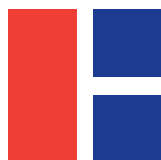


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ICO GROUP LIMITED

揚科集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1460)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019**

INTERIM RESULTS

The board of directors (the “**Board**”) of ICO Group Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2019, together with the comparative figures for the corresponding period in 2018, respectively, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

	<i>Note</i>	Six months ended 30 September 2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	4	331,230	242,227
Cost of sales		(277,157)	(202,835)
Gross profit		54,073	39,392
Other revenue and net income	5	467	533
General and administrative expenses		(44,702)	(28,111)

* *For identification purposes only*

	<i>Note</i>	Six months ended	
		30 September	
		2019	2018
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Change in fair value of contingent consideration payable	<i>12</i>	1,384	25,353
Change in fair value of derivative component in convertible bonds	<i>13</i>	(4,893)	42,402
Gain on conversion of convertible bonds		22,005	5,992
Share of profit of associates		1,059	2,654
Share of profit of joint ventures		2	–
Finance costs	<i>6(a)</i>	(3,374)	(1,710)
Profit before taxation	<i>6</i>	26,021	86,505
Income tax	<i>7</i>	(1,661)	(1,548)
Profit for the period		24,360	84,957
Attributable to:			
Equity shareholders of the Company		21,076	81,071
Non-controlling interests		3,284	3,886
Profit for the period		24,360	84,957
Earnings per share	<i>9</i>		
Basic (HK cents per share)		0.44	1.85
Diluted (HK cents per share)		0.06	0.18

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

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit for the period	24,360	84,957
Other comprehensive loss for the period		
Items that will not be reclassified to profit or loss:		
Change in fair value of financial asset at fair value through other comprehensive income (non-recycling)	(9,900)	(10,409)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	(35)	(17)
Other comprehensive loss for the period	(9,935)	(10,426)
Total comprehensive income for the period	14,425	74,531
Attributable to:		
Equity shareholders of the Company	11,141	70,645
Non-controlling interests	3,284	3,886
Total comprehensive income for the period	14,425	74,531

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2019*

		30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		47,580	47,935
Intangible assets		86	140
Interests in associates		63,155	62,488
Interests in joint ventures		1,740	1,098
Other financial asset		27,900	37,800
Deposits for acquisition of a subsidiary	10	146,001	117,602
		<u>286,462</u>	<u>267,063</u>
Current assets			
Trade and other receivables	10	202,715	175,856
Contract assets		19,507	4,483
Tax recoverable		–	5,924
Pledged bank deposits		3,197	3,197
Cash and cash equivalents		31,297	52,980
		<u>256,716</u>	<u>242,440</u>
Current liabilities			
Trade and other payables	11	(101,571)	(82,760)
Contract liabilities		(8,630)	(10,489)
Bank loans		–	(7,591)
Contingent consideration payable	12	–	(10,715)
Derivative component in convertible bonds	13	(5,790)	(2,951)
Lease liability		(808)	–
Tax payable		(3,838)	(2,177)
		<u>(120,637)</u>	<u>(116,683)</u>
Net current assets		<u>136,079</u>	<u>125,757</u>

		30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Total assets less current liabilities		422,541	392,820
Non-current liabilities			
Liability component in convertible bonds	<i>13</i>	(43,349)	(52,773)
Deferred tax liabilities		(161)	(161)
		<u>(43,510)</u>	<u>(52,934)</u>
Net assets		<u>379,031</u>	<u>339,886</u>
Capital and reserves			
Share capital	<i>14</i>	13,085	11,741
Reserves		356,383	316,077
Total equity attributable to equity shareholders of the Company		369,468	327,818
Non-controlling interests		9,563	12,068
Total equity		<u>379,031</u>	<u>339,886</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 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 (note)	Retained profits HK\$'000	Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
For the six months ended 30 September 2018 (Unaudited)								
Balance at 1 April 2018	10,546	115,779	(38)	–	79,623	205,910	5,989	211,899
Changes in equity for the six months ended 30 September 2018:								
Profit for the period	–	–	–	–	81,071	81,071	3,886	84,957
Change in fair value of financial asset at fair value through other comprehensive income (non-recycling)	–	–	–	(10,409)	–	(10,409)	–	(10,409)
Exchange differences on translation of financial statements of overseas subsidiary	–	–	(17)	–	–	(17)	–	(17)
Total comprehensive (loss)/income for the period	–	–	(17)	(10,409)	81,071	70,645	3,886	74,531
Shares issued for settlement of contingent consideration payable in relation to acquisition of financial asset at fair value through other comprehensive income	545	29,355	–	–	–	29,900	–	29,900
Shares issued for acquisition of associates	432	30,674	–	–	–	31,106	–	31,106
Shares issued upon conversion of convertible bonds	218	10,680	–	–	–	10,898	–	10,898
Interim dividend declared to the non-controlling interest	–	–	–	–	–	–	(3,185)	(3,185)
Balance at 30 September 2018	11,741	186,488	(55)	(10,409)	160,694	348,459	6,690	355,149

