2017 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION

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

As at 30 September 2018, the following parties held interests or short positions (directly or indirectly) in the Company's Shares or underlying Shares were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interests	Number of Shares held	Number of underlying Shares held	Aggregate long position in Shares/ underlying Shares	Approximate percentage to the issued capital of the Company
Mr. Lee (Notes 2 and 3)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
BIZ Cloud Limited (Notes 2 and 3)	Beneficial owner	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Ms. Saetia Ladda (Note 4)	Interest in spouse	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Mr. Chan (Notes 2 and 5)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Cloud Gear Limited (Notes 2 and 5)	Beneficial owner	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Mr. Yong (Notes 2 and 6)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Friends True Limited (Notes 2 and 6)	Beneficial owner	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Ms. Ma Kit Ling (Note 7)	Interest in spouse	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Mr. Tam (Notes 2 and 8)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Imagine Cloud Limited (Notes 2 and 8)	Beneficial owner	1,930,000,000 (L) (Note 1)	–	1,930,000,000 (L) (Note 1)	41.09%
Lau Calvin Chuen Yien	Beneficial owner	259,804,000 (L) (Note 1)	–	259,804,000 (L) (Note 1)	5.53%
Rainbow Field Investment Limited (Note 9)	Beneficial owner	–	1,425,961,121 (L) (Note 1)	1,425,961,121 (L) (Note 1)	30.36%
Teoh Teng Guan (Note 9)	Interest of a controlled corporation	–	1,425,961,121 (L) (Note 1)	1,425,961,121 (L) (Note 1)	30.36%

Notes:

1. The letter "L" denotes a long position in the shareholder's interest in the share capital of the Company.
2. On 27 February 2015, our ultimate Controlling Shareholders, namely, Mr. Lee, Mr. Chan, Mr. Yong and Mr. Tam, entered into the confirmation deed to acknowledge and confirm, among other things, that they were parties acting-in-concert of each of the members of the Group. As such, our ultimate Controlling Shareholders together are deemed to have controlling interest in the share capital of the Company through BIZ Cloud Limited, Cloud Gear Limited, Friends True Limited and Imagine Cloud Limited.
3. Shares in which Mr. Lee is interested consist of (i) 1,170,000,000 Shares held by BIZ Cloud Limited, a company wholly owned by Mr. Lee, and (ii) 760,000,000 Shares in which Mr. Lee is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan, Mr. Yong and Mr. Tam.
4. Ms. Saetia Ladda is the spouse of Mr. Lee. Under the SFO, Ms. Saetia Ladda is deemed to be interested in the same number of Shares in which Mr. Lee is interested.
5. Shares in which Mr. Chan is interested consist of (i) 110,000,000 Shares held by Cloud Gear Limited, a company wholly owned by Mr. Chan, and (ii) 1,820,000,000 Shares in which Mr. Chan is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Tam.
6. Shares in which Mr. Yong is interested consist of (i) 525,000,000 Shares held by Friends True Limited, a company wholly owned by Mr. Yong, and (ii) 1,405,000,000 Shares in which Mr. Yong is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Chan and Mr. Tam.
7. Ms. Ma Kit Ling is the spouse of Mr. Yong. Under the SFO, Ms. Ma Kit Ling is deemed to be interested in the Shares in which Mr. Yong is interested.
8. Shares in which Mr. Tam is interested consist of (i) 125,000,000 Shares held by Imagine Cloud Limited, a company wholly owned by Mr. Tam, and (ii) 1,805,000,000 Shares in which Mr. Tam is deemed to be interested as a result of being a party acting-in-concert with Mr. Lee, Mr. Yong and Mr. Chan.
9. Interests arose from convertible bonds issued and to be issued for the acquisition of Project CKB, of which conversion of the bonds are subjected to contain restrictions. For details of the acquisition and conversion restrictions, please refer to project CKB Announcements and Circular.
10. As at 30 September 2018, the Company's issued ordinary share capital was HK\$11,741,263 divided into 4,696,505,221 of HK\$0.0025 each.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short positions in the Shares and underlying Shares of the Company as at 30 September 2018 which required to be recorded pursuant to Section 336 of SFO.

By order of the Board

Lee Cheong Yuen

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 30 November 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Cheong Yuen (*Chairman and Chief Executive Officer*)
Mr. Pang Yick Him

Non-executive Directors

Mr. Chan Kwok Pui
Mr. Tam Kwok Wah

Independent Non-executive Directors

Dr. Chan Mee Yee (Resigned on 13 July 2018)
Dr. Cheung Siu Nang Bruce
Mr. Fong Sing Chak Jack
(Appointed on 1 September 2018)
Ms. Kam Man Yi Margaret

COMPANY SECRETARY

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

AUTHORISED REPRESENTATIVES

Mr. Lee Cheong Yuen
Mr. Pang Yick Him

AUDIT COMMITTEE

Ms. Kam Man Yi Margaret
(*Chairlady of audit committee*)
Dr. Chan Mee Yee (Resigned on 13 July 2018)
Dr. Cheung Siu Nang Bruce
Mr. Fong Sing Chak Jack
(Appointed on 1 September 2018)

REMUNERATION COMMITTEE

Mr. Fong Sing Chak Jack
(*Chairman of remuneration committee*)
(Appointed on 1 September 2018)
Dr. Chan Mee Yee
(*Chairlady of remuneration committee*)
(Resigned on 13 July 2018)
Dr. Cheung Siu Nang Bruce
Ms. Kam Man Yi Margaret

NOMINATION COMMITTEE

Dr. Cheung Siu Nang Bruce
(*Chairman of nomination committee*)
Dr. Chan Mee Yee (Resigned on 13 July 2018)
Ms. Kam Man Yi Margaret
Mr. Fong Sing Chak Jack (Appointed on 1 September 2018)
Mr. Lee Cheong Yuen
Mr. Pang Yick Him

AUDITORS

Crowe (HK) CPA Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

WEBSITE ADDRESS

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STOCK CODE

1460