ICO Group Limited
揚科集團有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1460

ANNUAL REPORT 2018/19

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lee Cheong Yuen *(Chairman and Chief Executive Officer)*
Mr. Chan Kwok Pui (Redesignated from *Non-executive Director* to *Executive Director* on 22 February 2019)
Mr. Pang Yick Him (Resigned on 22 February 2019)

Non-executive Directors

Mr. Tam Kwok Wah
Ms. Tuon Wai Man (Appointed on 22 February 2019)

Independent Non-executive Directors

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

COMPANY SECRETARY

Mr. Pun Shing Cheung, *CPA* (Appointed on 22 February 2019)
Mr. Pang Yick Him, *CPA (PRACTISING)*, *FRM* (Resigned on 22 February 2019)

AUTHORISED REPRESENTATIVES

Mr. Lee Cheong Yuen
Mr. Pun Shing Cheung (Appointed on 22 February 2019)
Mr. Pang Yick Him (Resigned on 22 February 2019)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

Dr. Cheung Siu Nang Bruce *(Chairman of nomination committee)*
Mr. Fong Sing Chak Jack (Appointed on 1 September 2018)
Ms. Kam Man Yi Margaret
Mr. Lee Cheong Yuen
Mr. Chan Kwok Pui (Appointed on 22 February 2019)
Dr. Chan Mee Yee (Resigned on 13 July 2018)
Mr. Pang Yick Him (Resigned on 22 February 2019)

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

www.ico.com.hk

STOCK CODE

1460

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of ICO Group Limited (the "**Company**"), I am presenting to you this annual report of the Company which comprises the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019 ("**FY2019**")

FY2019 was an eventful year for the Group. We opened at loss, and ended in profit. In between are round-the-clock effort and undivided attention on how to turnaround our business. Starting from the Chairman and Chief Executive Officer downwards and outwards, everyone had been involved. We tightened financial and cash flow discipline. We rethought our business model. We rebalanced our service portfolio. We redesigned our organisation. We streamlined and automated operations and processes. We reexamined and justify each and every function, position and role. We cut out all forms of inefficiencies and wastes.

Eventually we succeeded.

We can now claim that we have recorded a turnaround. The consolidated net profit attributable to shareholders of the Company now approximate HK$84 million at the end of FY2019.

Viewed from the angle of finance, our profit making position could be mainly accounted for by:

(i) a significant increase in revenue deriving from our IT infrastructure solutions segment, and

(ii) the revenue contributed by the long-term maintenance phases of a few of our large scale projects, following their satisfactory delivery. Collectively these streams of income will become the bed-rock for assuring regular and sizable revenue for decade to come from our maintenance and support services segment.

One major reason for our setback in financial performance in FY2018, however, was due to the uncontrollable tender bidding processes for large-scale projects and our disproportionate reliance on this line of work. Taking lesson from this, our Group had resolved to seek more diversification, internally as well as externally, but only to areas around our core competences.

Chairman and Chief Executive Officer Mr. Lee Cheong Yuen

Accordingly, during FY2019 our Group had undertaken to (i) duplicate our sales channels; (ii) restructure and multiply our customer portfolio; and (iii) focus on significant investments.

With regards to the third point above, firstly, as announced on 19 April 2018, shareholders of the Company approved the acquisition of the entire issued capital of O2O Limited. O2O Limited, which has a wholly owned subsidiary in Malaysia, is now developing an e-Marketplace project with both physical stores and online trading platforms ("**Project CKB**"). Through acquiring Project CKB (which shall be completed by the first quarter of 2020), we envisage that the Group shall be able to diversify its revenue sources by receiving stable rental income from the physical stores as well as service income from the online trading platform for many years to come.

Secondly, on 28 June 2018, our Group completed an acquisition to buy 40% equity interest of PointSoft Limited ("**PointSoft**"), a company with a focus on developing and managing food and beverage point-of-sales system with a continuous profit-making history. Starting from FY2019, our Group began to share profit from PointSoft, which has since become another stable stream of income.

Apart from unceasing efforts directed at revenue generation and diversification, all our internal rationalisation endeavors as described above also brought in train a downsizing effect, thereby bringing in huge efficiency gain and cost reduction consequences. The number of positions required to perform faster, better, more satisfactory and much enlarged service had decreased from 283 at 31 March 2018 to 187 as at 31 March 2019.

Our turnaround success is therefore the result of revenue generation, cost reduction and diversification, combined.

Looking forward, we will not seat on our laurel, and will continuously to be on the look-out for new ways to improve our brand and positioning. Having rebalanced and re-stabilised our streams of income from maintenance and investment, we are now poised to explore:

(i) internally, opportunities to grow within Hong Kong; and

(ii) externally, opportunities to replicate our proven model to the Belt-and-Road countries.

As for a close, on behalf of the Board, I would like to take this opportunity to express my gratitude to all our shareholders, investors, business partners, suppliers and customers, for their continuing support to our Group. Last but not least, I would also want to express our sincere thanks to all our staff for their tireless dedication and hard work.

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

Hong Kong, 27 June 2019

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis should be read in conjunction with the financial information of the Group contained in the consolidated financial statements (together with the notes thereto) reproduced in the result announcement for the year ended 31 March 2019. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. The following discussions on the synopsis of historical result do not represent a prediction as to the future business operations of the Group.

SUMMARY

Established in 1992, the Group is an IT service provider based in Hong Kong. The Group is principally engaged in the following businesses: (i) provision of IT application and solution development services; (ii) provision of IT infrastructure solutions; (iii) provision of secondment services; and (iv) provision of maintenance and support services.

For 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.

From left: Mr. Leung Man Lun Walter (Senior Management), Mr. Ko Ka Hay Kenneth (Senior Management), Mr. Lee Cheong Yuen (Chairman and Chief Executive Officer), Mr. Chung Yat Ming (Senior Management) and Mr. Ho Chak Keung (Senior Management)

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 appoimately 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, 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 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 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 increase 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 during FY2019.

The outstanding bank loan 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 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 and up to the date of this annual 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 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 annual 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 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 annual report. 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 40% equity interest of Project CKB. For details of the acquisitions, please refer to INAX Announcements and Project CKB Announcements and Circular.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

Significant investments held as at 31 March 2019

(i) INAX Technology Limited

On 10 November 2017, the Company entered into a sale and purchase agreement to acquire 15% equity interest in INAX at a cost of HK$66 million, which is a limited company incorporated in Hong Kong which principally engages in IT infrastructure business with a focus on IT & telecommunication infrastructures and data centre industry. With reference to a valuation report prepared by an independent professional valuer, as at 31 March 2019, the fair value of this investment (recorded as other financial asset in the Group's consolidated statement of financial position) is approximately HK$37.8 million, represented a discount of approximately 43% to its cost and approximately 7% of the Group's total asset. During FY2019, no dividend has been received from the investment. For details of the acquisition, please refer to the INAX Announcements.

Up to the date of this annual report, the management account of INAX (subject to audit) for the year ended 30 April 2019 showed that there is a significant decrease in profit of approximately 47% 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. Looking forward, despite the decreased profit of INAX, the Group holds cautiously optimistic view on the prospect of this investment due to (i) according to *Cisco Global Cloud Index: Forecast and Methodology, 2016-2021*, the total data center workload at Asia Pacific region will increase at a compound annual growth rate ("**CAGR**") of approximately 24%, and the CAGR of global data centre traffic is approximately 25% for the same period, the forecasted growth in data centre workload and data centre traffic provides future growth potential for the business of INAX; and (ii) the potential collaboration and cross-selling opportunities that will be mutually beneficial for both the Group and INAX.

(ii) PointSoft Limited

On 20 June 2018, the Group entered into a sale and purchase agreement to acquire 40% equity interest in PointSoft at a cost of HK$60 million, which is a limited company incorporated in Hong Kong with its business focus on developing and managing food and beverage point-of-sale system with a continuous profit making history. As at 31 March 2019, the carrying value of this investment (recorded as interests in associates in consolidated statement of financial position) is approximately HK$62.5 million, represents approximately 12% of the Group's total asset. With reference to a valuation report prepared by an independent professional valuer, the fair value of this investment as at 31 March 2019 is approximately HK$80.2 million. For details of the acquisition, please refer to the PointSoft Announcements.

PointSoft is the market leader of promoting, selling and offering food and beverage point-of-sale system and its existing clients are all first tier restaurant and chain food stores, the market leader status and the strong client base of PointSoft provides a stable profit stream. The Group considers the performance of PointSoft is satisfactory as the management account of PointSoft (subject to audit) for the year ended 31 March 2019 showed that there are no material deterioration of results and financial position since completion of the acquisition. The Group is optimistic on the future prospect of the investment as it is expected that in the future the Group will benefit from (i) share of the continuous stable profit stream from PointSoft; and (ii) the potential collaboration and cross-selling opportunities that will be mutually beneficial for both the Group and PointSoft.

Significant investment contracted but not yet completed as at 31 March 2019

On 6 December 2017, the Company entered into an agreement to acquire the entire issued capital O2O Limited at a cost of RM145 million, which is currently through a subsidiary in Malaysia developing an e-Marketplace project with both physical stores and online trading platforms the Project CKB. The project is expected to be completed by the first quarter of year 2020. As at 31 March 2019, the Group has paid a deposit of approximately HK$117.6 million for the acquisition, which is recorded as deposit for acquisition of a subsidiary in the Group's consolidated statement of financial position representing approximately 23% of the Group's total asset. For details of the acquisition, please refer to Project CKB Announcements and Circular.

By acquiring Project CKB, it is expected that the Group shall be able to diversify its revenue sources by receiving stable rental income from the physical stores as well as service income from the online trading platform. Although the property market in Malaysia including Kuala Lumpur has been relatively sluggish in recent years and there is an oversupply issue in certain segments of the property market, the Group expected that the forecasted economic growth in future years shall provide support for the property price and it was a good timing to invest in the project at a relatively low cost. In addition, from two different sources, it is forecasted that the CAGR of revenue in the Malaysia e-commerce market is (i) approximately 11.4% and reach by approximately US$5,776 million by 2023 (Source: statista); and (ii) approximately 24% and reach by approximately US$8,200 million by 2025 (Source: The Hong Kong Trade Development Council), which provides a vast potential market for the online trading platform. Based on the above factors, the Group is optimistic on the future prospect of the investment.

Other investment held as at 31 March 2019

In addition to the abovementioned significant investments, as at 31 March 2019, there was an interests in joint ventures recognised in the Group's consolidated statement of financial position with carrying amount of approximately HK$1.1 million.

The interests in joint ventures represented 33.3% equity interest in DeepSolutions Limited, which in turn holds 100% equity interest in DeepTranslate Limited (together the "**DeepSolutions Group**"). As detailed in the announcement of the Company dated 8 August 2018, DeepSolutions Limited and DeepTranslate Limited are limited companies incorporated in Hong Kong established by the Group and other parties pursuant to a joint venture agreement. DeepSolutions Group aims at developing a machine translation system to be used for translation of documents. As the machine translation system is still in the development phase and not yet ready for sale, DeepSolutions Group did not generate any revenue and recorded a net loss of approximately HK$0.7 million during FY2019. As at 31 March 2019, the carrying amount of DeepSolutions Group is approximately HK$1.1 million, represented approximately 0.2% of the Group's total assets. Since DeepSolutions Group is newly established without any operating history, the fair value of this investment as at 31 March 2019 is difficult to be determined.

Apart from the above, the Group did not acquire or hold any other significant investments during FY2019 and FY2018. In the future, the Group will continue to identify suitable targets for investment that (i) are profitable and have growth potentials that would contribute to the future earnings of the Group; or (ii) provide collaboration and cross-selling opportunities that would be mutually beneficial for both the Group and the targets.

Capital assets held as at 31 March 2019

The Group acquired an office premises and a carpark in Kwun Tong during the year ended 31 March 2016 at a consideration of approximately HK$45.3 million and is still holding the office premises and the carpark as up to the date of this annual report. 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).

Apart from the above, the Group did not acquire or hold any other significant 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. Except 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.

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 of Hong Kong Limited (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 where otherwise stated.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

As at 31 March 2019, the Board comprised two executive directors, two non-executive directors and three independent non-executive directors. The composition of the Board during the year ended 31 March 2019 and up to the date of this report was as follows:

Executive directors:
Mr. Lee Cheong Yuen
Mr. Chan Kwok Pui (redesignated from Non-executive Directors to Executive Director on 22 February 2019)
Mr. Pang Yick Him (resigned on 22 February 2019)

Non-executive directors:
Mr. Tam Kwok Wah
Ms. Tuon Wai Man (appointed on 22 February 2019)

Independent non-executive directors:
Dr. Cheung Siu Nang Bruce
Mr. Fong Sing Chak Jack (appointed on 1 September 2018)
Ms. Kam Man Yi Margaret
Dr. Chan Mee Yee (resigned on 13 July 2018)

RESPONSIBILITIES OF THE BOARD

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

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

The biographical details of the Directors and other senior management are set out in the section headed "**Biographical Details of Directors and Senior Management**" on pages from 34 to 36 of this annual report.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") For the year ended 31 March 2019 and up to the date of this report. A summary of this Board Diversity Policy, together with the measurable objectives set for implementing this Board Diversity Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Implementation and Monitoring

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

The nomination committee of the Company has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group complied the Board Diversity Policy For the year ended 31 March 2019 and up to the date of this report.