Attributable to equity shareholders of the Company

Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Fair value reserve (non- recycling) <i>HK\$'000</i> <i>(note)</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
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For the six months ended 30 September 2019
(Unaudited)

Balance at 1 April 2019	11,741	186,488	(45)	(33,909)	163,543	327,818	12,068	339,886
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Changes in equity for the six months ended
30 September 2019:

Profit for the period	-	-	-	-	21,076	21,076	3,284	24,360
Change in fair value of financial asset at fair value through other comprehensive income (non-recycling)	-	-	-	(9,900)	-	(9,900)	-	(9,900)
Exchange differences on translation of financial statements of overseas subsidiary	-	-	(35)	-	-	(35)	-	(35)
Total comprehensive (loss)/income for the period	-	-	(35)	(9,900)	21,076	11,141	3,284	14,425
Shares issued for acquisition of associates	431	8,900	-	-	-	9,331	-	9,331
Shares issued upon conversion of convertible bonds	913	20,265	-	-	-	21,178	-	21,178
Interim dividend declared to the non-controlling interest	-	-	-	-	-	-	(5,789)	(5,789)
Balance at 30 September 2019	<u>13,085</u>	<u>215,653</u>	<u>(80)</u>	<u>(43,809)</u>	<u>184,619</u>	<u>369,468</u>	<u>9,563</u>	<u>379,031</u>

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Operating activities		
Cash (used in)/generated from operations	(13,348)	19,703
Tax refunded	5,924	—
	<u> </u>	<u> </u>
Net cash (used in)/generated from operating activities	(7,424)	19,703
Investing activities		
Payments for acquisition of property, plant and equipment and intangible assets	(129)	(722)
Other cash flows arising from investing activities	(186)	1
Net cash used in investing activities	(315)	(721)
Financing activities		
Dividends paid to non-controlling interest	(5,789)	(3,185)
Capital element of lease rentals paid	(496)	—
Interest element of lease rentals paid	(25)	—
Interest on bank borrowings paid	(43)	(300)
Proceeds from bank loans	—	17,650
Repayment of bank loans	(7,591)	(33,400)
	<u> </u>	<u> </u>
Net cash used in financing activities	(13,944)	(19,235)
Net decreases in cash and cash equivalents	(21,683)	(253)
Cash and cash equivalents at the beginning of the period	52,980	38,286
	<u> </u>	<u> </u>
Cash and cash equivalents at the end of the period	31,297	38,033
	<u> </u>	<u> </u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

1. GENERAL

The Company was incorporated in the Cayman Islands on 26 April 2013 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands. The Company's registered office address is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal place of business of the Company is Office A, 25th Floor, TG Place, No. 10 Shing Yip Street, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in the businesses of IT application and solution development, IT infrastructure solutions, secondment services and maintenance and support services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2019 have been prepared in accordance with the Hong Kong Accounting Standards (“**HKAS**”) 34 “Interim Financial” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). It was authorised for issue on 28 November 2019.

The unaudited condensed consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2019, except for the accounting policy changes that are expected to be reflected in the annual financial statements for the year ending 31 March 2020. Details of any changes in accounting policies are set out in note 3.

