# ICO GROUP LIMITED
# 揚科集團有限公司 *

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1460)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2019

### ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of ICO Group Limited (the "**Company**") is presenting the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019, together with comparative audited figures for the preceding financial year, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the year ended 31 March 2019*

| | | **2019** | 2018 |
|---|---|---|---|
| | *Note* | ***HK$'000*** | *HK$'000* |
| Revenue | *4* | **595,467** | 409,935 |
| Cost of sales | | **(498,062)** | (361,221) |
| **Gross profit** | | **97,405** | 48,714 |
| Other revenue | *5* | **498** | 93 |
| Other net loss | *6* | **(137)** | (17) |
| General and administrative expenses | | **(64,155)** | (56,593) |
| Change in fair value of contingent consideration payable | | **21,492** | 2,901 |
| Change in fair value of derivative component in convertible bonds | | **45,621** | – |
| Gain on conversion of convertible bonds | | **1,276** | – |
| Share of profit of associates | | **542** | – |
| Share of loss of joint ventures | | **(653)** | – |
| Finance costs | *7(a)* | **(4,971)** | (657) |
| **Profit/(loss) before taxation** | *7* | **96,918** | (5,559) |

* *For identification purposes only*

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Income tax | *8* | **(3,734)** | (1,524) |
| **Profit/(loss) for the year** | | **93,184** | (7,083) |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **83,920** | (11,169) |
| Non-controlling interests | | **9,264** | 4,086 |
| **Profit/(loss) for the year** | | **93,184** | (7,083) |
| **Earnings/(loss) per share** | *10* | | |
| Basic (HK cents per share) | | **1.85** | (0.27) |
| Diluted (HK cents per share) | | **0.40** | (0.34) |

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

*For the year ended 31 March 2019*

| | 2019 | 2018 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Profit/(loss) for the year** | **93,184** | (7,083) |
| **Other comprehensive (loss)/income for the year** | | |
| Items that will not be reclassified to profit or loss: | | |
| Change in fair value of financial asset at fair value through other comprehensive income (non-recycling) | **(33,909)** | – |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of overseas subsidiary | **(7)** | 13 |
| **Total comprehensive income/(loss) for the year** | **59,268** | (7,070) |
| **Attributable to:** | | |
| Equity shareholders of the Company | **50,004** | (11,156) |
| Non-controlling interests | **9,264** | 4,086 |
| **Total comprehensive income/(loss) for the year** | **59,268** | (7,070) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | *Note* | **31 March 2019** *HK$'000* | 31 March 2018 *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **47,935** | 49,889 |
| Intangible assets | | **140** | 264 |
| Interests in associates | | **62,488** | – |
| Interests in joint ventures | | **1,098** | – |
| Other financial asset | | **37,800** | 71,709 |
| Deposit for acquisition of a subsidiary | | **117,602** | 8,659 |
| | | **267,063** | 130,521 |
| **Current assets** | | | |
| Trade and other receivables | *11* | **175,856** | 151,355 |
| Contract assets | | **4,483** | – |
| Tax recoverable | | **5,924** | 6,134 |
| Pledged bank deposits | | **3,197** | 3,197 |
| Cash and cash equivalents | | **52,980** | 38,286 |
| | | **242,440** | 198,972 |
| **Current liabilities** | | | |
| Trade and other payables | *12* | **(82,760)** | (62,850) |
| Contract liabilities | | **(10,489)** | – |
| Bank loans | | **(7,591)** | (22,900) |
| Contingent consideration payable | | **(10,715)** | (31,268) |
| Derivative component in convertible bonds | | **(2,951)** | – |
| Tax payable | | **(2,177)** | (415) |
| | | **(116,683)** | (117,433) |
| **Net current assets** | | **125,757** | 81,539 |
| **Total assets less current liabilities** | | **392,820** | 212,060 |

| | Note | **31 March 2019** **HK$'000** | 31 March 2018 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Liability component in convertible bonds | | **(52,773)** | – |
| Deferred tax liabilities | | **(161)** | (161) |
| | | **(52,934)** | (161) |
| **Net assets** | | **339,886** | 211,899 |
| **Capital and reserves** | | | |
| Share capital | *13* | **11,741** | 10,546 |
| Reserves | | **316,077** | 195,364 |
| **Total equity attributable to equity shareholders of the Company** | | **327,818** | 205,910 |
| Non-controlling interests | | **12,068** | 5,989 |
| **Total equity** | | **339,886** | 211,899 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2019*