BOARD MEETING, GENERAL MEETING AND PROCEDURES

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

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

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

Participation of individual Directors at Board meetings for the year ended 31 March 2019 is as follows:

Name of Directors	Number of attendance/ number of Board meetings
Number of meetings	10
Mr. Lee Cheong Yuen	10/10
Mr. Pang Yick Him (resigned on 22 February 2019)*	10/10
Mr. Chan Kwok Pui	10/10
Mr. Tam Kwok Wah	9/10
Ms. Tuon Wai Man (appointed on 22 February 2019)*	0/0
Dr. Chan Mee Yee (resigned on 13 July 2018)*	2/3
Dr. Cheung Siu Nang Bruce	10/10
Mr. Fong Sing Chak Jack (appointed on 1 September 2018)*	5/5
Ms. Kam Man Yi Margaret	9/10

* Only the meeting held during his/her tenure is counted

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

Name of Directors	Training on corporate governance, regulatory development and other relevant topics by attending seminars or reading articles and publications
Mr. Lee Cheong Yuen	✓
Mr. Chan Kwok Pui	✓
Mr. Pang Yick Him (resigned on 22 February 2019)	✓
Mr. Tam Kwok Wah	✓
Ms. Tuon Wai Man (appointed on 22 February 2019)	✓
Dr. Cheung Siu Nang Bruce	✓
Mr. Fong Sing Chak Jack (appointed on 1 September 2018)	✓
Ms. Kam Man Yi Margaret	✓
Dr. Chan Mee Yee (resigned on 13 July 2018)	✓

BOARD COMMITTEES

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

The attendance record of each member of the Audit Committee, the Nomination Committee and the Remuneration Committee For the year ended 31 March 2019 is as follows:

	Number of attendance/number of meetings		
Name of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	2	2	4
Mr. Lee Cheong Yuen	N/A	N/A	4/4
Mr. Pang Yick Him (resigned on 22 February 2019)*	N/A	N/A	4/4
Mr. Chan Kwok Pui (redesignated from Non-executive Director to Executive Director on 22 February 2019)*	N/A	N/A	0/0
Dr. Chan Mee Yee (resigned on 13 July 2018)*	1/1	0/0	2/2
Dr. Cheung Siu Nang Bruce	2/2	2/2	4/4
Mr. Fong Sing Chak Jack (appointed on 1 September 2018)*	1/1	1/1	1/1
Ms. Kam Man Yi Margaret	2/2	2/2	4/4

* Only the meeting held during his/her tenure is counted

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Listing Rules, in accordance with provisions set out in the CG Code which are available on the Company's website and the Stock Exchange's website.

The Audit Committee currently consists of three independent non-executive Directors namely Dr. 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 is mainly responsible for the followings:

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

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

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

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

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

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumption and any qualifications;

  (v) compliance with accounting and auditing standards, and

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

For the year ended 31 March 2019, the Audit Committee held two meetings to consider and approve the following:

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

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

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

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

The audited consolidated financial statements of the Group for the year ended 31 March 2019 have been reviewed by the Audit Committee, which was of the opinion that the consolidated financial statements have been prepared in compliance with the applicable accounting standards and Listing Rules.

There was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditors during the year ended 31 March 2019.

REMUNERATION COMMITTEE

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

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

(a) establish guidelines for the remuneration of the Directors and senior management;

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

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

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

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

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

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

NOMINATION COMMITTEE

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

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

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

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

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

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

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

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

NOMINATION POLICY

The Board has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and nomination procedures to identify, select and recommend candidates for Directors.

Selection Criteria

When evaluating and selecting candidates for directorships, the members of the Nomination Committee or the Board shall consider the following criteria:

(a) Character and integrity;

(b) Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategies;

(c) The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board;

(d) Willingness to devote adequate time to discharge duties as a Board member and other directorships and significant commitments;

(e) In case of independent non-executive Directors, whether the candidates would be considered independent in accordance with the Listing Rules;

(f) In case of re-election, the overall contribution and service to the Company of the Director to be reelected and the level of participation and performance on the Board and the other criteria set out in this section; and

(g) Such other perspectives appropriate to the Company's business.

These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

(a) The Nomination Committee and/or the Board identifies potential candidates including but not limited to internal promotion, re-designation, referral by other member of the management and external recruitment agencies and/or advisors. The Nomination Committee then develops a short list of candidates and agrees on proposed candidate(s);

(b) Proposed candidate(s) will be asked to submit the necessary personal information, biographical details, together with their written consent to be appointed as a director. The Nomination Committee may request candidates to provide additional information and documents, if considered necessary;

(c) The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the personal information (or relevant details) of the proposed candidate(s), evaluate such candidate(s) based on the criteria as set out above to determine whether such candidate(s) is qualified for directorship;

(d) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee shall evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

(e) If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

(f) The secretary of the Nomination Committee shall convene a meeting of the Nomination Committee. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for re-election or election at a general meeting, the Nomination Committee shall make nominations or recommendations for the Board's consideration and the Board shall make recommendations to shareholders in respect of the proposed re-election or election of Director(s) at the general meeting;

(g) In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations including the Listing Rules, of the proposed candidates; and

(h) The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

Monitor and Review

The Nomination Committee will monitor the implementation of the Nomination Policy and report to the Board when necessary. Also, the Nomination Committee will review the Nomination Policy, as appropriate, to ensure the effectiveness of the Nomination Policy and will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that gives a true and fair view of the state of affairs of the Group. The Directors aim to present a balanced and understandable assessment of the Group's position and prospects with timely publication of the financial statements of the Group. As at 31 March 2019, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. The statements by external auditors, Crowe (HK) CPA Limited, about their reporting responsibility on the financial statements of the Group are set out in the independent auditor's report from pages 49 to 54 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

In addition to the above policies and procedures, the Group has engaged external professional service firm to perform internal audit function and conduct independent risk management and internal control review. The professional service firm reports their findings to the Board annually via face-to-face meetings and written reports that highlights key risks and action plans. Deficiencies in the design and implementation of internal controls, if any, are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis. For the year ended 31 March 2019, with reference to the reports provided by the professional service firm, the Board concluded that there were no significant control failings or weaknesses identified and the Group's processes for financial reporting and Listing Rules compliance are effective.

DIVIDEND POLICY

The Company adopts a dividend policy which intends to balance the return to the shareholders of the Company and the need for long-term sustainable development of the Group. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and needs for future growth as well as its shareholder value in the long-run. The amount of dividends (if any) that may be declared and distributed to the shareholders of the Company is subject to the discretion of the Board, the constitution of the Company and all applicable laws and regulations and other factors. The Board shall also take into account various factors of the Group when considering the declaration and payment of dividends. The Board will review the dividend policy as appropriate from time to time. For FY2019, no dividend is recommended by the Board as the Group needs to reserve working capital for its business development and settle the consideration payable in relation to acquisition of Project CKB in the future.

AUDITOR'S REMUNERATION

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

For the year ended 31 March 2019, the remuneration paid or payable to the external auditors of the Company in respect of audit services and non-audit services for the Group are as follows:

	Fees paid/payable for the services rendered HK$'000
Audit services	750
Non-audit services	90

COMPANY SECRETARY

Mr. Pun Shing Cheung is the Company Secretary and has taken no less than 15 hours of relevant professional training for the year ended 31 March 2019.

SHAREHOLDERS' RIGHTS

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

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

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

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

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

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

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

PROCEDURES FOR RAISING ENQUIRIES

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

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

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

INVESTORS RELATIONS

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

For the year ended 31 March 2019, there had been no significant change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

This ESG report covers the Group's overall performance in two subject areas, namely Environmental and Social for the business operations of all entities comprising the Group which operated in two office premises in Hong Kong during the year ended 31 March 2019. As for the information on corporate governance of the Group, please refer to the "**Corporate Governance Report**" on pages 13 to 27 of this annual report.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

We recognise the importance of comprehensive and effective stakeholders engagement in achieving sustainable development of the Group. We strive to maintain appropriate communication with our stakeholders to understand their concerns and interests towards our operations and sustainability performances. Stakeholders engagement provides valuable insights on our strategic development, and fosters informed decision-making, which are beneficial to our management. The following are the main categories of stakeholders and communication channels:

Stakeholders	Communication Channels
Shareholders	• Company website • Interim and annual reports • Announcements and circulars • General meetings
Employees	• Staff communication • Regular meetings/training courses • Performance appraisals
Customers	• Daily operation/communication • Meetings/visits
Suppliers	• Daily operation/communication • Regular review and evaluation
Government and regulatory authorities	• Regular performance reports • Occasional face-to-face meetings and visits • Correspondence
Community	• Public welfare/community activities • Online media

SECTION A. ENVIRONMENTAL

The Group is principally engaged in provision of IT solutions and services which does not involve in direct emission of significant levels of polluted air, discharge of pollutants into water and land, and generation of hazardous as well as non-hazardous waste. As a result, no laws and regulations relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste have significant impact on the Group. Nevertheless, the operation of the Group involves indirect emission of greenhouse gases which primarily caused by use of electricity, paper and business air travel. Apart from electricity and water, the Group does not use other forms of energy and natural resources for its operation and its operations do not have direct significant impact on the environment.

During the year ended 31 March 2019, the quantitive information in relation to greenhouse gases emission of the Group is as follows:

Greenhouse Gases Emissions	2019 tonnes	2018 tonnes
Indirect Emission (Scope 2)		
Electricity	**106**	138
Indirect Emission (Scope 3)		
Paper Consumption	**2**	3
Business air travel	**5**	7
Total emission of greenhouse gases	**113**	148
Total emission of greenhouse gases per square metre of floor area	**0.12**	0.15

During the year ended 31 March 2019, the total energy consumption of the Group in terms of electricity is as follows:

Energy Consumption	2019	2018
Energy consumption – electricity (kwh)	**207,589**	218,373
Energy consumption – electricity per floor area (kwh/m^2)	**216**	228

During the year ended 31 March 2019, the total water consumption of the Group is as follows:

Water Consumption	2019	2018
Water consumption (m^3)	**64**	64
Water consumption per floor area (m^3/m^2)	**0.07**	0.07

Energy Consumption

The decreased electricity consumption were mainly due to (i) after the downsizing exercise during FY2019, the number of staff decreased from 283 at 31 March 2018 to 187 as at 31 March 2019, which in turn led to the decrease in the use of electricity of the Group; and (ii) the effort taken by the Group in order to increase the environmental awareness to the staff.

In the future, in order to further reduce emission of greenhouse gases and electricity consumption, the Group will continue to implement energy saving measures. Staff of the Group are required to turn on power saving mode for computers, printers and monitors to reduce energy consumption when the machines are in idle and to switch off lights, printers, air conditioners and power of computers by the end of the working day. By adopting these policies, the Group wishes to create an environmental friendly working environment.

Water Consumption

For the drinking water consumed during FY2019, the water purifier was used to process tap water in one of the office premises, while distilled water was ordered from suppliers in another office premise, which remain in similar level when compared with FY2018. Apart from drinking water, the Group used minimal water for its daily operations only for cleaning purpose. Notices are posted in office premises to remind staff to turn off water taps after use and use water wisely.

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

Paper Consumption

Despite the reduced greenhouse gases emission arose from paper consumption, the Group will continue to promote reduction of paper printing and encourage the use of electronic communication. Single-sided papers are reused as scrap papers or used for printing internal documents. Electronic leave application system is used instead of leave approval records in paper form. Notices are posted in office premises to remind staff to use paper wisely so as to reduce damages to the environment. The Group does not use any packaging materials for its operations.

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

Business Air Travel

Business air travel is unavoidable as the Group is seeking to expand its business beyond Hong Kong. Nevertheless, the staff of the Group travelled only when necessary and were travelled in economy class in order to reduce greenhouse gases emissions.

SECTION B. SOCIAL

B1: Employment

The Group has employment policies governing the recruitment, compensation, promotion, dismissal, leave entitlements and other benefits and welfare. Terms of employment and benefits are communicated to staff in the staff handbook. The Group is committed to create a working environment with equal opportunity and diversity. All staff are assessed based on their performance without discrimination against age, sex, pregnancy, disability, race, marital status or family status. During the year ended 31 March 2019, the Group had no material non-compliance with applicable legislation or regulations.

Awards from founders of the Group to staff with long service years

In addition to the above policy, during FY2019, the Group engaged a MPF services provider to provide MPF services to the Group's staff including educating the Group's staff to manage their portfolio and liaise with MPF trustees for a lower management fee so as to improve their long term welfare.

As at 31 March 2019, the staff gender and age distribution by position is as follows:

Position	No. of employees	Male	Female	Aged under 30	Aged 30 to 40	Aged 41 to 50	Aged above 50
Manager or above	42	29	13	0	8	29	5
General staff	145	115	30	46	67	22	10

Staff turnover during the year ended 31 March 2018 is as follows:

Category	No. of employees	Male	Female	Aged under 30	Aged 30 to 40	Aged 41 to 50	Aged above 50
New staff	9	4	5	4	2	2	1
Staff turnover	105	84	21	44	43	16	2

B2: Health and Safety

As a people-oriented organisation, the Group strives to provide its staff with a safe and healthy workplace. First aid kits are available in every office premises. During the relocation of its head office, the Group hired professionals to carry out removal of formaldehyde and air catalyst purification service to ensure good internal air quality. The Group also offers medical insurances for permanent staff and subsidizes its staff with access to fitness centers so as to encourage them to exercise and maintain a healthy lifestyle. During the year ended 31 March 2019, the Group had no material non-compliance with applicable legislation or regulations.

B3: Development and Training

Regular trainings are provided to staff to ensure they are equipped with the appropriate and up-to-date skills to handle their job duties. The Group also sponsors staff to enroll external training courses that are required for their job engagements. Team leaders are encouraged to work closely with staff to understand their needs for development.

B4: Labour Standards

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

B5: Supply Chain Management

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

B6: Product Responsibility

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

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

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

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

B7: Anti-corruption

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

B8: Community Investment

Over the years, the Group believes in the importance of developing young talents in the society. The Group has been working closely with different educational organisations to provide scholarships and internship opportunities to their students to support education of young generation and for them to learn real-life working skills. During the year ended 31 March 2019, the Group also made a number of donations to charitable organisation and participated in social responsibility event. In the coming years, the Group will continue to work actively on contributing the community and promoting the social responsibility culture among its staff.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lee Cheong Yuen (**李昌源**) ("**Mr. Lee**"), aged 51, is the Chairman, Chief Executive Officer and an executive Director. Mr. Lee is also a member of the Nomination Committee. Mr. Lee founded the Group in 1992. Mr. Lee is primarily responsible for overseeing the business development, in-house operations, overall strategic planning, devising market strategies and business expansion plans of the Group. In the past years, he led the Group to successfully complete several large-scale IT application and solution development projects for major clients in the public sector, private sector, banking and finance sector and logistics sector. Mr. Lee obtained a degree of bachelor of science in computer studies from The University of Hong Kong ("**HKU**") in December 1989. He has over 25 years of experience in the IT industry. Mr. Lee is also one of the controlling shareholders of the Company.