This announcement contains unaudited condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the annual financial statements for the year ended 31 March 2019. The unaudited condensed consolidated financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, “Leases”, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial statements. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK (IFRIC) – Int 4, “Determining whether an arrangement contains a lease”, HK (SIC) – Int 15, “Operating leases – incentives”, and HK (SIC) – Int 27, “Evaluating the substance of transactions involving the legal form of a lease”. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less (“**short-term leases**”) and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 April 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 April 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) *Changes in the accounting policies*

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 April 2019. For contracts entered into before 1 April 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate nonlease components and accounts for each lease component and any associated nonlease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 April 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 April 2019.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 March 2020;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as at 31 March 2019 to the opening balance for lease liabilities recognised as at 1 April 2019:

	1 April 2019 <i>HK\$'000</i>
Operating lease commitments at 31 March 2019	1,341
Less: Total future interest expenses	(37)
	<hr/>
Lease liabilities recognised at 1 April 2019	<u>1,304</u>

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 March 2019.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment” and presents lease liabilities separately in the consolidated statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group’s consolidated statement of financial position:

	Carrying amount at 31 March 2019 <i>HK\$’000</i>	Capitalisation of operating lease contracts <i>HK\$’000</i>	Carrying amount at 1 April 2019 <i>HK\$’000</i>
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	47,935	1,421	49,356
Total non-current assets	267,063	1,421	268,484
Trade and other receivables	175,856	(117)	175,739
Current assets	242,440	(117)	242,323
Lease liabilities (current)	–	1,187	1,187
Current liabilities	116,683	1,187	117,870
Net current assets	125,757	(1,304)	124,453
Total assets less current liabilities	392,820	117	392,937
Lease liabilities (non-current)	–	117	117
Total non-current liabilities	52,934	117	53,051
Net assets	339,886	–	339,886

The analysis of the carrying value of the Group’s right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 September 2019 <i>HK\$’000</i>	At 1 April 2019 <i>HK\$’000</i>
Included in “property, plant and equipment”:		
Other properties leased for own use, carried at depreciated cost	<u>812</u>	<u>1,421</u>

(d) *Lease liabilities*

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 September 2019		At 1 April 2019	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	payments value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	<u>808</u>	<u>820</u>	<u>1,187</u>	<u>1,224</u>
After 1 year but within 2 years	<u>–</u>	<u>–</u>	<u>117</u>	<u>117</u>
	<u>808</u>	<u>820</u>	<u>1,304</u>	<u>1,341</u>
Less: Total future interest expenses		<u>(12)</u>		<u>(37)</u>
Present value of lease liabilities		<u>808</u>		<u>1,304</u>

(e) *Impact on the financial result, segment results and cash flows of the Group*

After the initial recognition of right-of-use assets and lease liabilities as at 1 April 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a change on the reported loss from operations in the Group's consolidated statement of profit or loss, and other comprehensive income as compared to the results if HKAS 17 had been applied during the period.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 September 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019			2018	
			Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1)	Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B-C)	Compared to amounts reported for 2018 under HKAS 17
	Amounts reported under HKFRS 16 (A) HK\$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK\$'000	(C) HK\$'000	(D=A+B-C) HK\$'000	HKAS 17 HK\$'000
Financial result for the six months ended 30 September 2019 impacted by the adoption of HKFRS 16:					
Finance costs	(3,374)	25	–	(3,349)	(1,710)
Profit before taxation	26,021	609	(638)	25,992	86,505
Profit for the period	24,360	634	(638)	24,356	84,957
Reportable segment gross profit for the six months ended 30 September 2019 (note 4) impacted by the adoption of HKFRS 16:					
– IT application and solution development	5,401	–	–	5,401	1,285
– IT infrastructure solutions	25,913	–	–	25,913	19,036
– Secondment services	10,030	–	–	10,030	7,158
– Maintenance and support services	12,729	–	–	12,729	11,913
Line items in the condensed consolidated statement of cash flow for the six months ended 30 September 2019 impacted by the adoption of HKFRS 16:					
Net cash (used in)/generated from operating activities					
from operating activities	(7,314)	–	(521)	(7,835)	19,703
Capital element of lease rental paid	(496)	496	–	–	–
Interest element of lease rental paid	(25)	25	–	–	–
Net cash used in financing activities	(13,944)	521	–	(13,423)	(19,235)