| | Attributable to equity shareholders of the Company | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Share capital** | **Share premium** | **Exchange reserve** | **Fair value reserve (non-recycling)** | **Retained profits** | **Total** | **Non-controlling interest** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Balance at 1 April 2017** | 10,000 | 78,785 | (51) | – | 90,792 | 179,526 | 4,500 | 184,026 |
| **Changes in equity for 2017/18:** | | | | | | | | |
| Loss for the year | – | – | – | – | (11,169) | (11,169) | 4,086 | (7,083) |
| Other comprehensive income for the year | | | | | | | | |
| – Exchange differences on translation of financial statements of overseas subsidiary | – | – | 13 | – | – | 13 | – | 13 |
| Total comprehensive loss for the year | – | – | 13 | – | (11,169) | (11,156) | 4,086 | (7,070) |
| Shares issued upon acquisition of available-for-sale investment | 546 | 36,994 | – | – | – | 37,540 | – | 37,540 |
| Interim dividend declared to non-controlling shareholders in respect of the current year | – | – | – | – | – | – | (2,597) | (2,597) |
| **Balance at 31 March 2018 and 1 April 2018** | **10,546** | **115,779** | **(38)** | **–** | **79,623** | **205,910** | **5,989** | **211,899** |
| **Changes in equity for 2018/19:** | | | | | | | | |
| Profit for the year | – | – | – | – | 83,920 | 83,920 | 9,264 | 93,184 |
| Other comprehensive income for the year | | | | | | | | |
| – Change in fair value of financial asset at fair value through other comprehensive income (non-recycling) | – | – | – | (33,909) | – | (33,909) | – | (33,909) |
| – Exchange differences on translation of financial statements of overseas subsidiary | – | – | (7) | – | – | (7) | – | (7) |
| Total comprehensive income for the year | – | – | (7) | (33,909) | 83,920 | 50,004 | 9,264 | 59,268 |
| Shares issued for acquisition of an associate | 431 | 30,675 | – | – | – | 31,106 | – | 31,106 |
| Shares issued for settlement of contingent consideration payable in relation to acquisition of other financial asset | 546 | 29,354 | – | – | – | 29,900 | – | 29,900 |
| Shares issued upon conversion of convertible bonds | 218 | 10,680 | – | – | – | 10,898 | – | 10,898 |
| Interim dividend declared to non-controlling shareholders in respect of the current year | – | – | – | – | – | – | (3,185) | (3,185) |
| **Balance at 31 March 2019** | **11,741** | **186,488** | **(45)** | **(33,909)** | **163,543** | **327,818** | **12,068** | **339,886** |

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 26 April 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. The 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. CHANGES IN ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a number of new Hong Kong Financial Reporting Standards ("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:

(i) HKFRS 9 "Financial instruments"

(ii) HKFRS 15 "Revenue from contracts with customers"

(iii) HK(IFRIC) Int-22 "Foreign currency transactions and advance consideration"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9 "Prepayment features with negative compensation" which have been adopted at the same time as HKFRS 9.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

| | **31 March 2018 as originally presented** | **Effects of the adoption of HKFRS 9** *(note a)* | **Effects of the adoption of HKFRS 15** *(note b)* | **1 April 2018** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Non-current assets** | | | | |
| Financial assets measured at fair value through other comprehensive income ("FVOCI") (non-recycling) | – | 71,709 | – | 71,709 |
| Available-for-sale investment | 71,709 | (71,709) | – | – |
| **Current assets** | | | | |
| Contract assets | – | – | 30,382 | 30,382 |
| Gross amounts due from customers for contract work | 30,382 | – | (30,382) | – |
| **Current liabilities** | | | | |
| Contract liabilities | – | – | 7,447 | 7,447 |
| Gross amounts due to customers for contract work | 168 | – | (168) | – |
| Customers' deposits received | 7,279 | – | (7,279) | – |

**(a) HKFRS 9 "Financial instruments", including the amendments to HKFRS 9 "Prepayment features with negative compensation"**

HKFRS 9 replaces Hong Kong Accounting Standard ("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. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. 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 categories financial assets into three principal classification categories: measured at amortised cost, at 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. 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.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

| | **HKAS 39 carrying amount at 1 April 2018** | **Reclassification** | **Remeasurement** | **HKFRS 9 carrying amount at 1 April 2018** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Financial assets measured at FVOCI (non-recycling) | | | | |
| Unlisted investment (note) | – | 71,709 | – | 71,709 |
| Financial assets classified as available-for-sale under HKAS 39 *(note)* | 71,709 | (71,709) | – | – |

*Note:* Under HKAS 39, unlisted investment was classified as available-for-sale financial assets. It is classified as FVOCI under HKFRS 9. There was no material impact on the measurement of unlisted investment at 1 April 2018 for the initial application of HKFRS 9.

There was no material impact on trade debtors and contract assets for the initial application of the new impairment requirements under HKFRS 9 compared with under HKAS 39.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contract. The carrying amounts for all financial liabilities (including financial guarantee contract) at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.

*(ii) Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (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 the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables , contract assets and pledged bank deposits);

- equity security measured at FVOCI (non-recycling); and

- financial guarantee contracts issued

*(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 profits and reserves as at 1 April 2018. Accordingly, the information presented for 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The following assessments have 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)

  - the determination of the business model within which a financial asset is held

- 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"**

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18 "Revenue", which covered revenue arising from sale of goods and rendering of services, and HKAS 11 "Construction contracts", which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 April 2018. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

*(i) Timing of revenue recognition*

Previously, revenue arising from the provision of services was recognised over time, whereas revenue from the sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

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

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

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

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from provision of (i) IT application and solution development services; (ii) IT infrastructure solution services; (iii) secondment services; and (iv) maintenance and support services.