Mr. Chan Kwok Pui (**陳國培**) ("**Mr. Chan**"), aged 62, is redesignated from Non-executive Director to executive Director and appointed as a member of the Nomination Committee on 22 February 2019. Prior to the redesignation, Mr. Chan was responsible for advising on business opportunities for investment, development and expansion of the Group as well as providing extra advisory services to the Group with a focus on technological development. Mr. Chan is primarily responsible for overseeing the business development, in-house operations, overall strategic planning, devising market strategies and business expansion plans of the Group. Mr. Chan obtained a degree of bachelor of science in computer studies from HKU in December 1989. Mr. Chan has over 25 years of experience in the IT industry. Mr. Chan was a computer officer at HKU from August 1992 to August 1995. He then joined the Group in 1995. Mr. Chan is also one of the controlling shareholders of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Tam Kwok Wah (**譚國華**) ("**Mr. Tam**"), aged 69, is a non-executive Director and is responsible for advising on business opportunities for investment, development and expansion of the Group as well as providing extra advisory services to the Group with a focus on business development on both local and overseas market. Mr. Tam obtained a degree of bachelor of social sciences from HKU in November 1975. He further received a master degree of science from The University of Manchester in the United Kingdom in December 1982. Mr. Tam was an assistant professor of HKU's business school, which was the last position he held at HKU from January 1985 to June 2004. Mr. Tam is also one of the controlling shareholders of the Company.

Ms. Tuon Wai Man (**董慧敏**) ("**Ms. Tuon**"), aged 41, appointed on 22 February 2019, is a non-executive Director and is responsible for providing professional advice on business opportunities of the Group. Ms. Tuon obtained a degree of Bachelor of Business Administration in business economics from City University of Hong Kong in 2000 and a master degree of business administration in general management from Hong Kong Polytechnic University in 2007. Ms. Tuon possesses extensive experience in sales and marketing and is now a senior unit manager of a multinational insurance service provider.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Siu Nang Bruce (**張少能**) ("**Dr. Cheung**"), aged 54, is an independent non-executive Director and is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group. Dr. Cheung is also the chairman of the Nomination Committee, and a member of the Remuneration Committee and the Audit Committee. Dr. Cheung obtained a degree of doctor of philosophy from HKU in January 1995. Dr. Cheung has extensive experience in IT technology and has been serving HKU SPACE as a Senior Programme Director since 1992. He is responsible for the strategic planning and development of new programmes in IT and new technologies. Currently, he is also serving as an Associate Head of the College of Life Science and Technology, HKU SPACE.

Mr. Fong Sing Chak Jack (**方聲澤**) ("**Mr. Fong**"), aged 55, appointed on 1 September 2018, is an independent non-executive Director and is responsible for providing independent judgement on the issues of strategy, performance, resources and standard of conduct of the Group. Mr. Fong is also the chairman of the Remuneration Committee, and a member of the Nomination Committee and the Audit Committee. Mr. Fong obtained a bachelor degree in laws from HKU. In February 1992, Mr. Fong was admitted as a solicitor in Hong Kong and was appointed as notary public in February 2010. Mr. Fong is now a sole proprietor of a law firm in Hong Kong and he provides general practice in laws. Mr. Fong is currently an independent and non-executive director of Singapore Myanmar Investco Limited, a company listed on the Main Board of the Singapore Stock Exchange.

Ms. Kam Man Yi Margaret (**甘敏儀**) ("**Ms. Kam**"), aged 51, is an independent non-executive Director and is responsible for providing independent judgment on the issues of strategy, performance, resources and standard of conduct of the Group. Ms. Kam is also the chairlady of the Audit Committee, and a member of the Nomination Committee and the Remuneration Committee. Ms. Kam obtained a degree of bachelor of commerce from the University of Melbourne in Australia in July 1990 and a master degree of business administration through distance learning from the University of Southern Queensland in Australia in May 2008. Ms. Kam was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in September 1994. She has been a fellow member of the Hong Kong Institute of Certified Public Accountants since October 2004. Ms. Kam is a qualified accountant who possesses extensive experience in auditing and accounting, finance, treasury management and corporate compliance for various companies listed on the Stock Exchange.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

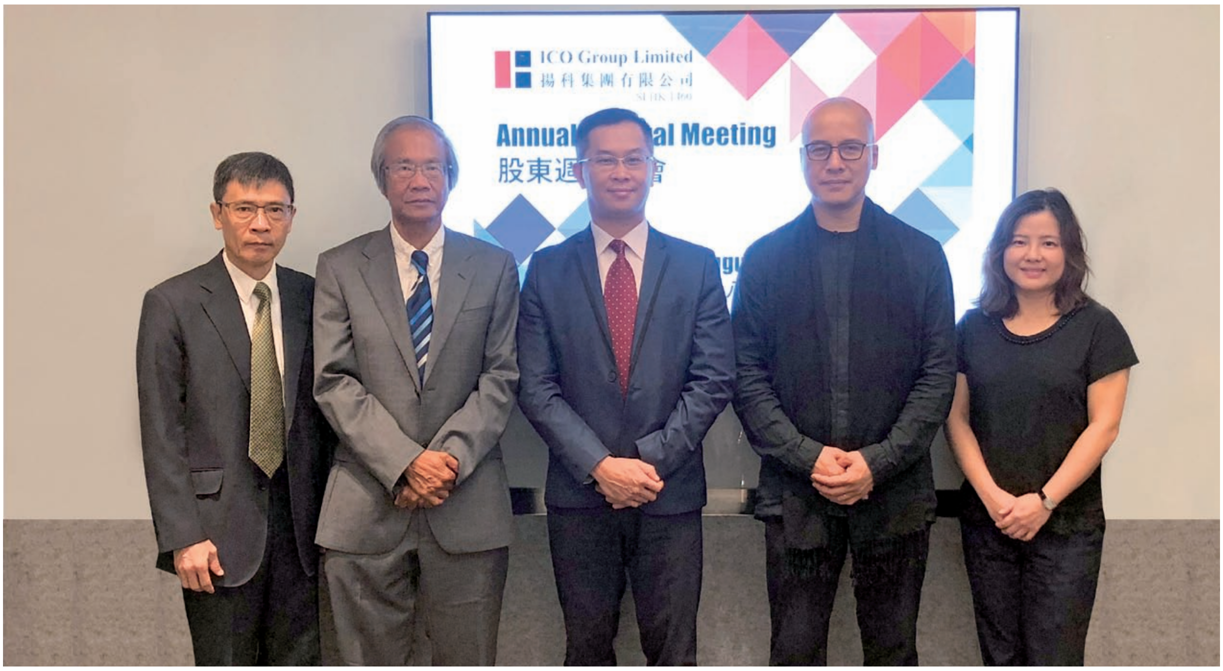
SENIOR MANAGEMENT

Mr. Leung Man Lun Walter (梁萬倫) ("Mr. Walter Leung"), aged 57, is the managing director of ICO Technology Limited. He joined the Group in 2006 and is responsible for the overall management of ICO Technology Limited including strategic planning and sales and marketing in Hong Kong. Mr. Walter Leung has over 30 years of experience in the IT industry including data processing, programming, customer support strategic planning, sales and marketing and management of daily operations.

Mr. Ho Chak Keung (何澤強) ("Mr. Ho"), aged 50, is the general manager of ICO Technology Limited. He joined the Group in 2006 and is responsible for coordinating daily operational functions and human resources of the business of ICO Technology Limited, he is also responsible for marketing strategy in Hong Kong including generating sales leads and building brand awareness of the Group. Mr. Ho obtained a degree of bachelor of science in computer systems engineering from the University of Kent in the United Kingdom. He has over 20 years of IT sales and marketing experience.

Mr. Ko Ka Hay Kenneth (高嘉禧) ("Mr. Kenneth Ko"), aged 55, is the general manager of ICO Technology Limited. He joined the Group in 2015 as director of strategic business and promoted to general manager in April 2019. Mr. Kenneth Ko is responsible for the supervision, performance, development, strategies of both sales and technical teams. Mr. Kenneth Ko obtained a degree of bachelor of economics from the National Taiwan University. He has over 30 years of experience in IT industry. Before joining the Group, Mr. Kenneth Ko was the managing director of a Japanese listed company and responsible for the management on both information technology division and data card technology division.

Mr. Chung Yat Ming (鍾日明) ("Mr. Chung"), aged 56, is the director of business development of ICO Technology Limited. He joined the Group in 2015 and is responsible for sales and marketing including leading one of the sales teams, assisting Mr. Kenneth Ko to acquire new products and identifying business opportunities. He has over 33 years of experience in IT industry. Before joining the company, Mr. Chung was the general manager of an international IT company for 12 years.



From left:
Mr. Chan Kwok Pui (Executive Director), Mr. Tam Kwok Wah (Non-executive Director), Mr. Lee Cheong Yuen (Chairman and Chief Executive Officer), Dr. Cheung Siu Nang Bruce (Independent Non-executive Director) and Ms. Kam Man Yi Margaret (Independent Non-executive Director)

The Directors hereby present their report and the audited consolidated financial statements for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in note 17 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

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

KEY RISKS AND UNCERTAINTIES FACING BY THE GROUP

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

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

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

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

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

The Group relies on contracts with its major customers

The Group relies on contracts with its major customers. Revenue for the Group's top five customers accounted for approximately 29% and 36% respectively of the Group's total revenue for the years ended 31 March 2018 and 2019. It is not assured that the Group can successfully expand its customer base and secure new customers given the competitiveness of the industry in which the Group operates. Reduction in demand for services or termination of the contract by the top five customers of the Group may cause material decrease in revenue which in turn may adversely affect the Group's business, financial condition and results of operation.

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

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

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

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

Risks relating to the Group's investments

During FY 2019 and up to the date of this report, the Group made several investments by entering agreements to acquire 15% equity interest of INAX, 40% equity interest of PointSoft and Project CKB.

Shall the value of these investments drop in the future mode or the performance of these investments are not as good as expected, impairment of these investments may result which will lead to deterioration of the Group's financial results and financial position.

Furthermore, as Project CKB is situated in Malaysia, unfavourable change in foreign exchange rate may also lead to deterioration of the Group's financial results and financial position.

ENVIRONMENTAL POLICIES AND PERFORMANCE

A discussion on the environmental policies and performance of the Company can be found in the "**Environmental, Social and Governance Report**" section, which forms part of this Report of Directors of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

RESULTS AND APPROPRIATIONS

The results of the Group for the years ended 31 March 2019 and 2018 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 55 to 56 of this annual report.

DIVIDEND

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

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

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 140 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the years ended 31 March 2019 and 2018 in property, plant and equipment of the Group are set out in note 12 to the consolidated financial statements in this annual report.

BORROWINGS

Particulars of borrowings as at 31 March 2019 and 2018 are set out in note 23 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements during the years ended 31 March 2019 and 2018 in the share capital of the Company are set out in note 27 to the consolidated financial statements in this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any securities of the Company during the years ended 31 March 2019 and 2018.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2019, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK$217.2 million (2018: HK$114.9 million).

MAJOR CLIENTS AND SUPPLIERS

For the years ended 31 March 2019 and 2018, sales to the Group's five largest customers accounted for approximately 36% and 29% respectively of the total sales for the year and sales to the largest customer included therein amounted to approximately 23% and 9% respectively. For the years ended 31 March 2019 and 2018, purchases from the Group's five largest suppliers accounted for approximately 50% and 37% respectively of the total cost of sales for the year and purchase from the largest supplier included therein amounted to approximately 15% and 12% respectively.

At no time during the years ended 31 March 2019 and 2018 have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's issued shares) had any interest in these major customers and suppliers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

Employees

Employees are regarded as the most important and valuable assets of the Group. The Group is committed to provide its employees with a safe and healthy workplace and encourage them to have a work-life balance. The Group also ensures all employees are reasonably remunerated and regular trainings are provided for its technical staff. During the years ended 31 March 2019 and 2018, the Group has not experienced any significant problems with its employees nor has experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains good relationship with its employees.

Customers

The Group has a diversified customer base with hundreds of customers across various industries, including government and statutory bodies, financial institutions and general business enterprises. The Group stays connected with its customers through various channels to obtain their feedback and suggestions. During the years ended 31 March 2019 and 2018, the Group does not have any significant disputes with its customers and maintained good relationship with them.

Suppliers

The Group carefully selects its suppliers as the success of the Group depends on the quality of products and services obtained from them. During the years ended 31 March 2019 and 2018, the Group does not have any significant disputes with its suppliers and maintained good relationship with them.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "**Scheme**") after the shareholders of the Company approved the scheme at the annual general meeting of the Company on 12 August 2016 (the "**Adoption Date**"). Summary of the Scheme as set out below:

(1) Purpose of the Scheme

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

(2) Participants

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

(3) Maximum number of shares available for subscription

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

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

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

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

(4) Maximum entitlement of each participant

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

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

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

(5) Option Period

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

(6) No performance target and minimum period to hold

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

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

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

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

(8) Subscription price

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

(9) The remaining life of the Scheme

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

No options were granted since the Adoption Date and up to the date of this report, the Company had 400,000,000 shares available for issue under the Scheme (representing 10% of the existing issued capital of the Company as at the date when the Scheme was approved and adopted by the shareholders). For further details of the Scheme, please refer to the Company's circular dated 27 June 2016.

DIRECTORS

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

Executive Directors

Mr. Lee Cheong Yuen
Mr. Chan Kwok Pui *(redesignated from Non-executive Director to Executive Director on 22 February 2019)*
Mr. Pang Yick Him *(resigned on 22 February 2019)*

Non-executive Directors

Mr. Tam Kwok Wah
Ms. Tuon Wai Man *(appointed on 22 February 2019)*

Independent non-executive Directors

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

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

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

As disclosed in the announcements of the Company dated 13 July 2018, Dr. Chan Mee Yee has resigned as independent non-executive Director for the reason that the Company and Dr. Chan Mee Yee intend to engage in discussion on a possible co-operation. As disclosed in the announcements of the Company dated 22 February 2019, Mr. Pang Yick Him resigned as executive Director due to his other work commitment.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Group are set out on pages from 34 to 36 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No other transactions, arrangements or contracts that is significant in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a director of the Company or his or her connected entities had a material interest, whether directly or indirectly, subsisted at the end or at any time during the years ended 31 March 2019 and 2018.

EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

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

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the years ended 31 March 2019 and 2018.

EMOLUMENT POLICY

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

MANDATORY PROVIDENT FUND RETIREMENT BENEFIT SCHEME

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

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the years ended 31 March 2019 and 2018.

NON-COMPETITION UNDERTAKINGS

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

For the years ended 31 March 2019 and 2018, the Company received an annual written confirmation from each controlling shareholder of the Company in respect of its/his and its/his associates' compliance with the Deed of Non-Competition. The independent non- executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 March 2019, 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 (Notes 2 and 3)	Interest held jointly with another person; interest of a controlled corporation	1,930,000,000 (L) (Note 1)	41.09%

Name	Capacity and nature of interests	Number of Shares held	Approximate percentage to the issued capital of the Company
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 (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 (Note 7)	Beneficial owner; Interest in spouse	3,448,000 (L) (Note 1)	0.07%
Ms. Tuon (Note 8)	Beneficial owner; Interest in spouse	49,604,000 (L) (Note 1)	1.06%

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, the ultimate controlling shareholders of the Company, 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, the 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.

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. Shares in which Mr. Fong is interested consist of (i) 2,948,000 Shares held by Mr. Fong, and (ii) 500,000 Shares held by Ms. Yeung Ching Yee, the spouse of Mr. Fong.

8. Shares in which Ms. Tuon is interested consist of (i) 49,284,000 Shares held by Ms. Tuon, and (ii) 320,000 Shares held by Mr. Tsoi Pak Ho, the spouse of Ms. Tuon.

9. As at 31 March 2019, 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 31 March 2019, 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 years ended 31 March 2019 and 2018 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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

As at 31 March 2019, 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	–	1,439,996,315 (L) (Note 1)	1,439,996,315 (L) (Note 1)	30.66%
Teoh Teng Guan (Note 9)	Interest of a controlled corporation	–	1,439,996,315 (L) (Note 1)	1,439,996,315 (L) (Note 1)	30.66%

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, the 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, the 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 certain restrictions. For details of the acquisition and conversion restrictions, please refer to project CKB Announcements and Circular.

10. As at 31 March 2019, 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 31 March 2019 which required to be recorded pursuant to Section 336 of SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the years ended 31 March 2019 and 2018 are set out in note 33 to the consolidated financial statements. None of these related party transactions constitute connected transactions or continuing connected transactions as defined under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the share option scheme and the acquisition of 40% equity interest of PointSoft and Project CKB, no equity-linked agreements were entered into during the year ended 31 March 2019 and up to the date of this report or subsisted as at 31 March 2019 and as at the date of this report.

PERMITTED INDEMNITY PROVISION

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

EVENTS AFTER THE REPORTING PERIOD

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 dated 9 November 2018.

Saved as disclosed above, there are no significant events after the reporting period of the Group up to the date of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2019 have been audited by Crowe (HK) CPA Limited.

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

The Audit Committee currently consists of three independent non-executive Directors namely Dr. Cheung Siu Nang Bruce, Mr. Fong Sing Chak Jack and Ms. Kam Man Yi Margaret (chairlady of the Audit Committee). The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 March 2019.

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

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

Hong Kong, 27 June 2019

Crowe

國富浩華（香港）會計師事務所有限公司
Crowe (HK) CPA Limited
香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

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

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ICO Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 55 to 139, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Recognition of contract revenue

(Refer to note 3(d) to the consolidated financial statements and the accounting policies in notes 2(k) and 2(u) to the consolidated financial statements)

The Key Audit Matter

The Group's business involves entering into contractual relationships with customers to provide a range of services, including the provision of IT application and solution development, IT infrastructure solutions, secondment services, maintenance and support services. A significant proportion of the Group's revenue and profits is derived from long term contracts, most of which are fixed price contracts.

The recognition of revenue for performance obligations of long term contracts is based on the stage of completion of work performed on a contract at the end of the reporting period, using the cost-to-cost method to estimate progress towards completion, which control is considered to be transferred over time because the service 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. The recognition of revenue for an incomplete project is dependent on estimating the total outcome of the contract as well as the work performed to date.

Forecasting the outcome of a contract involves the exercise of significant management judgement. Deficiency in contract forecasts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.

We identified the recognition of contract revenue as a key audit matter because revenue recognition involves a significant degree of management judgement in assessing factors which can be inherently uncertain and may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of contract revenue including the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the contract revenue including the control over recording work done, invoicing and cash receipts;

- on a sample basis, comparing management's estimated costs to complete selected contracts at the end of the previous financial year with actual costs incurred during the current year and enquiring of the management about any significant variances identified; and

- selecting a sample of contracts and performing the following procedures for each contract selected:

  - inspecting key terms, including contract sum, deliverables, timetable and milestones, set out in the contract and evaluating whether these key terms had been appropriately reflected in the total estimated revenue and costs to complete under the contract forecasts;

  - discussing with the project manager and management the performance obligations of the contract and challenging their underlying judgements in their estimations of total estimated contract costs and estimated costs to complete the contract where it was still in progress at the end of the reporting period by comparing their estimates with underlying documentation, including contract agreements and sub-contracts, suppliers' quotations and certifications or correspondence with sub-contractors and suppliers;

  - comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation;

  - agreeing total contract revenue to the contracted terms;

  - recalculating the percentage of completion based on contract costs incurred up to the end of the reporting period and estimated total contract costs; and

  - recalculating revenue recognised to date, based on total contract revenue and the percentage of completion.

Recoverability of trade debtors and contract assets

(Refer to notes 3(c), 18, 19 and 28(a) to the consolidated financial statements and the accounting policies in note 2(j)(i) to the consolidated financial statements)

The Key Audit Matter

The Group's operations gave rise to significant trade debtors and contract assets at the end of the reporting period. As at 31 March 2019, trade debtors and contract assets amounted to HK$169,322,000 and HK$4,483,000, which represented in aggregate of 34.1% of the Group's total assets as at that date.

Loss allowance for trade debtors and contract assets is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, ageing of overdue trade debtors, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions, all of which involve a significant degree of management judgement.

We identified assessing the recoverability of trade debtors and contract assets as a key audit matter because the assessment of the recoverability of trade debtors and contract assets and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the recoverability of trade debtors and contract assets included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection assessing the expected credit loss of trade debtors and contract assets, and recognising the impairment loss for doubtful debts;

- comparing, on a sample basis, the categorisation of trade debtors and contract assets in the ageing report with invoices issued, contract terms, contract progress reports and other relevant underlying documentation;

- assessing the reasonableness of managements loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowances; and

- inspecting cash receipts, on a sample basis, from customers subsequent to the end of the reporting period relating to trade debtors as at 31 March 2019.

Valuation of convertible bonds

(Refer to notes 3(f) and 25 to the consolidated financial statements and the accounting policies in note 2(q) to the consolidated financial statements)

The Key Audit Matter

During the year ended 31 March 2019, the Company issued convertible bonds as deposit for acquisition of a subsidiary in an aggregate principal amount of HK$84,363,180. The embedded derivative components of the Company's convertible bonds are stated at fair value based on the valuation carried out by independent professional valuer.

The valuation of fair values of the convertible bonds and embedded derivatives which includes significant unobservable inputs and significant management estimates was determined by the directors based on the valuation performed by an independent professional valuer.

How the matter was addressed in the audit

Our audit procedures to assess the reasonableness of the valuation of convertible bonds include the following:

- Evaluating the independent professional valuer's competence, capabilities and objectivity;
- Obtaining an understanding of the management process for determining fair value of the convertible bonds and embedded derivatives;
- Assessing whether the valuation methodology and the key assumptions used by the management and external valuer to estimate the fair values of convertible bonds and embedded derivatives are appropriate; and
- Comparing input data to supporting evidences, such as market indicators and considering the reasonableness of the data adopted.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Poon Cheuk Ngai.

Crowe (HK) CPA Limited
Certified Public Accountants
Hong Kong, 27 June 2019

Poon Cheuk Ngai
Practising Certificate Number P06711

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'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	24	**21,492**	2,901
Change in fair value of derivative component in convertible bonds	25	**45,621**	–
Gain on conversion of convertible bonds	25	**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)
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	11		
Basic (HK cents per share)		**1.85**	(0.27)
Diluted (HK cents per share)		**0.40**	(0.34)

The notes on pages 61 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'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)

The notes on pages 61 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2019 HK$'000	31 March 2018 HK$'000
Non-current assets			
Property, plant and equipment	12	47,935	49,889
Intangible assets	13	140	264
Interests in associates	14	62,488	–
Interests in joint ventures	15	1,098	–
Other financial asset	16	37,800	71,709
Deposit for acquisition of a subsidiary	19(f)	117,602	8,659
		267,063	130,521
Current assets			
Trade and other receivables	19	175,856	151,355
Contract assets	18	4,483	–
Tax recoverable	26(a)	5,924	6,134
Pledged bank deposits	20	3,197	3,197
Cash and cash equivalents	21(a)	52,980	38,286
		242,440	198,972
Current liabilities			
Trade and other payables	22	(82,760)	(62,850)
Contract liabilities	18	(10,489)	–
Bank loans	23	(7,591)	(22,900)
Contingent consideration payable	24	(10,715)	(31,268)
Derivative component in convertible bonds	25	(2,951)	–
Tax payable	26(a)	(2,177)	(415)
		(116,683)	(117,433)
Net current assets		125,757	81,539
Total assets less current liabilities		392,820	212,060
Non-current liabilities			
Liability component in convertible bonds	25	(52,773)	–
Deferred tax liabilities	26(b)	(161)	(161)
		(52,934)	(161)
Net assets		339,886	211,899

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 March 2019 HK$'000	31 March 2018 HK$'000
Capital and reserves			
Share capital	27(b)	**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

The consolidated financial statements on pages 55 to 139 were approved and authorised for issue by the board of directors on 27 June 2019 and were signed on its behalf by:

Lee Cheong Yuen
Chairman, Chief Executive Officer and Executive Director

Chan Kwok Pui
Executive Director

The notes on pages 61 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to equity shareholders of the Company							
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Fair value reserve (non-recycling) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total equity HK$'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 for 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

The notes on pages 61 to 139 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Operating activities			
Profit/(loss) before taxation		**96,918**	(5,559)
Adjustments for:			
Depreciation and amortisation		**2,811**	2,785
Loss on disposal of property, plant and equipment	7(c)	**–**	277
Change in fair value of contingent consideration payables	24	**(21,492)**	(2,901)
Bank interest income	5	**(23)**	(2)
Change in fair value of derivative component in convertible bonds	25	**(45,621)**	–
Gain on conversion of convertible bonds	25	**(1,276)**	–
Share of profit of associates		**(542)**	–
Share of loss of joint ventures		**653**	–
Written off of trade debtors	7(c)	**129**	–
Finance costs	7(a)	**4,971**	657
Net foreign exchange differences		**(4)**	10
		36,524	(4,733)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(55,012)**	14,598
Decrease in contract assets		**25,899**	–
Increase in trade and other payables		**27,357**	15,066
Increase in contract liabilities		**3,042**	–
Cash generated from operations		**37,810**	24,931
Income tax paid	26(a)	**(1,762)**	(8,211)
Net cash generated from operating activities		**36,048**	16,720
Investing activities			
Payment for purchase of property, plant and equipment		**(736)**	(1,515)
Payment for deposit for acquisition of a subsidiary		**–**	(8,659)
Investment in an associate		**(1)**	–
Advance to a joint venture		**(1,751)**	–
Interest received		**23**	2
Net cash used in investing activities		**(2,465)**	(10,172)
Financing activities			
Proceeds from bank loans	21(b)	**36,640**	60,196
Repayment of bank loans	21(b)	**(51,949)**	(52,796)
Interest on bank borrowings paid	21(b)	**(395)**	(468)
Dividend paid to non-controlling shareholders		**(3,185)**	(2,597)
Net cash (used in)/generated from financing activities		**(18,889)**	4,335
Net increase in cash and cash equivalents		**14,694**	10,883
Cash and cash equivalents at the beginning of the year		**38,286**	27,403
Cash and cash equivalents at the end of the year	21(a)	**52,980**	38,286

The notes on pages 61 to 139 form part of these financial statements.

1. GENERAL INFORMATION

ICO Group Limited (the "**Company**") was incorporated in the Cayman Islands on 26 April 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. The Company'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. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements For the year ended 31 March 2019 comprise the Company and its subsidiaries (collectively referred to as the "**Group**") and the Group's interest in associates and joint ventures.

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 are stated at their fair value as explained in the accounting policies set out below:

– Financial asset at fair value through other comprehensive income ("FVOCI") (non-recycling) (see note 2(i))

– Contingent consideration payable (see note 2(n)(ii))

– Derivative component in convertible bonds (see note 2(p))

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are firstly 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 total disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

	31 March 2018 as originally presented HK$'000	Effects of the adoption of HKFRS 9 (note a) HK$'000	Effects of the adoption of HKFRS 15 (note b) HK$'000	1 April 2018 HK$'000
Non-current assets				
Financial assets measured at 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)	–

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

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

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. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

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

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

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 HK$'000	Reclassification HK$'000	Remeasurement HK$'000	HKFRS 9 carrying amount at 1 April 2018 HK$'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.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2(i) and 2(j)(i).

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 contracts (see note 2(j)(ii)). The carrying amounts for all financial liabilities (including financial guarantee contracts) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

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

(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, deposit for acquisition of a subsidiary and pledged bank deposits);
- equity security measured at FVOCI (non-recycling); and
- financial guarantee contracts issued (see note 2(j)(ii)).

For further details on the Group's accounting policy for accounting for credit losses, see note 2(j)(i).

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(b) HKFRS 15 "Revenue from contracts with customers" (Continued)

(i) Timing of revenue recognition (Continued)

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 (see notes 2(u)(i), 2(u)(ii), 2(u)(iii) and 2(u)(iv)).

(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 (see note 2(u)) 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 (see note 2(k)).

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 (note 19) are now included under contract assets (note 18); 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 (note 22) are now included under contract liabilities (note 18).