Note 1: The “estimated amounts related to operating leases” is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	For the six months ended 30 September 2019			For the six months ended 30 September 2018		
	Timing of revenue recognition			Timing of revenue recognition		
	At a point		Total	At a point		Total
	Over time	in time		Over time	in time	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
IT application and solution development	23,322	–	23,322	7,773	–	7,773
IT infrastructure solutions	–	224,007	224,007	–	154,082	154,082
Secondment services	25,472	–	25,472	26,072	–	26,072
Maintenance and support services	33,707	24,722	58,429	32,716	21,584	54,300
	<u>82,501</u>	<u>248,729</u>	<u>331,230</u>	<u>66,561</u>	<u>175,666</u>	<u>242,227</u>

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

(b) Segment reporting

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

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

(i) *Segment results, assets and liabilities*

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

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 September 2019 and 2018 is set out below.

	Six months ended 30 September 2019 (Unaudited)				
	IT application and solution development <i>HK\$'000</i>	IT infrastructure solutions <i>HK\$'000</i>	Secondment services <i>HK\$'000</i>	Maintenance and support services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>23,322</u>	<u>224,007</u>	<u>25,472</u>	<u>58,429</u>	<u>331,230</u>
Reportable segment gross profit	<u>5,401</u>	<u>25,913</u>	<u>10,030</u>	<u>12,729</u>	<u>54,073</u>
	Six months ended 30 September 2018 (Unaudited)				
	IT application and solution development <i>HK\$'000</i>	IT infrastructure solutions <i>HK\$'000</i>	Secondment services <i>HK\$'000</i>	Maintenance and support services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>7,773</u>	<u>154,082</u>	<u>26,072</u>	<u>54,300</u>	<u>242,227</u>
Reportable segment gross profit	<u>1,285</u>	<u>19,036</u>	<u>7,158</u>	<u>11,913</u>	<u>39,392</u>

(ii) *Geographic information*

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

5. OTHER REVENUE AND NET INCOME

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	55	1
Marketing income	402	534
Net foreign exchange loss	(46)	(2)
Other income	56	–
	<u>467</u>	<u>533</u>

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total interest expense on financial liabilities not at fair value through profit or loss:		
Interest on bank borrowings	43	300
Interest on lease liability	25	–
Effective interest expenses on convertible bonds (<i>note 13</i>)	3,306	1,410
	<u>3,374</u>	<u>1,710</u>

(b) Staff costs (including directors' remuneration)

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, wages and other benefits	62,666	59,385
Contributions to defined contribution retirement plans	2,612	1,815
	<u>65,278</u>	<u>61,200</u>

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

(c) **Other items**

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Amortisation of intangible assets	54	64
Depreciation charge:		
– owned property, plant and equipment	1,299	1,348
– right-of-use assets	609	–
	<u>1,962</u>	<u>1,412</u>

7. INCOME TAX

The taxation charged to profit or loss represents:

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Current tax – Hong Kong Profits Tax	<u>1,661</u>	<u>1,548</u>

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

The statutory income tax rate of the Company and its subsidiaries operated in Hong Kong for the six months ended 30 September 2019 and 2018 was 16.5%, except for ICO Technology Limited, a subsidiary of the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime. The PRC’s Corporate Income Tax rate was 25% for the six months ended 30 September 2019 and 2018. The Malaysia Corporate Tax Standard rate was 24% for the six months ended 30 September 2019 and 2018.

No provision for PRC Corporate Income Tax has been made as the subsidiary established in the PRC did not have assessable profits subject to PRC Corporate Income Tax during the six months ended 30 September 2019 and 2018.

No provision for Malaysia Corporate Tax has been made as the subsidiary established in Malaysia did not have assessable profits subject to Malaysia Corporate Tax during the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil).

8. DIVIDENDS

The directors of the Company (the “Directors”) do not recommend the payment of any dividend for the six months ended 30 September 2019 (for the six months ended 30 September 2018: Nil).

9. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$21,076,000 (for the six months ended 30 September 2018: approximately HK\$81,071,000) and the weighted average number of 4,785,226,982 ordinary shares (for the six months ended 30 September 2018: 4,380,991,173 ordinary shares) in issue during the period.