*(ii) Presentation of contract assets and liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays non-refundable consideration, or is contractually required to pay non-refundable consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to contracts in progress were presented in the consolidated statement of financial position under "trade and other receivables" or "trade and other payables" respectively, and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 April 2018, as a result of the adoption of HKFRS 15:

(i) "Gross amounts due from customers for contract work" amounting to HK$30,382,000, which were previously included in trade and other receivables are now included under contract assets; and

(ii) "Gross amounts due to customers for contract work" and "customers' deposits received" amounting to HK$168,000 and HK$7,279,000 respectively, which were previously included in trade and other payables are now included under contract liabilities.

*(iii) Disclosure of estimated impact on the amounts reported in respect of the year ended 31 March 2019 as a result of the adoption of HKFRS 15 on 1 April 2018*

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 March 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2019 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

| | Amounts reported in accordance with HKFRS 15 | Hypothetical amounts Under HKASs 18 and 11 | Difference: Estimated impact of adoption of HKFRS 15 on 31 March 2019 |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| **Line items in the consolidated statement of financial position as at 31 March 2019 impacted by the adoption of HKFRS 15:** | | | |
| Contract assets | 4,483 | – | 4,483 |
| Gross amount due from customers for contract work | – | 4,483 | (4,483) |
| **Total current assets** | 242,440 | 242,440 | – |
| Contract liabilities | 10,489 | – | 10,489 |
| Gross amount due to customers for contract work | – | 954 | (954) |
| Customers' deposits received | – | 9,535 | (9,535) |
| **Total current liabilities** | 116,683 | 116,683 | – |
| **Net current assets** | 125,757 | 125,757 | – |
| **Total assets less current liabilities** | 392,820 | 392,820 | – |
| **Net assets** | 339,886 | 339,886 | – |
| **Reserves** | 316,077 | 316,077 | – |
| **Equity attributable to equity shareholders of the Company** | 327,818 | 327,818 | – |
| **Total equity** | 339,886 | 339,886 | – |
| **Line items in the reconciliation of profit before taxation to net cash generated from operating activities for the year ended 31 March 2019 impacted by the adoption of HKFRS 15:** | | | |
| Profit before taxation | 96,918 | 96,918 | – |
| Increase in trade and other receivables | (55,012) | (29,113) | (25,899) |
| Decrease in contract assets | 25,899 | – | 25,899 |
| Increase in trade and other payables | 27,357 | 30,399 | (3,042) |
| Increase in contract liabilities | 3,042 | – | 3,042 |

The significant differences arise as a result of the changes in accounting policies described above.

There is no estimated impact of adoption of HKFRS 15 on the Group's consolidated statement of profit or loss and the Group's consolidated statement of profit or loss and other comprehensive income by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with the estimates of the hypothetical amounts that would have been recognised under HKAS 18 if that superseded standard had continued to apply to 2019 instead of HKFRS 15.

**(c) HK(IFRIC) Int-22 "Foreign currency transactions and advance consideration"**

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) Int-22 does not have any material impact on the financial position and the financial result of the Group.

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

## 3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2019 have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements for the year ended 31 March 2019 comprise the Group.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). These financial statements are presented in Hong Kong dollars ("**HK$**"), which is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following asset and liabilities is stated at its fair value as explained in the accounting policy set out below:

– Financial asset at fair value through other comprehensive income

– Derivative component in convertible bonds

– Contingent consideration payable

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

## 4. REVENUE AND SEGMENT REPORTING

### (a) Revenue

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| IT application and solution development | | |
| — IT application solution services | **23,466** | 36,207 |
| — Procurement of third party hardware and software | **526** | 2,775 |
| | **23,992** | 38,982 |
| IT infrastructure solutions | | |
| — IT infrastructure solution services | **28,632** | 39,082 |
| — Procurement of third party hardware and software | **398,376** | 223,672 |
| | **427,008** | 262,754 |
| Secondment services | **46,083** | 47,949 |
| Maintenance and support services | **98,384** | 60,250 |
| | **595,467** | 409,935 |

There was no customer with transactions exceeded 10% of the Group's total revenue for the years ended 31 March 2019 and 2018.

### (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, the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

— IT application and solution development: this segment provides design and implementation of IT application solution services and procurement of third party hardware and software.

— IT infrastructure solutions: this segment provides IT infrastructure solution services and sale of IT infrastructure solution related hardware and software.

— Secondment services: this segment provides secondment services for a fixed period of time pursuant to the secondment service agreements.

— Maintenance and support services: this segment provides maintenance and support services.