(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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(b) HKFRS 15 "Revenue from contracts with customers" (Continued)

(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 (Continued)

	Amounts reported in accordance with HKFRS 15 HK$'000	Hypothetical amounts under HKSAs 18 and 11 HK$'000	Difference: Estimated impact of adoption of HKFRS 15 on 31 March 2019 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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

(b) HKFRS 15 "Revenue from contracts with customers" (Continued)

(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 (Continued)

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(j)(iii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

On the acquisition of an interest in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or a joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

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

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

– Other items of plant and equipment

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

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

– Leasehold land classified as held under finance leases	Over the unexpired term of lease
– Buildings situated on leasehold land	Over the shorter of the unexpired term of lease and their estimated useful lives
– Leasehold improvements	5-10 years
– Computer equipment	4 years
– Furniture and other office equipment	4–5 years
– Motor vehicles	4 years

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets

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

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

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

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (Continued)

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

(i) Other investment in equity security

The Group's policies for investment in equity security, other than investments in subsidiaries and associate, are set out below.

Investment in equity security is recognised/derecognised on the date the Group commits to purchase/sell the investment. The investment is initially stated at fair value plus directly attributable transaction costs, except for that investment measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 28(f). This investment is subsequently accounted for as follows, depending on its classification.

(A) Policy applicable from 1 April 2018

Equity investment

An investment in equity security 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 profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Other investment in equity security (Continued)

(B) Policy applicable prior to 1 April 2018

Investment which did not fall into financial asset measured at FVPL or held-to-maturity security was classified as available-for-sale financial asset. At the end of each reporting period, the fair value was remeasured with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (non-recycling). Dividend income from equity investment was recognised in profit or loss. When the investment was derecognised or impaired (see note 2(j)(i) – policy applicable prior to 1 April 2018), the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

(A) Policy applicable from 1 April 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables, contract assets, deposit for acquisition of a subsidiary and pledged bank deposits); and

– equity security measured at FVOCI (non-recycling).

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 (that is, 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).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

– fixed-rate financial assets: effective interest rate determined at initial recognition or an approximation thereof; and

– 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Measurement of ECLs (Continued)

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.

Loss allowances for trade debtors and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

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 that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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:

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Significant increases in credit risk (Continued)

- failure to make payments of principal or interest on their contractually due dates;
- 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 equity security that is measured at FVOCI (non-recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (non-recycling).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(A) Policy applicable from 1 April 2018 (Continued)

Basis of calculation of interest income

Interest income recognised in accordance with note 2(u)(v) 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 (that is, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVPL (e.g. trade and other receivables, deposit for acquisition of a subsidiary and available-for-sale investment). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment. Objective evidence of impairment included:

- 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
- a significant or prolonged decline in fair value of an investment in an equity instrument below its cost.

If any such evidence existed, an impairment loss was determined and recognised as follows:

- For trade and other receivables and deposit for acquisition of a subsidiary carried at amortised cost, impairment loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where the effect of discounting was material. This assessment was made collectively where these financial assets shared similar risk characteristics, such as similar past due status, and had not been individually assessed as impaired. Future cash flows for financial assets which were assessed for impairment collectively were based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

  When the recovery of financial assets carried at amortised cost was considered doubtful but not remote, associated impairment losses were recorded using an allowance account. When the Group was satisfied that recovery was remote, the amount considered irrecoverable was written off against the gross carrying amount of those assets directly. Subsequent recoveries of amounts previously charged to the allowance account were reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly were recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instruments (Continued)

(B) Policy applicable prior to 1 April 2018 (Continued)

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

(ii) Credit losses from financial guarantee issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value, which is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued.

(A) Policy applicable from 1 April 2018

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(j)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (Continued)

(ii) Credit losses from financial guarantee issued (Continued)

(B) Policy applicable prior to 1 April 2018

Prior to 1 April 2018, a provision would be recognised if and when it became probable that (i) the holder of the guarantee would call upon the Group under the guarantee and (ii) the amount of the claim on the Group was expected to exceed the amount carried in "trade and other payables" in respect of the guarantee.

(iii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

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

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

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (that is, a cash-generating unit).

- Recognition of impairment losses

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Credit losses and impairment of assets (Continued)

(iii) Impairment of other non-current assets (Continued)

– Reversal of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

(iv) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34 "Interim financial reporting", in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(j)(i), (ii) and (iii)).

(k) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(l)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables that are held for collection of contractual cash flows where those case flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at amortised cost and are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(n) Other financial liabilities

(i) Trade and other payables

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

(ii) Contingent consideration

Share-settled contingent consideration arrangements are classified as financial liabilities where the number of shares to be issued in settlement varies. They are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(o) Interest-bearing borrowings

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

(p) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(q) Convertible bonds

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is accounted for as derivative.

At the date of issue, both the debt component and derivative components (see note 2(p)) are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss. Transaction costs that relate to the issue of the convertible bond are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Convertible bonds (Continued)

If the 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 components are recognised in profit or loss. If the bonds are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

(r) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax (Continued)

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

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

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

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

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

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

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

  – the same taxable entity; or

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Provisions and contingent liabilities

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

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

(u) Revenue and other revenue

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other revenue recognition policies are as follows:

(i) Revenue from 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue and other revenue (Continued)

(ii) Revenue from 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) Revenue from secondment services

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

(iv) Revenue from 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 subcontractors 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.

(v) Interest income

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

(vi) Marketing income

Revenue from such services are recognised when related services are rendered.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Translation of foreign currencies

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

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

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. The statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the reporting date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(w) Borrowing costs

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

(y) Segment reporting

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

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

3. ACCOUNTING JUDGEMENT AND ESTIMATES

Key sources of estimation uncertainty are as follows:

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

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

(b) Valuation of unlisted equity security measured at FVOCI

The Group assesses the fair value of unlisted equity security measured at FVOCI annually in accordance with HKFRS 9. Details of the approach are stated in the relevant accounting policies. The assessment requires an estimation for certain input. Future changes in financial performance and position of the entity would affect the fair value and cause the adjustments of its carrying amount.

(c) Measurement of the expected credit loss allowance for trade and other receivables, and contract assets

The measurement of the expected credit loss allowance for trade and other receivables, and contract assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of debtors defaulting and the resulting losses). Further details are set out in note 28 Credit Risk.

At 31 March 2019, the carrying amounts of trade and other receivables, and contract assets of the Group are approximately HK$175,856,000 (2018: HK$151,355,000) and approximately HK$4,483,000 (2018: HK$Nil), respectively.

3. ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(d) Revenue recognition

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

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

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

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

(e) Fair value of contingent consideration payable

The Group has accounted for the contingent consideration payable in the acquisition of an associate and equity security measured at FVOCI (non-recyling). The number of shares of the Company which would be issued as consideration of the acquisition is subject to the results of the acquired investee. The Group determines the provision to be made in respect of the contingent consideration based on the fair value of the shares of the Company at the date of acquisition and the directors' best estimate and weighted probability analysis of the future profit of the acquired investee. As the process requires input of subjective assumptions, any changes to the assumptions can materially affect the provision made. Subsequent gain or loss in fair value is recognised in profit or loss. As at 31 March 2019, the provision made in respect of contingent consideration by the Group amounted to approximately HK$10,715,000 (2018: HK$31,268,000) was included in contingent consideration payable.

3. ACCOUNTING JUDGEMENT AND ESTIMATES (CONTINUED)

(f) Fair value of derivative component of convertible bonds

The directors use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative components of the convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the instrument. Details of the assumptions used are disclosed in note 25.

(g) Impairment assessment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the recoverable amount of the associates. The recoverable amount is the greater of fair value less cost of disposal and value in use. The Group engaged external professional valuer in making this assessment. The Group is required to make many assumptions to make this assessment, including the cash flow to be generated, appropriate discount rate and etc. Changes in any of these assumptions could result in a material change to future estimate of the recoverable amount.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2019 HK$'000	2018 HK$'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

Revenue from a customer arising from the provision of IT application and solution development services, IT infrastructure solutions and maintenance and support services amounting to approximately HK$135,108,000 accounted for 10% or more of the Group's revenue for the year ended 31 March 2019. There was no customer with transactions exceeded 10% of the Group's total revenue for the year ended 31 March 2018.

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 solutions services and sale of IT infrastructure solution related hardware and software.

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

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

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's 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.

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

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 CODM 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 HK$'000	IT infrastructure solutions HK$'000	Secondment services HK$'000	Maintenances and support service HK$'000	Total 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 HK$'000	IT infrastructure solutions HK$'000	Secondment services HK$'000	Maintenances and support service HK$'000	Total 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

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Geographic information

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

The geographical information of the Group's revenue from external customers for the years ended 31 March 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 HK$'000	2018 HK$'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 (note 25)	4,576	–
	4,971	657

(b) Staff costs (including directors' emoluments)

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

The Group operates a Mandatory Provident Fund Scheme ("**the MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

(c) Other items

	2019 HK$'000	2018 HK$'000
Cost of hardware and software sold	375,599	200,319
Amortisation of intangible assets (note 13)	124	131
Depreciation of property, plant and equipment (note 12)	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

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

	2019 HK$'000	2018 HK$'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 subject 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.

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

	2019 HK$'000	2018 HK$'000
Profit/(loss) before taxation	96,918	(5,559)
Notional tax on profit/(loss) before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	15,990	(917)
Effect of non-deductible expenses	1,250	721
Effect of non-taxable income	(11,271)	(480)
Effect of unused tax losses not recognised	91	2,306
Effect of temporary differences not recognised	72	39
Effect of utilisation of unused tax losses previously not recognised	(2,193)	–
Statutory tax concession	(40)	(30)
Others	(165)	(115)
Actual tax expense	3,734	1,524

9. DIRECTORS' EMOLUMENTS

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

For the year ended 31 March 2019:

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors				
Lee Cheong Yuen *(Chairman and Chief Executive Officer)*	–	2,380	20	2,400
Chan Kwok Pui (note (iii))	–	188	2	190
Pang Yick Him (note (ii))	–	938	17	955
Non-executive Directors				
Tuon Wai Man (note (iv))	21	–	–	21
Tam Kwok Wah	900	–	–	900
Chan Kwok Pui (note (iii))	806	–	16	822
Independent non-executive Directors				
Kam Man Yi Margaret	165	–	8	173
Cheung Siu Nang Bruce	165	–	8	173
Fong Sing Chak Jack (note (vi))	96	–	5	101
Chan Mee Yee (note (v))	47	–	2	49
	2,200	3,506	78	5,784

For the year ended 31 March 2018:

	Directors' fees HK$'000	Salaries and allowances HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors				
Lee Cheong Yuen *(Chairman and Chief Executive Officer)*	–	2,047	18	2,065
Pang Yick Him (note (ii))	–	972	18	990
Yong Man Kin (note (i))	–	15	1	16
Non-executive Directors				
Chan Kwok Pui	180	–	9	189
Tam Kwok Wah	180	–	–	180
Independent non-executive Directors				
Chan Mee Yee	150	–	8	158
Kam Man Yi Margaret	150	–	8	158
Cheung Siu Nang Bruce	150	–	8	158
	810	3,034	70	3,914

9. DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

(i) Mr. Yong Man Kin resigned as the Chairman and an executive Director of the Company on 5 April 2017. The amount for the relevant year represented the remuneration of this director from 1 April 2017 to the date of resignation.

(ii) Mr. Pang Yick Him was appointed as an executive Director of the Company on 5 April 2017 and resigned as an executive Director of the Company on 22 February 2019. The amount for the years ended 31 March 2019 and 2018 represented the remuneration of this director from 1 April 2018 to the date of resignation, and from the date of appointment to 31 March 2018 respectively.

(iii) Mr. Chan Kwok Pui has re-designated from a non-executive Director to an executive Director of the Company on 22 February 2019.

(iv) Ms. Tuon Wai Man was appointed as a non-executive Director of the Company on 22 February 2019. The amount for the relevant year represented the remuneration of this director from the date of appointment.

(v) Dr. Chan Mee Yee has resigned as an independent non-executive Director of the Company on 13 July 2018. The amount for the relevant year represented the remuneration of this director from 1 April 2018 to the date of resignation.

(vi) Mr. Fong Sing Chak Jack was appointed as an independent non-executive Director of the Company on 1 September 2018. The amount for the relevant year represented the remuneration of this director from the date of appointment.

(vii) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2019 and 2018. No director waived or agreed to waive any emoluments during the years ended 31 March 2019 and 2018.

10. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2018: one) is director whose emoluments are disclosed in note 9. The aggregate of the emoluments in respect of the remaining four (2018: four) individuals are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other emoluments	9,153	6,252
Retirement scheme contributions	90	72
	9,243	6,324

The emoluments of these four (2018: four) individuals with the highest emoluments are within the following bands:

	2019 Number of individuals	2018 Number of individuals
HK$1,000,001 to HK$1,500,000	1	1
HK$1,500,001 to HK$2,000,000	3	3

No emoluments were paid or payable by the Group to these employees as an inducement to join or upon joining the Group or as compensation for loss of office during the years ended 31 March 2019 and 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$83,920,000 (2018: loss attributable to equity shareholders of the Company of approximately HK$11,169,000) and the weighted average number of 4,538,315,986 ordinary shares (2018: 4,062,187,432 ordinary shares) in issue during the year.