*(i) Segment results, assets and liabilities*

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

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

Disaggregate of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 March 2019 and 2018 is set out below.

| | **Year ended 31 March 2019** | | | | |
|---|---|---|---|---|---|
| | **IT application and solution development** | **IT infrastructure solutions** | **Secondment services** | **Maintenance and support services** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| Disaggregated by timing of revenue recognition | | | | | |
| – Point in time | **–** | **427,008** | **–** | **29,987** | **456,995** |
| – Over time | **23,992** | **–** | **46,083** | **68,397** | **138,472** |
| Revenue from external customers and reportable segment revenue | **23,992** | **427,008** | **46,083** | **98,384** | **595,467** |
| Reportable segment gross profit | **13,379** | **43,990** | **13,313** | **26,723** | **97,405** |

| | Year ended 31 March 2018 | | | | |
|---|---|---|---|---|---|
| | IT application and solution development | IT infrastructure solutions | Secondment services | Maintenance and support services | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Disaggregated by timing of revenue recognition | | | | | |
| – Point in time | – | 262,754 | – | 36,707 | 299,461 |
| – Over time | 38,982 | – | 47,949 | 23,543 | 110,474 |
| Revenue from external customers and reportable segment revenue | 38,982 | 262,754 | 47,949 | 60,250 | 409,935 |
| Reportable segment gross profit | 1,185 | 24,848 | 12,582 | 10,099 | 48,714 |

*(ii) Geographic information*

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

The geographical information of the Group's revenue from external customers for the years ended 31 March 2019 and 2018 and the Group's specified non-current assets as at 31 March 2019 and 2018 is set out below:

| | **Revenue from external customers** | | **Specified non-current assets** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong (place of domicile) | **595,467** | 409,935 | **48,035** | 50,110 |
| The People's Republic of China (the "**PRC**") | **–** | – | **40** | 43 |
| | **595,467** | 409,935 | **48,075** | 50,153 |

## 5. OTHER REVENUE

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **23** | 2 |
| Marketing income | **474** | 91 |
| Others | **1** | – |
| | **498** | 93 |

## 6. OTHER NET LOSS

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Net foreign exchange loss | **137** | 17 |

## 7. PROFIT/(LOSS) BEFORE TAXATION

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

### (a) Finance costs

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Total interest expense on financial liabilities not at fair value through profit or loss: | | |
| Interest on bank loans | **395** | 657 |
| Effective interest expenses of convertible bonds | **4,576** | – |
| | **4,971** | 657 |

### (b) Staff costs (including directors' emoluments)

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Salaries, wages and other benefits | **113,865** | 136,542 |
| Contributions to defined contribution retirement plan | **3,505** | 4,612 |
| | **117,370** | 141,154 |

### (c) Other items

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Cost of hardware and software sold | **375,599** | 200,319 |
| Amortisation of intangible assets | **124** | 131 |
| Depreciation of property, plant and equipment | **2,687** | 2,654 |
| Loss on disposal of property, plant and equipment | **–** | 277 |
| Auditors' remuneration | | |
| — audit services | **750** | 680 |
| — other services | **90** | 388 |
| Written off of trade debtors | **129** | – |
| Operating lease charges in respect of properties | **1,172** | 1,681 |

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

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Current tax — Hong Kong Profits Tax** | | |
| Provision for the year | **3,734** | 1,524 |

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

The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong was 16.5% for the year ended 31 March 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime is applied from the year of assessment 2018/19.

A PRC subsidiary of the Company was qualified as "small Low-profit Enterprise" in Guangdong and subjective to a concessionary PRC EIT rate. The Malaysia Corporate Tax standard rate is 24%.

No provision for PRC Corporate Income Tax and Malaysia Corporate Tax have been made as the subsidiaries established in the PRC and Malaysia did not have assessable profits subject to PRC Corporate Income Tax and Malaysia Corporate Tax respectively during the years ended 31 March 2019 and 2018.

## 9. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: Nil).

## 10. 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$83,920,000 (2018: loss attributable to equity shareholders of the Company of approximately HK$11,169,000) and the weighted average of 4,538,315,986 ordinary shares (2018: 4,062,187,432 ordinary shares) in issue during the year.

*Weighted average number of ordinary shares*

| | **2019** **Number of shares** | 2018 Number of shares |
|---|---|---|
| Issued ordinary shares at 1 April | **4,218,253,968** | 4,000,000,000 |
| Effect of shares issued | **320,062,018** | 62,187,432 |
| Weighted average number of ordinary shares at 31 March | **4,538,315,986** | 4,062,187,432 |

**(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$20,107,000 (2018: loss attributable to equity shareholders of the Company of HK$14,070,000) and the weighted average number of ordinary shares of 5,032,635,582 shares (2018: 4,124,374,864 shares), calculated as follow.

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

| | **2019** ***HK$'000*** | 2018 *HK$'000* |
|---|---|---|
| Profit/(loss) attributable to equity shareholders of the Company | **83,920** | (11,169) |
| Effect of change in fair value of contingent consideration payable | **(21,492)** | (2,901) |
| Effect of change in fair value of derivative component in convertible bonds | **(45,621)** | – |
| Effect of gain on conversion of convertible bonds | **(1,276)** | – |
| Effect of effective interest expense of convertible bonds | **4,576** | – |
| Profit/(loss) attributable to equity shareholders of the Company (diluted) | **20,107** | (14,070) |

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

| | **2019** **Number of shares** | 2018 Number of shares |
|---|---|---|
| Weighted average number of ordinary shares at 31 March | **4,538,315,986** | 4,062,187,432 |
| Effect of convertible bonds | **374,189,872** | – |
| Effect of contingent consideration payable | **120,129,724** | 62,187,432 |
| Weighted average number of ordinary shares (diluted) at 31 March | **5,032,635,582** | 4,124,374,864 |

## 11. TRADE AND OTHER RECEIVABLES

| | **31 March 2019** | 1 April 2018 | 31 March 2018 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| **Non-current** | | | |
| Deposit for acquisition of a subsidiary | **117,602** | 8,659 | 8,659 |
| **Current** | | | |
| Trade debtors | **169,322** | 118,004 | 118,004 |
| Gross amounts due from customers for contract work | **–** | – | 30,382 |
| Other receivables | **17** | 19 | 19 |
| Rental and other deposits | **1,845** | 705 | 705 |
| Prepayments | **4,672** | 2,245 | 2,245 |
| | **175,856** | 120,973 | 151,355 |

*Note:*

**Ageing analysis of trade debtors**

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

| | **31 March 2019** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **132,496** | 91,487 |
| 1 to 3 months | **26,369** | 16,550 |
| Over 3 months | **10,457** | 9,967 |
| | **169,322** | 118,004 |

## 12. TRADE AND OTHER PAYABLES

| | **31 March 2019** | 1 April 2018 | 31 March 2018 |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Trade creditors | **73,030** | 51,793 | 51,793 |
| Gross amounts due to customers for contract work | **–** | – | 168 |
| Customers' deposits received | **–** | – | 7,279 |
| Accrued expenses and other payables | **9,730** | 3,610 | 3,610 |
| | **82,760** | 55,403 | 62,850 |

*Note:*

**Ageing analysis of trade creditors**

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

| | **31 March 2019** | 31 March 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **43,982** | 30,851 |
| 1 to 3 months | **29,039** | 20,491 |
| Over 3 months | **9** | 451 |
| | **73,030** | 51,793 |

## 13. SHARE CAPITAL

| | Number of shares | Share capital |
|---|---|---|
| | | *HK$'000* |
| **Authorised:** | | |
| Ordinary shares of HK$0.0025 each | 40,000,000,000 | 100,000 |
| **Issued and fully paid:** | | |
| At 1 April 2017 | 4,000,000,000 | 10,000 |
| Shares issued upon acquisition of available-for-sale investment *(note i)* | 218,253,968 | 546 |
| At 31 March 2018 and 1 April 2018 | 4,218,253,968 | 10,546 |
| Shares issued for acquisition of an associate *(note ii)* | 172,811,060 | 431 |
| Shares issued upon conversion of convertible bonds *(note iii)* | 87,186,224 | 218 |
| Shares issued for settlement of contingent consideration payable in relation to acquisition of other financial asset *(note i)* | 218,253,969 | 546 |
| At 31 March 2019 | 4,696,505,221 | 11,741 |

*Notes:*

(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 other financial asset/available-for-sale investment pursuant to the sale and purchase agreement.

(ii) On 4 July 2018, the Company alloted and issued 172,811,060 new shares to the vendors in respect of the acquisition of an associate pursuant to the sale and purchase agreement.

(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.

## 14. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 and HKFRS 15 at 1 April 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

For the year ended 31 March 2019 ("**FY2019**"), the revenue of the Group was approximately HK$595.5 million, representing an increase of approximately HK$185.5 million or 45% as compared to the year ended 31 March 2018 ("**FY2018**"), the increase was primarily attributable to a significant increase in revenue derived from the IT infrastructure solutions segment and the maintenance and support services segment. Due to the significant increase in revenue as well as the fair value changes in contingent consideration payable and derivative component in convertible bonds, for FY2019, the Group recorded profit before taxation of approximately HK$96.9 million (FY2018: loss before taxation of approximately HK$5.6 million), profit before interests, tax, depreciation and amortisation of approximately HK$104.7 million (FY2018: loss before interests, tax, depreciation and amortisation of approximately HK$2.1 million), and profit attributable to equity shareholders of the Company of approximately HK$83.9 million (FY2018: loss attribution to equity shareholders of the Company of approximately HK$11.2 million).

## BUSINESS REVIEW AND OUTLOOK

### Provision of IT application and solution development services

This segment provides design and implementation of IT application solution services and procurement of third party hardware and software. The revenue generated from provision of IT application and solution development services amounted to approximately HK$24.0 million, representing approximately 4% of the revenue for FY2019. The revenue derived from provision of IT application and solution development services decreased by approximately 38% from approximately HK$39.0 million for FY2018 to approximately HK$24.0 million for FY2019, the significant decrease was primarily attributable to: i) the significant drop of revenue recognised from the Group's large-scale projects as the implementation phase of the projects were substantially completed during FY2018 and according to the project implementation plans the final implementation phase of these projects would contribute less revenue than past phases which were executed in past years; and ii) following the substantial completion of the implementation phase of the Group's large-scale projects, the Group is yet to secure another large-scale IT project that would provide significant new stream of income to this segment during FY2019. During FY2019, on one hand the Group strived 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 solution services and sale of IT infrastructure solutions related hardware and software. The revenue generated from provision of IT infrastructure solutions accounted for approximately 72% of the revenue for FY2019. The revenue from provision of IT infrastructure solutions increased approximately 63% from approximately HK$262.8 million for FY2018 to approximately HK$427.0 million for FY2019, the significant increase was primarily due to i) significant increase in amount of revenue generated from customers in the construction and financial sectors due to their business expansion and technological refreshment and ii) the number of active customers for the Group increased as a result of the Group's effort to expand its sales channel and customer portfolio.