(i) 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 (note 27(b))	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 approximately 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)

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

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

(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

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings held for own use carried at cost HK$'000	Leasehold improvements HK$'000	Computer equipment HK$'000	Furniture and other office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost:						
At 1 April 2017	48,524	3,773	3,058	502	480	56,337
Additions	–	1,020	147	348	–	1,515
Disposals	–	(347)	–	(164)	–	(511)
Exchange adjustments	–	–	27	–	–	27
At 31 March 2018	48,524	4,446	3,232	686	480	57,368
At 1 April 2018	**48,524**	**4,446**	**3,232**	**686**	**480**	**57,368**
Additions	**–**	**–**	**108**	**–**	**628**	**736**
Exchange adjustments	**–**	**–**	**(18)**	**–**	**–**	**(18)**
At 31 March 2019	**48,524**	**4,446**	**3,322**	**686**	**1,108**	**58,086**
Accumulated depreciation:						
At 1 April 2017	2,348	144	1,939	124	480	5,035
Depreciation for the year	1,565	456	501	132	–	2,654
Written back on disposals	–	(155)	–	(79)	–	(234)
Exchange adjustments	–	–	24	–	–	24
At 31 March 2018	3,913	445	2,464	177	480	7,479
At 1 April 2018	**3,913**	**445**	**2,464**	**177**	**480**	**7,479**
Depreciation for the year	**1,565**	**445**	**387**	**133**	**157**	**2,687**
Exchange adjustments	**–**	**–**	**(15)**	**–**	**–**	**(15)**
At 31 March 2019	**5,478**	**890**	**2,836**	**310**	**637**	**10,151**
Carrying amount:						
At 31 March 2019	**43,046**	**3,556**	**486**	**376**	**471**	**47,935**
At 31 March 2018	44,611	4,001	768	509	–	49,889

The analysis of carrying amount of properties is as follows:

	2019 HK$'000	2018 HK$'000
In Hong Kong		
– medium-term lease	**43,046**	44,611

13. INTANGIBLE ASSETS

	Acquired computer software HK$'000
Cost:	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	735
Accumulated amortisation:	
At 1 April 2017	340
Charge for the year	131
At 31 March 2018	471
At 1 April 2018	471
Charge for the year	124
At 31 March 2019	595
Carrying amount:	
At 31 March 2019	140
At 31 March 2018	264

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

14. INTERESTS IN ASSOCIATES

The following list contains the particulars of associates, which are unlisted corporate entities whose quoted market price is not available:

Name of associate	Place of incorporation and operations	Particulars of issued and paid-up capital	Group's effective interest	Proportion of ownership interest		Principal activity
				Held by the Company	Held by a subsidiary	
PointSoft Limited (note)	Hong Kong	10,000 ordinary shares	40%	–	–	Computer engineering
PS International Company Limited ("PS International")	BVI	10,000 ordinary shares of US$ 1 each	40%	–	40%	Investment holding
Bao Cheng Holdings (HK) Limited	Hong Kong	2,000 ordinary shares	25%	–	25%	Not yet commenced business

All of the above associates are accounted for using the equity method in the consolidated financial statements.

On 20 June 2018, the Group entered in to a sale and purchase agreement in relation to the acquisition of 40% equity interest in PS International, through the acquisition of a subsidiary. PS International holds 100% interest in PointSoft Limited. PS International and PointSoft Limited are collectively referred to as the "PointSoft Group".

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 Group shall be greater than HK$10 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 interests in associates are 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 Group for the period from 1 April 2018 to 31 March 2019 and the probability of occurance of each expected earning scenario.

14. INTERESTS IN ASSOCIATES (CONTINUED)

Summarised financial information of PointSoft Group

Summarised financial information of PointSoft Group, that is material to the Group, adjusted for any difference in accounting policies, and reconciled to the carrying amount in the consolidated financial statements, are disclosed below:

	PointSoft Group 2019 HK$'000
Non-current assets	19,406
Current assets	13,836
Non-current liabilities	(15)
Current liabilities	(3,379)
Equity	29,848
Revenue	16,708
Profit for the year	1,356
Other comprehensive income for the year	–
Total comprehensive income for the year	1,356

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements

	PointSoft Group 2019 HK$'000
Net assets of associates	29,848
Group's effective interest	40%
Group's share of net assets of associates	11,939
Goodwill (note)	50,548
Carrying amount in the consolidated financial statements	62,487

Note: The recoverable amount of the CGU is determined based on the value in use calculations, with reference to the estimated cash flows in the coming five years. Cash flows beyond five years were extrapolated by assuming a 3% growth rate using a pre-tax discount rate of 14%.

Based on the impairment assessment, no impairment loss on goodwill relating to PointSoft Group was recognised during the year ended 31 March 2019.

15. INTERESTS IN JOINT VENTURES

Details of the Group's interests in joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operations	Particulars of issued and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activity
DeepSolutions Limited ("DeepSolutions")	Corporate	Hong Kong	300 ordinary shares	33.33%	–	33.33%	Investment holding
DeepTranslate Limited ("DeepTranslate")	Corporate	Hong Kong	300 ordinary shares	33.33%	–	–	Provision of translation services for documents

DeepSolutions holds 100% interest in DeepTranslate. DeepSolutions and DeepTranslate are collectively referred to as the "DeepSolutions Group". DeepSolutions Group was incorporated by the Company with other joint venture partners, to engage in the provision of translation services for documents through the application of an artificial intelligence translation system to be developed by DeepSolutions Group.

DeepSolutions and DeepTranslate are unlisted corporate entities.

15. INTERESTS IN JOINT VENTURES (CONTINUED)

Summarised financial information of DeepSolutions Group, adjusted for any difference in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are disclosed below:

	DeepSolutions Group 2019 HK$'000
Non-current assets	68
Current assets	1,563
Non-current liabilities	–
Current liabilities	(3,590)
Equity	(1,959)
Included in the above assets and liabilities:	
Cash and cash equivalents	1,563
Revenue	–
Loss for the year	(1,959)
Other comprehensive income for the year	–
Total comprehensive loss for the year	(1,959)

Reconciliation of the financial information of the joint ventures to the carrying amount of the interests in joint ventures recognised in the consolidated financial statements

	DeepSolutions Group 2019 HK$'000
Gross amounts of joint ventures' net assets	(1,959)
Group's effective interest	33.33%
Group's share of joint ventures' net assets	(653)
Group's share of shareholders' loan (note)	1,751
Carrying amount of the Group's interest	1,098

Note: In accordance with the terms of the joint venture agreement, all parties to the joint venture have provided loan capital to the joint venture in proportion to their shareholdings and under equal terms. The loans are unsecured, interest-free and no fixed term of repayment. Repayment of any amount of the loan requires all joint venturers' approval and is subject to the joint venture having sufficient assets after taking into account the external financing and retained profits. Accordingly, the shareholders' loan of approximately HK$1,751,000 (2018: HK$Nil) forms an integral part of the Group's equity investment in joint venture and is recognised as such.

16. OTHER FINANCIAL ASSET

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Financial assets measured at FVOCI (non-recycling)			
– Unlisted shares in Hong Kong	**37,800**	71,709	–
Available-for-sale investments			
– Unlisted shares in Hong Kong	**–**	–	71,709

On 18 December 2017, the Group completed the acquisition of 15% equity interest in a private limited company incorporated in Hong Kong (the "**Investee**"), through the acquisition of a subsidiary. The acquisition is to be satisfied by (i) the issuance of 218,253,968 new ordinary shares of the Company as an initial consideration; (ii) the issuance of a maximum number of 218,253,968 consideration shares of the Company based on the formula as set out in the relevant sale and purchase agreement (the "**S&P Agreement**") when the net profit after tax of the Investee shall be greater than HK$10 million for the period from 1 May 2017 to 31 October 2017 (the "**First Contingent Consideration Shares**"); and (iii) the issuance of a maximum number of 218,253,968 consideration shares of the Company based on the formula as set out in the S&P Agreement when the net profit after tax of the Investee shall be greater than HK$10 million for the period from 1 May 2017 to 30 April 2018 (the "**Second Contingent Consideration Shares**").

The investment in unlisted shares is initially stated at fair value, which is based on the fair value of consideration shares of the Company issued as at 18 December 2017 plus the fair value of contingent consideration payable as at 18 December 2017. The fair value of the contingent consideration payable is determined by the directors of the Company with reference to the valuation report prepared by an independent professional valuer, by applying probabilistic approach on the estimated profit of the Investee in respect of the two periods and the probability of occurrence of each expected earning scenario. The contingent consideration payable was subsequently measured at fair value at the end of reporting period (see note 24 for details), and the Company allotted 218,253,969 new shares to vendors as consideration shares on 10 August 2018 at the end of profit guarantee period (see note 27(b) for details).

Prior to 1 April 2018, the investment in unlisted shares was measured at cost less impairment, and was reclassified to financial assets measured at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 April 2018 (see note 2(c)(a)). Based on the Investee's latest financial position and financial performance, the directors of the Company consider no impairment should be recognised during the year ended 31 March 2018.

17. INVESTMENTS IN SUBSIDIARIES

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

Name of company	Place of incorporation and business and kind of legal entity	Particulars of issued and paid up/ registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activity
Great Talent Holdings Limited	BVI, limited liability company	100 shares of US$1 each	100%	100%	–	Investment holding
Wide Ocean Technologies Limited	BVI, limited liability company	100 shares of US$1 each	100%	100%	–	Investment holding
ICO Holdings Limited	Hong Kong, limited liability company	10,000 shares	100%	–	100%	Investment holding
ICO Group Holdings Limited	Hong Kong, limited liability company	1 share	100%	–	100%	Property holding
ICO Investments Limited	Hong Kong, limited liability company	1 share	100%	–	100%	Not yet commenced its business
Wide Faith Management Limited	BVI, limited liability company	100 shares of US$1 each	100%	–	100%	Investment holding
Value Digital Limited	BVI, limited liability company	1 share of US$1 each	100%	–	100%	Investment holding
Digital Faith International Limited	BVI, limited liability company	1 share of US$1 each	100%	–	100%	Investment holding
ICO Limited	Hong Kong, limited liability company	1,000,000 shares	100%	–	100%	Provision of information technology service
ICO Technology Limited	Hong Kong, limited liability company	1,000,000 shares	51%	–	51%	Provision of information technology service
ICO IT Properties Limited	BVI, limited liability company	1 share of US$1 each	100%	100%	-	Investment holding
ICO IT Properties (Malaysia) Limited	BVI, limited liability company	1 share of US$1 each	100%	-	100%	Investment holding
ICO Malaysia SDN. BHD.	Malaysia, limited liability company	2 shares of RM1 each	100%	-	100%	Not yet commenced business
Absolute Robust Limited	BVI, limited liability company	11,000 shares	100%	-	100%	Investment holding
Tian Li Shi Software Development (Shenzhen) Co. Ltd. (note) (天利時軟件開發(深圳)有限公司)	PRC wholly-foreign-owned enterprise	HK$600,000	100%	-	100%	Dormant
Catering Automation Limited	BVI, limited liability company	15,000 shares of US$1 each	100%	-	100%	Investment holding

Note: The English translation of the name is for reference only and the official name of this entity is in Chinese.

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
NCI percentage of ICOT	49%	49%
Current assets	122,508	98,416
Non-current assets	97	174
Current liabilities	(97,967)	(86,359)
Non-current liabilities	(9)	(9)
Net assets attributable to owners of ICOT	24,629	12,222
Carrying amount of NCI	12,068	5,989

	2019 HK$'000	2018 HK$'000
Revenue	484,436	303,827
Profit for the year	18,906	8,339
Total comprehensive income	18,906	8,339
Profit and total comprehensive income allocated to NCI	9,264	4,086
Dividend paid to NCI	3,185	2,597
Cash flows generated from operating activities	6,287	16,500
Cash flows generated from/(used in) investing activities	14	(73)
Cash flows generated from/(used in) financing activities	1,022	(5,337)

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	31 March 2019 HK$'000	1 April 2018 HK$'000 (note i)	31 March 2018 HK$'000 (note i)
Contract assets			
Arising from performance under IT application and solution development services	**4,483**	30,382	–

Notes:

(i) The Group has initially applied HKFRS 9 and HKFRS 15 using cumulative effect method and adjusted the opening balance as at 1 April 2018.

(ii) Upon the adoption of HKFRS 15, amounts previously included as "Gross amounts due from customers for contract work" under "Trade and other receivable" (note 19) were reclassified to contract assets (see note 2(c)(b))

Typical payment terms which impact on the amount of contract assets recognised are as follows:

IT application and solution development services

The provision of IT application and solution development services include payment schedules which require stage payments over the development period once milestones are reached. Certain conditions have to be satisfied before the Group entitles to the consideration under the payment terms set out in the contract. The Group typically receives a deposit on acceptance of the order on a case by case basis and this has resulted in a contract liability.

As at 31 March 2019, no contract assets (2018: HK$Nil) was expected to be recovered after more than one year.

(b) Contract liabilities

	31 March 2019 HK$'000	1 April 2018 HK$'000 (note i)	31 March 2018 HK$'000 (note i)
Contract liabilities			
IT application and solution development services – Billings in advance of performance	**10,489**	7,447	–

Notes:

(i) The Group has initially applied HKFRS 9 and HKFRS 15 using cumulative effect method and adjusted the opening balance as at 1 April 2018.

(ii) Upon the adoption of HKFRS 15, amounts previously included as "Gross amounts due to customers for contract work" and "Customers' deposits received" under "Trade and other payables" (note 22) were reclassified to contract liabilities (see note 2(c)(b)).

18. CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities (Continued)

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

IT application and solution development services

When the Group receives a deposit before the service renders, this will give rise to contract liabilities at the start of the contract. The Group typically received deposit on acceptance of contracts and negotiated on a case by case basis with customers.

Movement in contract liabilities

	HK$'000
At 1 April 2018	7,447
Decrease in contract liabilities as a result of recognising revenue during the year that included in the contract liabilities at the beginning of the period	(96,396)
Increase in contract liabilities as result of billing in advance	99,438
At 31 March 2019	10,489

The amount of billings in advance of performance expected to be recognised as income after more than one year is HK$Nil (2018: HK$887,000, which were included under "trade and other payables").

19. TRADE AND OTHER RECEIVABLES

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 HK$'000
Non-current			
Deposit for acquisition of a subsidiary (note 19(f))	**117,602**	8,659	8,659
Current			
Trade debtors (note 19(e))	**169,322**	118,004	**118,004**
Gross amounts due from customers for contract work (note 19(d))	**–**	–	**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**

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Ageing analysis of trade debtors

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

	31 March 2019 HK$'000	31 March 2018 HK$'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

Trade debtors are due within 60 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

(b) Impairment of trade debtors

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(j)(i)). Details of impairment assessment of trade debtors for the years ended 31 March 2019 and 2018, are set out in note 28(a).

(c) Trade debtors that are not impaired

The ageing analysis of trade debtors as at 31 March 2019 and 2018 that were neither individually nor collectively considered to be impaired is as follows:

	31 March 2019 HK$'000	31 March 2018 HK$'000
Neither past due nor impaired	130,503	91,367
Less than 1 month past due	19,191	12,195
1 to 3 months past due	9,463	5,985
Over 3 months past due	10,165	8,457
	38,819	26,637
	169,322	118,004

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

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

(d) Project contracts in progress

As at 31 March 2018, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amounts due from customers for contract work, was approximately HK$153,872,000. No gross amount due from customers for contract work at 31 March 2018 that is expected to be recovered after more than one year.

19. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes: (Continued)

(e) As at 31 March 2019, the Group individually wrote off a single trade debtor amounting to HK$129,000 (2018: HK$Nil) that default its payment. The management considers that such trade debtor is not recoverable since the relevant trade debtor went into liquidation.

(f) On 6 December 2017 and 8 January 2018, ICO IT Properties (Malaysia) Limited, a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement and a supplemental sale and purchase agreement (collectively referred to as the "Acquisition Agreements"), respectively, with various vendors, 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 (collectively referred to as the "Project CKB").

The consideration of RM145 million comprises of (i) RM4.5 million of cash; (ii) RM110.35 million of convertible bonds to be issued by the Company; and (iii) RM30.15 million of promissory notes to be issued by the Company.

Pursuant to the Acquisition Agreements, the total gross rental net of taxes of Malaysia for a period of eighteen months from the completion date of acquisition for the Project CKB shall not be less than RM10.5 million (the "Performance Guarantee"). In the event the Performance Guarantee cannot be achieved, a sum of RM10.15 million shall be deducted from the consideration by the non-issuance of promissory notes with a principal amount of RM10.15 million.

In addition, pursuant to the Acquisition Agreements, in the event Project CKB cannot be completed within the prescribed time in the Acquisition Agreements, a sum of RM20 million shall be deducted from the consideration and the vendors shall be released from their obligation and liability to complete the Project CKB.

As at 31 March 2019, RM4,500,000 (equivalent to approximately HK$8,659,000) (2018: RM4,500,000 or equivalent to approximately HK$8,659,000) has been paid by cash and convertible bonds measured at fair value at the date of issues of approximately HK$108,943,000 (2018: HK$Nil) have been issued as deposit for the acquisition pursuant to the payment schedule as set out in the Acquisition Agreements.

The details of convertible bonds are set out in note 25 to the financial statements.

As at the date of issuance of this annual report, the acquisition has not yet been completed.

20. PLEDGED BANK DEPOSITS

As at 31 March 2019, bank deposits of approximately HK$3,197,000 (2018: approximately HK$3,197,000) were pledged to a bank for performance guarantees issued by the bank.

21. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2019 HK$'000	2018 HK$'000
Cash on hand	3	112
Cash at banks	52,977	38,174
Cash and cash equivalents in the consolidated statements of financial position and cash flows	52,980	38,286

As at 31 March 2019, cash and cash equivalents in the amount of approximately HK$12,000 (2018: HK$60,000) are denominated in Renminbi.

21. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans HK$'000 (note 23)	Liability and derivative components in convertible bonds HK$'000 (note 25)	Total HK$'000
At 1 April 2018	22,900	–	22,900
Changes from financing cash flows:			
Proceeds from bank loans	36,640	–	36,640
Repayment of bank loans	(51,949)	–	(51,949)
Interest on bank loans paid	(395)	–	(395)
Total changes from financing cash flows	(15,704)	–	(15,704)
Other changes:			
Interest on bank loans (note 7(a))	395	–	395
Initial recognition on issuance of convertible bonds as deposit for acquisition of a subsidiary	–	108,943	108,943
Conversion of convertible bonds	–	(12,174)	(12,174)
Amortisation of liability component in convertible bonds	–	4,576	4,576
Fair value change on derivative component in convertible bonds	–	(45,621)	(45,621)
Total other changes	395	55,724	56,119
At 31 March 2019	7,591	55,724	63,315

21. CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Bank loans HK$'000 (note 23)
At 1 April 2017	15,500
Changes from financing cash flows:	
Proceeds from bank loans	60,196
Repayment of bank loans	(52,796)
Interest on bank loans paid	(468)
Total changes from financing cash flows	6,932
Other changes:	
Interest on bank loans (note 7(a))	657
Accrued interest as included in "trade and other payables"	(189)
Total other changes	468
At 31 March 2018	**22,900**

(c) Major non-cash transactions

During the year ended 31 March 2019, the Company entered into the following major non-cash transactions:

(i) The Company allotted and issued 172,811,060 new shares and 218,253,969 new shares to vendors in respect of the acquisition of associates (see note 14) and other financial asset (see note 16) respectively, pursuant to the respective sale and purchase agreements.

(ii) The Company issued convertible bonds measured at fair value at the date of issue of approximately HK$108,943,000 as deposit for acquisition of a subsidiary (see note 19(f)).

During the year ended 31 March 2018, the Company allotted and issued 218,253,968 new shares to vendors in respect of the acquisition of available-for-sale investment (see note 16) pursuant to the sale and purchase agreement.

22. TRADE AND OTHER PAYABLES

	31 March 2019 HK$'000	1 April 2018 HK$'000	31 March 2018 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

Notes:

(a) Ageing analysis of trade creditors

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

	31 March 2019 HK$'000	31 March 2018 HK$'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

(b) Project contract in progress

As at 31 March 2018, the aggregate amount of costs incurred plus recognised profits less recognised losses to date included in the gross amounts due to customers for contract work was approximately HK$16,560,000.

23. BANK LOANS

As at 31 March 2019, the bank loans were repayable as follows:

	2019 HK$'000	2018 HK$'000
Within 1 year or demand	**7,591**	22,900

As at 31 March 2019, the bank loans were secured as follows:

	2019 HK$'000	2018 HK$'000
Bank loans		
– secured and guaranteed	**7,591**	22,900

The effective interest rates of the bank loans are a range of 2.84% to 4.06% (2018: 2.84% to 3.16%) per annum.

23. BANK LOANS (CONTINUED)

At 31 March 2019, the bank loans of the Group were secured by mortgages over the Group's leasehold land and buildings with an aggregate carrying amount of approximately HK$41,363,000 (2018: approximately HK$42,868,000) and corporate guarantee provided by the Company. The banking facilities (including bank loans and performance bonds) granted to the Group amounted to HK$57,000,000 (2018: HK$30,000,000). The banking facilities were utilised to the extent of approximately HK$34,061,000 (2018: HK$22,900,000), comprising of bank loans of approximately HK$7,591,000 (2018: HK$22,900,000) and performance bond given by a bank of approximately HK$26,470,000 (2018: HK$Nil).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 28(b). As at 31 March 2019 and 2018 none of the covenants relating to drawn down facilities had been breached.

24. CONTINGENT CONSIDERATION PAYABLE

The movements of contingent consideration payable are as follow:

	2019 **HK$'000**	2018 HK$'000
Fair value:		
At beginning of the year	**31,268**	–
Initial recognition in respect of acquisition of:		
– other financial asset (see note 16)	**–**	34,169
– associates (see note 14)	**30,839**	–
Change in fair value in respect of acquisition of:		
– other financial asset	**–**	(2,901)
– associates	**(20,124)**	–
Change in fair value up to settlement date in respect of acquisition of other financial asset	**(1,368)**	–
Derecognition upon settlement in respect of acquisition of:		
– other financial asset	**(29,900)**	–
At end of the year	**10,715**	31,268
Total gain for the year recognised in profit or loss	**21,492**	2,901

During the year ended 31 March 2019, the fair value of the contingent consideration payable at initial recognition was 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 associates in respect of the period from 1 April 2018 to 31 March 2019 and the probability of occurrence of expected earning scenario. As at 31 March 2019, the fair value of the contingent consideration payable was determined by the directors of the Company with reference to the unaudited consolidated management account of associates for the year ended 31 March 2019. The issue of consideration shares is subject to the finalisation of audited consoldiated financial statements of associates for the year ended 31 March 2019.

During the year ended 31 March 2018, the fair value of the contingent consideration payable at initial recognition and at the end of the reporting period were determined by the directors of the Company with reference to the valuation report prepared by an independent professional valuer, by applying probabilistic approach on the estimated profit of the 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 and therefore classified as current liabilities.

25. CONVERTIBLE BONDS

During the year ended 31 March 2019, the Company issued convertible bonds denominated in HK dollars as deposit for the acquisition of a subsidiary (see note 19(f)) in an aggregate principal amount of HK$84,363,180 with an initial conversion price of HK$0.1323 per share with adjustments clauses, which will be matured on the third anniversary of respective issue dates. The convertible bonds carry no interest.

During the year ended 31 March 2019, 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.

The convertible bonds contained two components, a liability component and a derivative component. The derivative component represented the conversion option given to the holders the right at any time to convert the convertible bonds into ordinary shares of the Company. However, since the conversion option would be settled other than by the exchange of a fixed amount of the Company's own equity instruments, the conversion option was accounted for as derivative financial instrument.

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 is subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. The effective interest rates of the liability component in convertible bonds range from 12.74% to 15.86% per annum.

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 components in convertible bonds are recognised in profit or loss. During the year ended 31 March 2019, the difference between the fair value of shares issued upon conversion of convertible bonds of approximately HK$10,898,000 and the carrying amounts of the derivative and liability components of convertible bonds of approximately HK$12,174,000 was recognised as "gain on conversion of convertible bonds" in profit or loss with an amount of approximately HK$1,276,000.

The fair values of the convertible bonds as at each issue date and the derivative components in convertible bonds as at each issue date and 31 March 2019 are determined by Integrated Professional Appraisals Limited, an independent and professionally qualified valuer not connected to the Group, based on the binomial option pricing model. The significant inputs used for the calculation of fair values of the convertible bonds and the derivative components, at issue and subsequent measurement dates, are as follows:

25. CONVERTIBLE BONDS (CONTINUED)

	2019
At issue date	
– Share price (HK$)	0.039–0.180
– Expected volatility (%)	42.824–57.410
– Expected option life (year)	3.000
– Risk-free rate (%)	1.793–2.096
At 31 March	
– Share price (HK$)	0.062
– Expected volatility (%)	38.138–41.479
– Expected option life (year)	2.225–2.812
– Risk-free rate (%)	1.350–1.364
On conversion date	
– Share price (HK$)	0.130
– Expected volatility (%)	44.319
– Expected option life (year)	2.847
– Risk-free rate (%)	1.898

25. CONVERTIBLE BONDS (CONTINUED)

The movements of liability and derivative components in convertible bonds are as follows:

	Liability component HK$'000	Derivative component HK$'000	Total HK$'000
At 1 April 2017, 31 March 2018 and 1 April 2018	–	–	–
Initial recognition on issuance of convertible bonds	55,854	53,089	108,943
Conversion of convertible bonds	(7,657)	(4,517)	(12,174)
Amortisation of liability component in convertible bonds	4,576	–	4,576
Fair value change on derivative component in convertible bonds	–	(45,621)	(45,621)
At 31 March 2019	52,773	2,951	55,724

	2019 HK$'000	2018 HK$'000
Total gain for the year included in profit or loss for liabilities held at the end of the reporting period	**36,329**	–

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Current taxation movement	2019 HK$'000	2018 HK$'000
At the beginning of the year	**5,719**	(968)
Charged to profit or loss (note 8(a))	**(3,734)**	(1,524)
Tax paid for the year	**1,762**	8,211
At the end of the year	**3,747**	5,719
Analysed for reporting purpose as:		
Tax recoverable	**5,924**	6,134
Tax payable	**(2,177)**	(415)
	3,747	5,719

26. INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

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

	Depreciation allowance in excess of related depreciation	
	2019	2018
	HK$'000	HK$'000
At the beginning of the year	**161**	161
Charged to profit or loss	**–**	–
At the end of the year	**161**	161

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in note 2(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of approximately HK$1,239,000 (2018: approximately HK$13,979,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and the entity. The tax losses do not expire under current legislation.

(d) Deferred tax liabilities not recognised:

There were no other material unrecognised deferred tax liabilities as at 31 March 2019 and 2018.

27. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

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

	Share premium HK$'000	(Accumulated losses)/ retained profits HK$'000	Total HK$'000
Balance at 1 April 2017	78,785	(12)	78,773
Changes in equity for 2017/18:			
Loss and total comprehensive loss for the year	–	(847)	(847)
Shares issued for acquisition of available-for- sale investment	36,994	–	36,994
Balance at 31 March 2018	115,779	(859)	114,920
Balance at 1 April 2018	**115,779**	**(859)**	**114,920**
Changes in equity for 2018/19:			
Profit and total comprehensive income for the year	**–**	**31,564**	**31,564**
Shares issued for acquisition of an associate	**30,675**	**–**	**30,675**
Shares issued upon conversion of convertible bonds	**10,680**	**–**	**10,680**
Shares issued for settlement of contingent consideration payable in relation to acquisition of other financial asset	**29,354**	**–**	**29,354**
Balance at 31 March 2019	**186,488**	**30,705**	**217,193**

27. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital

Authorised and issued share capital

	2019 Number of shares	2019 HK$'000	2018 Number of shares	2018 HK$'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 acquisition of other financial asset (note (i))	–	–	218,253,968	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	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.

27. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share capital (Continued)

Authorised and issued share capital (Continued)

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 vendors in respect of the acquisition of the other financial asset/available-for-sale investment (see note 16) 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 associates (see note 14) 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 deposit for acquisition of a subsidiary pursuant to the sale and purchase agreement (see note 25).

(c) Nature and purpose of reserves

(i) Share premium

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

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

No distribution or dividend may be paid to the equity shareholders out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(ii) Exchange reserve

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

(iii) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at FVOCI (non-recycling)/available-for-sale investments held at the end of the reporting period and is dealt with in accordance with the accounting policies set out in notes 2(i) and 2(j)(i).

27. CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Dividends

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

(e) Capital management

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

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

The Group monitors its capital structure on the basis of an adjusted debt-to-capital ratio. For this purpose, the Group defines adjusted debt as total debt (which includes interest-bearing bank loans, liability component in convertible bonds, contract liabilities and trade and other payables) plus unaccrued proposed dividends, less cash and cash equivalents and pledged bank deposits. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year, the Group's strategy (which was unchanged from 2018) was to maintain an adjusted debt-to-capital ratio of no more than 100%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity owners of the Company, issue new shares, raise new debt financing or sell assets to reduce debt. As at 31 March 2019, the adjusted debt-to-capital ratio of the Group was 28.7% (2018: 20.9%).