**Provision of secondment services**

This segment provides secondment services for a fixed period of time pursuant to the secondment service agreements. The revenue generated from provision of secondment services amounted to approximately HK$46.1 million, representing approximately 8% of the revenue for FY2019. Secondment income is a relatively stable revenue source when compared with project basis income, during FY2019, the revenue derived from provision of secondment services decreased by approximately 4% from approximately HK$47.9 million for FY2018 to approximately HK$46.1 million for FY2019. The slight decrease in revenue for this segment for FY2019 was primarily due to a decrease in demand for services from one of the major customers in this segment and the revenue of new secondment contracts awarded to the Group were not enough to offset the impact for the decrease in demand from the major customer. Nevertheless, the gross profit and the gross profit margin of this segment were increased during FY2019, as the new secondment contracts awarded to the Group during FY2019 had a higher charge rate than that of FY2018.

**Provision of maintenance and support services**

This segment provides maintenance and support services. The revenue generated from provision of maintenance and support services amounted to approximately HK$98.4 million, representing approximately 16% of the revenue for FY2019. The revenue derived from provision of maintenance and support services increased by approximately 63% from approimately HK$60.3 million for FY2018 to approximately HK$98.4 million for FY2019, the significant increase 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.

**Outlook and future prospects**

FY2019 was a successful year for the Group, with the significant increase in revenue derived from provision of IT infrastructure solutions and provision of maintenance and support services, the Group recorded a turnaround from net loss to net profit for FY2019. There are also the following positive signs in relation to the Group's future prospects:

Firstly, the maintenance contracts of the Group's large scale IT projects which contributed to the significant increase in the Group's revenue for the maintenance and support services segment will last until 2027. These contracts are expected to contribute a revenue stream of over HK$60 million per year to the Group, this steady revenue stream will sustain profitability of the Group as well as provide working capital for the Group to expand its other lines of business in the future.

Secondly, upon completion of its downsizing exercise in FY2019, the staff cost of the Group decreased by approximately HK$23.9 million in FY2019. The successful downsizing exercise enables the Group to avoid cost overrun, maintain a sustainable team size and monitor its cost structure efficiently in the future.

Lastly, the e-Marketplace project in Malaysia with both physical stores and online trading platform ("**Project CKB**") acquired by the Group shall be completed by the first quarter of year 2020. Upon its completion, the Group shall be able to further expand and diversify its revenue sources by receiving stable rental income from the physical stores as well as service income from the online trading platform. For details of the acquisition of Project CKB, please refer to the announcements and circular of the Company dated 7 December 2017, 8 January 2018, 28 March 2018, 19 April 2018, 5 June 2018, 27 July 2018, 9 November 2018, 15 November 2018, 11 January 2019 and 12 June 2019 (collectively the "**Project CKB Announcements and Circular**").

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue for FY2019 amounted to approximately HK$595.5 million, representing an increase of approximately HK$185.5 million or 45% compared to FY2018 (FY2018: approximately HK$409.9 million). The increase was mainly attributable to the increase in revenue generated from the IT infrastructure solutions segment and the maintenance and support services segment of approximately HK$164.3 million and HK$38.1 million respectively, offset by the decrease in revenue generated from the IT application and solution development segment and secondement services segment of approximately HK$15.0 million and HK$1.9 million respectively.

### Gross profit and gross profit margin

The gross profit of the Group nearly doubled from approximately HK$48.7 million for FY2018 to approximately HK$97.4 million for FY2019, while the gross profit margin of the Group increased from approximately 12% for FY2018 to approximately 16% for FY2019. During FY2019, the gross profit generated from the IT infrastructure solutions segment and maintenance and support services segment increased in line with the increase in revenue for these two segments, while the gross profit margin for these two segments remained relatively stable. For the IT application and solution development segment, the gross profit and the gross profit margin increased and reverted to a normal level after the successful downsizing exercise during FY2019 which reduced the team size of the Group to an optimal and sustainable level. For the secondment services segment, despite the slight decrease in revenue, the gross profit and the gross profit margin for this segment increased slightly due to the increased charge rate for secondment contracts awarded to the Group during FY2019.

**Administrative expenses**

The Group's administrative expenses for FY2019 amounted to approximately HK$64.2 million, representing an increase by approximately HK$7.6 million or 13% as compared to FY2018 (FY2018: approximately HK$56.6 million). Such increase was mainly due to the increase in staff cost of approximately HK$7.3 million attributed to (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 FY2019.

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

Contingent consideration payable and derivative component in convertible bonds were recognised by the Group as a result of the acquisitions made by the Group during FY2018 and FY2019, namely acquisition of 15% equity interest of INAX Technology Limited ("**INAX**"), 40% equity interest of PointSoft Limited ("**PointSoft**") and Project CKB. 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 FY2019. 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 announcements of the Company dated 10 November 2017, 18 December 2017 and 10 August 2018 (collectively the "**INAX Announcements**"), the announcements of the Company dated 20 June 2018, 21 June 2018, 28 June 2018 and 4 July 2018 (collectively the "**PointSoft Announcements**") and the Project CKB Announcements and Circular.

**Finance costs**

The increase in finance costs for FY2019 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, disregarding the imputed interest expenses, the interest expenses arising from bank loans of the Group decreased by approximately HK$0.3 million for FY2019 as compared to FY2018.

**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 offset taxable profit for the current period, the effective interest rate of the Group for FY2019 was only approximately 4%.

**Profit for the year**

The Group recorded a net profit of approximately HK$93.2 million for FY2019 as compared to a net loss of approximately HK$7.1 million for FY2018. The turnaround recorded by the Group was mainly attributable to the combined effect of (i) the increase in gross profit of approximately HK$48.7 million as compared to FY2018 and; (ii) the aggregate gain on changes in fair value of contingent consideration payable and derivative component of convertible bonds of approximately HK$67.1 million, offset by the increase in general and administrative expenses, finance costs and income tax expenses of approximately HK$7.6 million, HK$4.3 million and HK$2.2 million respectively.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the shareholders' funds of the Group amounted to approximately HK$327.8 million (2018: approximately HK$205.9 million). Current assets were approximately HK$242.4 million (2018: approximately HK$199.0 million), mainly comprised of cash and cash equivalents of approximately HK$53.0 million (2018: approximately HK$38.3 million), tax recoverable of approximately HK$5.9 million (2018: approximately HK$6.1 million) and trade and other receivables and contract assets of approximately HK$180.4 million (2018: approximately HK$151.4 million). Current liabilities mainly comprised of trade and other payables and contract liabilities of approximately HK$104.0 million (2018: approximately HK$62.9 million), bank loans of approximately HK$7.6 million (2018: approximately HK$22.9 million), contingent consideration payable of approximately HK$10.7 million (2018: approximately HK$31.3 million) and derivative component in convertible bonds of approximately HK$3.0 million (2018: nil). The changes in current assets and current liabilities of the Group were primarily due to:

(i) the increase in cash and cash equivalent reflected by the collection of payments from customers after the payment milestones of projects-in-progress are reached following the substantial completion of the Group's large-scale IT projects as well as the stable cash inflow from the large scale maintenance contracts of the Group;

(ii) the increases in the combined amount of trade and other receivables and contract assets, trade and other payables and contract liabilities are in line with the increase in revenue and cost of sales during FY2019;

(iii) the decrease in outstanding bank loan as the Group was able to maintain sufficient working capital following the increase in cash and cash equivalent and thus repaid a significant amount of bank loans during FY2019;

(iv) the creation of derivative component of convertible bonds following the issue of convertible bonds for Project CKB; and

(v) the decrease in contingent consideration payable due to settlements and reclassification to trade and other payables during FY2019.

The outstanding bank loans of HK$7.6 million as at 31 March 2019 will be matured by April 2019 and as at 31 March 2019, the Group has unutilised bank facilities amounted to HK$22.9 million. The net asset value per share attributable to equity shareholders of the Company as at 31 March 2019 was approximately HK$0.070 (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 18% (2018: 11%). As at 31 March 2019, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 2.1 times (2018: approximately 1.7 times).

**CAPITAL STRUCTURE**

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

During FY2019, the Company had the following changes in its share capital:

(i) On 4 July 2018, the Company alloted 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;

(ii) On 10 August 2018, the Company alloted 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; 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.

As at 31 March 2019 and 2018, the Company's issued share capital was approximately HK$11,741,263 and HK$10,545,635 respectively and the number of its issued ordinary shares was 4,696,505,221 and 4,218,253,968 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 profits of the Group. When managing its capital, the Group's primary objectives are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As at 31 March 2019 and 2018, 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 31 March 2019, the Group had operating lease commitments in respect of rented office of approximately HK$1,341,000 (2018: approximately HK$2,461,000).

As at 31 March 2019 and 2018, subject to certain conditions, the Group has capital commitments on its acquisition of Project CKB. For details on the acquisition, please refer to the Project CKB Announcements and Circular.

## FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group from time to time is exploring investment opportunities that would benefit the shareholders of the Company as a whole. Except for those disclosed elsewhere in this announcement and the announcement of the Company dated 29 March 2019 in relation to a potential further acquisition of PointSoft, the Group does not have any concrete plans for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During FY2019, except for entering into agreement to acquire 40% equity interest of PointSoft, the Group did not have any material acquisition or disposals of subsidiaries and affiliated companies during FY2019 and up to the date of this announcement. For details of the acquisition, please refer to the PointSoft Announcements.

During FY2018, the Group entered into agreements to acquire 15% equity interest of INAX and Project CKB. For details of the acquisitions, please refer to INAX Announcements and Project CKB Announcements and Circular.

## 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 announcement. As at 31 March 2019, according to a valuation report issued by an independent professional valuer, the fair value of the office premises and the carpark is approximately HK$59.7 million (as at 31 March 2018: approximately HK$54.8 million).

During FY2018 and FY2019, the Group has entered into agreements to acquire, 15% equity interest of INAX, 40% equity interest of PointSoft and Project CKB. For details of the acquisitions, please refer to the INAX Announcements, PointSoft Announcements and the Project CKB Announcements and Circular.