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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate, currency risks arise in the normal course of the Group's business. The Group is also exposed to equity price risk arising from moments in its own equity share price. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, deposit for acquisition of a subsidiary, pledged bank deposits, cash at banks and other financial assets. Management has credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

In respect of trade debtors, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer/debtor rather than the industry or country in which the customers/debtors operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers/debtors. As at 31 March 2019, 38% (2018: 19%) of the trade debtors was due from the Group's largest debtors; and 53% (2018: 48%) of the trade debtors was due from the Group's five largest debtors.

Impairment of financial assets

Trade and other receivables, contract assets, pledged bank deposits, cash at banks and other financial assets are subject to the ECL model.

(i) Trade debtors and contract assets

Beginning on 1 April 2018, the Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade debtors and contract assets.

To measure the ECL, trade debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk characteristics as the trade debtors for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade debtors are a reasonable approximation of the loss rates for the contract assets.

The Group measures loss allowances for trade debtors and contract assets individually or at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(a) Credit risk (Continued)

Impairment of financial assets (Continued)

(i) Trade debtors and contract assets (Continued)

Trade debtors of approximately HK$169,322,000 and contract assets of approximately HK$4,483,000 are assessed based on a provision matrix within lifetime ECLs. As at 31 March 2019, no material impairment allowance on trade debtors and contract assets was provided based on the provision matrix in accordance with HKFRS 9. Trade debtor of approximately HK$129,000 has been written off during the year.

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.

Comparative information under HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2(j)(i) — policy applicable prior to 1 April 2018). At 31 March 2018, no trade debtors was determined to be impaired.

The ageing analysis of trade debtors that were not considered to be impaired was disclosed in note 19(c).

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

(ii) Other receivables and deposit for acquisition of a subsidiary

Management considers that its credit risk has not increased significantly since initial recognition with reference to the counterparty historical default rate and current financial position. The impairment provision is determined based on the 12-month expected credit losses which was immaterial.

(iii) Pledged bank deposits and cash at bank

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

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from contract assets and trade and other receivables are set out in notes 18 and 19 respectively.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

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

All financial liabilities disclosed in the consolidated statement of financial position as at 31 March 2018 are required to be settled within one year or on demand and the total contractual undiscounted cash flows of the financial liabilities (excluding contingent consideration payable) are not materially different from their carrying amounts as at 31 March 2018.

The following tables show the remaining contractual maturities at 31 March 2019 of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2019 Contractual undiscounted cash flow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount at 31 March HK$'000
Non-derivative financial liabilities					
Trade and other payables	82,760	–	–	82,760	82,760
Contract liabilities	10,489	–	–	10,489	10,489
Bank loans	7,622	–	–	7,622	7,591
Liability component in convertible bonds	–	–	72,828	72,828	52,773
	100,871	–	72,828	173,699	153,613

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans and cash at banks. Banks loans issued at fixed rates expose the Group to fair value interest rate risk. The Group's interest rate profile as monitored by the management is set out in note (i) below.

The Group does not anticipate significant impact to cash at banks because the interest rates of bank deposits are not expected to change significantly. Other than short-term bank loans which carry interest at fixed interest rates, the Group has no other significant interest-bearing assets or liabilities. Therefore, the interest rate risk mainly arises from short-term bank loans.

However, the interest expenses derived therefrom are relatively insignificant to the Group's operations. Therefore, the Group's income and operating cash flows are less dependent on changes in market interest rates. Accordingly, the directors of the Company are of the opinion that the Group does not have significant cash flow and fair value interest rate risk and no sensitivity analysis is performed.

i) Interest rate profile

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

	2019		2018	
	Effective interest rate	**Amount HK$'000**	Effective interest rate	Amount HK$'000
Fixed rate borrowings:				
Bank loans	**2.84%–4.06% per annum**	**7,591**	2.84%-3.16% per annum	22,900

(d) Foreign currency exchange risk

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

The management considers that the Group is not exposed to significant foreign currency risk as majority of the Group's transactions are denominated in Hong Kong dollars. For the monetary assets and monetary liabilities denominated in other currencies since the amounts are not material, the management considers the exposure of exchange rate fluctuation is not significant for the year. Accordingly, no foreign currency sensitivity analysis is presented.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity unlisted investments which are held for long term strategic purpose. Their performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

The Group is also exposed to equity price risk arising from changes in the Company's own share price to the extent that the Company's own equity instruments underlie the fair values of (i) the contingent consideration payable; and (ii) derivative component in convertible bonds of the Group at the end of reporting period.

As at 31 March 2019, it is estimated that the possible increase of 5% in the price/earning ratios of comparable listed companies (for unlisted investments) with other variables held constant would have increased the Group's other components of consolidated equity by approximately HK$1,800,000 (2018: HK$Nil). Had the relevant price/earning ratios of comparable listed companies been 5% lower, there would have decreased the Group's other components of consolidated equity by approximately HK$1,900,000 (2018: HK$Nil).

As at 31 March 2018, it is estimated that the possible increase of 5% in the Company's own share price with other variables held constant would have increased the Group's loss for the year and decreased retained profits by approximately HK$1,563,000. Had the relevant equity prices been 5% lower, there would be an equal and opposite effect on the loss for the year and retained profits.

As at 31 March 2019, the management considers that the equity price risk of the contingent consideration payable and the derivative component in convertible bonds are insignificant and therefore no sensitivity analysis on such risk has been prepared.

(f) 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

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values measurement (Continued)

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

Fair value hierarchy (Continued)

The Group engages an independent professional valuer performing valuation for its other financial asset, derivative component in convertible bonds and contingent consideration payable, which is categorised into Level 3 of the fair value hierarchy. Valuation report 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.

Description	Fair value at 31 March 2019	Fair value measurements as at 31 March 2019 categorised into			Fair value at 31 March 2018	Fair value measurements as at 31 March 2018 categorised into		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Recurring fair value measurements								
Assets:								
Other financial asset	37,800	–	–	37,800	–	–	–	–
Liabilities:								
Contingent consideration payable	10,715	–	–	10,715	31,268	–	–	31,268
Derivative component in convertible bonds	2,951	–	–	2,951	–	–	–	–

During the years ended 31 March 2019 and 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 31 March 2019	Fair value at 31 March 2018	Valuation technique	Significant inputs	Range of inputs	Change in the relevant significant inputs	Favourable/(unfavourable) change in profit or loss 2019	Favourable/(unfavourable) change in profit or loss 2018
	HK$'000	HK$'000					HK$'000	HK$'000
Financial asset at fair value								
Other financial asset	37,800	–	Market-based approach	Marketability discount (note 1)	27.57%	+5%	(2,400)	–
						-5%	2,300	–
Financial liability at fair value								
Derivative component in convertible bonds	2,951	–	Binomial option pricing model	Expected volatility (note 2)	38.138%-41.479%	+5%	(1,037)	–
						-5%	734	–

Notes:

1. The fair value measurement of other financial asset is negatively correlated to the marketability discount.
2. The fair value measurement of derivative component in convertible bonds is positively correlated to the expected volatility.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(f) Fair values measurement (Continued)

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

Information about Level 3 fair value measurements (Continued)

As at 31 March 2018, contingent consideration payable of approximately HK$31,268,000 was measured at fair value using probabilistic approach, in which the significant inputs to the valuation technique is the probability-weighted profit. The estimated profit adopted in the valuation ranging from approximately HK$17,630,000 to HK$20,119,000. The fair value measurement of contingent consideration payable is positively correlated to the probability-weighted profit. It was estimated that the possible increase of 5% in the probability-weighted profit with other variables held constant would have increased the Group's loss for the year by approximately HK$1,075,000. Had the probability-weighted profit been 5% lower, there would have decreased the Group's loss for the year by approximately HK$2,997,000. As at 31 March 2019, the management considers that the probability-weighted profit would have insignificant effect to the fair value of contingent consideration payable and therefore no sensitivity analysis has been prepared.

The movements of contingent consideration payable and derivative components in convertible bonds during the year of these Level 3 fair value measurements are set out in notes 24 and 25 respectively.

The movement of other financial asset during the year of this Level 3 fair value measurement is set out below:

	2019 HK$'000	2018 HK$'000
At 1 April	71,709	–
Additions through issuance of the Company's shares (note 27(b)(i))	–	37,540
Fair value of contingent consideration payable recognised (note 24)	–	34,169
Fair value change recognised in other comprehensive income	(33,909)	–
	37,800	71,709

(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 31 March 2019 and 2018.

29. OPERATING LEASE COMMITMENTS

As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**1,133**	1,055
After one year but within five years	**208**	1,406
	1,341	2,461

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

30. CAPITAL COMMITMENT

Acquisition of O2O Limited

On 6 December 2017, ICO IT Properties (Malaysia) Limited, a wholly-owned subsidiary of the Company, has entered into the conditional 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 the entire issued capital of O2O Limited. As at 31 March 2019, there is a capital commitment of RM97.3 million (2018: RM140.5 million) in relation to the proposed acquisition of O2O Limited.

Completion of the acquisition of O2O Limited is subject to satisfaction of conditions precedent as set out in the conditional sale and purchase agreement. As at 31 March 2019, the proposed acquisition was not yet completed. Details of the acquisition of O2O Limited are disclosed in note 19(f) to the consolidated financial statements.

31. CONTINGENT LIABILITIES

During the year ended 31 March 2019, a performance bond of HK$26,470,000 (2018: HK$Nil) was given by a bank in favour of a customer of the Group to protect the customer from the Group's default on its obligation under the contract.

At the end of the reporting period, the directors of the Company do not consider it probable that a claim will be made against the Group.

32. ACQUISITION OF ASSOCIATES/OTHER FINANCIAL ASSET THROUGH ACQUISITION OF A SUBSIDIARY

For the year ended 31 March 2019

On 20 June 2018, Value Digital Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with certain independent third parties to acquire 40% equity interest in PS International, a company incorporated in the BVI, through the acquisition of the entire equity interest in Catering Automation Limited. PS International holds 100% interest in PointSoft Limited. The acquisition was completed on 28 June 2018.

Catering Automation Limited is an investment holding company, and the sole asset of Catering Automation Limited acquired at the date of completion was the investments in associates (that is, PS International and PointSoft Limited). Accordingly, the acquisition had been accounted for acquisition of asset. Details of the acquisition are disclosed in note 14.

For the year ended 31 March 2018

On 10 November 2017, Value Digital Limited, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with certain independent third parties to acquire 15% equity interest in a private limited company incorporated in Hong Kong, through the acquisition of the entire equity interest in Absolute Robust Limited. The acquisition was completed on 18 December 2017.

Absolute Robust Limited is an investment holding company, and the sole asset of Absolute Robust Limited acquired at the date of completion was available-for-sale investment. Accordingly, the acquisition had been accounted for acquisition of asset. Details of the acquisition are disclosed in note 16.

33. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees of the Group as disclosed in note 10, is as follows:

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	9,189	7,444
Post-employment benefits	109	106
	9,298	7,550

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

34. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 March 2019 HK$'000	31 March 2018 HK$'000
Non-current assets			
Investments in subsidiaries	17	1	1
Amounts due from subsidiaries		284,327	–
		284,328	1
Current assets			
Amounts due from subsidiaries		–	125,105
Tax recoverable		390	390
		390	125,495
Current liabilities			
Accrued expenses		(60)	(30)
Derivative component in convertible bonds		(2,951)	–
		(3,011)	(30)
Net current (liabilities)/assets		(2,621)	125,465
Total assets less current liabilities		281,707	125,466
Non-current liabilities			
Liability component in convertible bonds		(52,773)	–
Net assets		228,934	125,466
Capital and reserves	27		
Share capital		11,741	10,546
Reserves		217,193	114,920
Total equity		228,934	125,466

Approved and authorised for issue by the board of directors on 27 June 2019 and were signed on its behalf by:

Lee Cheong Yuen
Chairman, Chief Executive Officer and Executive Director

Chan Kwok Pui
Executive Director

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2019 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 "Leases"	1 January 2019
HK(IFRIC) Int-23 "Uncertainty over income tax treatments"	1 January 2019
Amendments to HKAS 28 "Long-term interest in associates and joint ventures"	1 January 2019
Amendments to HKFRS 3 "Business"	1 January 2020*
Amendments to HKFRS 10 and HKAS 28 "Sale and contribution of assets between an investor and its associate or joint venture"	To be determined
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019

* Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have significant impacts on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 Septmeber 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that interim financial report.

HKFRS 16 "Leases"

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

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

35. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2019 (CONTINUED)

HKFRS 16 "Leases" (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019 and will not restate the comparative information. As disclosed in note 29, at 31 March 2019, the Group's future minimum lease payments under non-cancellable operating leases amount to approximately HK$1,341,000 for properties, the majority of which is payable either within one year after the reporting date. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to approximately HK$1,215,000 and approximately HK$1,502,000 respectively, after taking account the effects of discounting, as at 1 April 2019.

36. 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 set out in note 2(c).

37. ULTIMATE CONTROLLING PARTY

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

38. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

On 21 June 2019, the Company issued convertible bonds with principal amount of approximately HK$8,058,000 as part of deposit for acquisition of a subsidiary as detailed in note 19(f).

FINANCIAL SUMMARY

For the years ended 31 March 2015, 2016, 2017, 2018 and 2019

RESULTS

	Year ended 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	389,268	505,117	487,468	409,935	**595,467**
Profit/(loss) before taxation	30,320	39,607	41,592	(5,559)	**96,918**
Income tax	(6,116)	(6,630)	(7,684)	(1,524)	**(3,734)**
Profit/(loss) for the year	24,204	32,977	33,908	(7,083)	**93,184**
Profit /(loss) attributable to:					
Equity shareholders of the Company	20,067	28,817	30,445	(11,169)	**83,920**
Non-controlling interests	4,137	4,160	3,463	4,086	**9,264**
	24,204	32,977	33,908	(7,083)	**93,184**

ASSETS AND LIABILITIES

	As at 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	215,360	244,543	248,250	329,493	**509,503**
Total liabilities	(90,296)	(88,540)	(64,224)	(117,594)	**(169,617)**
Total equity	125,064	156,003	184,026	211,899	**339,886**
Non-controlling interests	(5,011)	(6,917)	(4,500)	(5,989)	**(12,068)**
Total equity attributable to equity shareholders of the Company	120,053	149,086	179,526	205,910	**327,818**