During FY2019, 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 FY2019 as compared with last year. Upon enquiry on the management of INAX, the primary reasons for the decrease in profit during FY2019 were (i) due to the pessimistic outlook towards the Sino-us political conflict in this region; and (ii) one of the key management personnel of INAX suffered from adverse physical condition during the year ended 30 April 2019, which had a significant detrimental effect on the daily operation and earning power of INAX.

As at the date of this announcement, 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.

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.

On the other hand, as disclosed in the announcement of the Company dated 8 August 2018, the Group entered into an agreement to establish a joint venture which aimed at developing a machine translation system to be used for translation of documents, as the system is still in the development phase and not yet ready for sale, the joint venture did not generate any revenue and thus recorded a net loss during FY2019.

Save and except for disclosed above, the Group did not hold any significant investments nor made any significant acquisition of capital assets during FY2019 and FY2018.

## 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. Expect for the above, the Group had no material contingent liabilities as at 31 March 2019 (2018: Nil).

## EXPOSURE TO EXCHANGE RATE FLUCTUATION

For FY2019 and FY2018, the Group was only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars as it conducts its business transactions principally in this currency 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 FY2019 and FY2018 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 THE GROUP'S ASSETS

As at 31 March 2019, except for the pledged bank deposit of approximately HK$3.2 million (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$41.4 million (2018: approximately HK$42.9 million) pledged to a bank for a revolving term loan facility of HK$42.0 million (2018: HK$30.0 million) used to finance the working capital of the Group, there were no charges on the Group's assets.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 187 full-time employees (2018: 283). The staff costs, including Directors' emoluments, of the Group were approximately HK$117.3 million for FY2019 (2018: approximately HK$141.2 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

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

As at 31 March 2019, 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 utilised, except for the followings:

| **Business objectives** | **Actual progress** |
| --- | --- |
| Strategic growth through merger, acquisition or business collaboration | During FY2019 and FY2018, the Group entered into agreements to acquire 15% equity interest of INAX, 40% equity interest of PointSoft and Project CKB. For details of the acquisitions, please refer to the INAX Announcements, the PointSoft Announcements and the Project CKB Announcements and Circular. The unutilised amount of net proceeds allocated to this business objective is approximately HK$4.1 million. The Group will attempt to identify suitable targets from time to time in the future. |
| Expansion of IT application and solution development business | As at 31 March 2019, 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 FY2019, approximately HK$2.2 million of the net proceeds had been used for tender bidding, presale and business development activities. Thus, the amount of net proceeds allocated to this business objective was fully utilised during FY2019. |

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

## OTHER INFORMATION

### Corporate Governance Practices

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

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Board will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

The Board is pleased to report compliance with the code provisions of the CG Code for the year ended 31 March 2019, except for the followings:

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

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

Code provision A.2.7 of the CG Code requires the chairman of the board to hold meetings at least annually with the non-executive directors (including independent non-executive directors) without the executive directors' presence. As Mr. Lee Cheong Yuen, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not practicable.

**Directors' Securities Transactions**

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the Model Code throughout the year ended 31 March 2019.

**Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the year ended 31 March 2019.

**Competing Interests**

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the year ended 31 March 2019.

**Events After the Reporting Period**

As disclosed in the announcements of the Company dated 16 April 2019, 18 April 2019, 25 April 2019 and 26 April 2019, the controlling shareholders of the Company disposed a total of 212,844,000 shares of the Company.

On 21 June 2019, following the announcement of the Company dated 12 June 2019, the Company issued convertible bonds with total face value of HK$8,057,692.50 to the vendor of Project CKB pursuant to the amended milestones set out in the announcements of the Company date 9 November 2018.

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

**Closure of Register of Members**

The forthcoming annual general meeting (the "**2019 AGM**") will be held on Friday, 30 August 2019. For the purpose of determining shareholders' entitlements to attend and vote at the 2019 AGM, the transfer books and the register of members of the Company will be closed from Tuesday, 27 August 2019 to Friday, 30 August 2019 (both days inclusive), during which period no transfer of shares will be effected. In order to establish the right to attend and vote at the 2019 AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 26 August 2019.

**Audit Committee and Review of Annual Results**

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

The Audit Committee currently consists of three independent non-executive Directors, namely Dr. 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 audited consolidated financial statements of the Group for the year ended 31 March 2019 have been reviewed by the Audit Committee, which was of the opinion that the consolidated financial statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2019 as set out in this results announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited, on this results announcement.

**PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ico.com.hk) respectively. The annual report of the Company for the year ended 31 March 2019 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites.

By order of the Board
**ICO Group Limited**
**Lee Cheong Yuen**
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 27 June 2019

*As at the date of this announcement, the executive Directors are Mr. Lee Cheong Yuen and Mr. Chan Kwok Pui; the non-executive Directors are Mr. Tam Kwok Wah and Ms. Tuon Wai Man; and the independent non-executive Directors are Dr. Cheung Siu Nang Bruce, Mr. Fong Sing Chak Jack and Ms. Kam Man Yi Margaret.*