(i) Weighted average number of ordinary shares

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	Number	Number
	of shares	of shares
Issued ordinary shares at 1 April	4,696,505,221	4,218,253,968
Effect of shares issued (<i>notes 14(i), 14(ii) and 14(iii)</i>)	88,721,761	162,737,205
	<u>4,785,226,982</u>	<u>4,380,991,173</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of approximately HK\$3,140,000 (for the six months ended 30 September 2018: HK\$8,734,000) and the weighted average number of ordinary shares of 5,268,402,054 shares (2018: 4,818,979,339 ordinary shares), calculated as follow.

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Profit attributable to equity shareholders of the Company	21,076	81,071
Effect of change in fair value of contingent consideration payable	(1,384)	(25,353)
Effect of change in fair value of derivative component in convertible bonds	3,353	(42,402)
Effect of gain on conversion of convertible bonds	(22,005)	(5,992)
Effect of effective interest expense of convertible bonds	2,100	1,410
	<u>3,140</u>	<u>8,734</u>

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

	Six months ended 30 September	
	2019	2018
	(Unaudited)	(Unaudited)
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares at 30 September	4,785,226,982	4,380,991,173
Effect of conversion of convertible bonds	329,250,467	254,271,632
Effect of exercise of contingent consideration payable	153,924,605	183,716,534
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 30 September	5,268,402,054	4,818,979,339
	<hr/> <hr/>	<hr/> <hr/>

The calculation of diluted earnings per share for the six months ended 30 September 2019 does not assume the conversion of certain convertible bonds with aggregate principal amount of HK\$43,753,612 since these conversions would result in anti-dilutive effect on earnings per share.

10. TRADE AND OTHER RECEIVABLES

	30 September	31 March
	2019	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Non-current		
Deposits for acquisition of a subsidiary	146,001	117,602
	<hr/>	<hr/>
Current		
Trade debtors (<i>note</i>)	195,671	169,322
Other receivables	–	17
Rental and other deposits	1,841	1,845
Prepayments	5,203	4,672
	<hr/>	<hr/>
	202,715	175,856
	<hr/> <hr/>	<hr/> <hr/>

Note:

Ageing analysis of trade debtors

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

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 1 month	141,458	132,496
1 to 3 months	39,034	26,369
Over 3 months	15,179	10,457
	<u>195,671</u>	<u>169,322</u>

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

11. TRADE AND OTHER PAYABLES

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Trade creditors (<i>note</i>)	86,594	73,030
Accruals and other payables	14,977	9,730
	<u>101,571</u>	<u>82,760</u>

Note:

Ageing analysis of trade creditors

The ageing analysis of trade creditors, based on the invoice date, is as follows:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Within 1 month	34,656	43,982
1 to 3 months	49,932	29,039
Over 3 months	2,006	9
	<u>86,594</u>	<u>73,030</u>

12. CONTINGENT CONSIDERATION PAYABLE

The movements of contingent consideration payables are as follows:

	30 September 2019 (Unaudited) HK\$'000	31 March 2019 (Audited) HK\$'000
Fair value:		
At beginning of the period/year	10,715	31,268
Initial recognition in respect of acquisition of associates	–	30,839
Change in fair value up to settlement date in respect of		
– acquisition of other financial asset	–	(1,368)
– acquisition of associates	(1,384)	–
Derecognition upon settlement in respect of		
– acquisition of other financial asset	–	(29,900)
– acquisition of associates	(9,331)	–
Change in fair value in respect of acquisition of associates	–	(20,124)
At end of the period/year	–	10,715
Total gain for the period/year included in profit or loss	<u>1,384</u>	<u>21,492</u>

As at 31 March 2019, the fair value of the contingent consideration payable was determined by the Directors with reference to the unaudited consolidated management account of associates for the year ended 31 March 2019. During the six months ended 30 September 2019, the audited consolidated financial statements of associates for the year ended 31 March 2019 was finalised, and the relevant profit guarantee was fulfilled. Accordingly, 172,811,060 ordinary shares of the Company were issued and contingent consideration payable of approximately HK\$9,331,000 was derecognised.

13. CONVERTIBLE BONDS

During the six months ended 30 September 2019, the Company issued additional convertible bonds as deposits for acquisition of a subsidiary in an aggregate principal amount of HK\$27,290,737 with initial conversion price of HK\$0.1323 per share (31 March 2019: principal amount of HK\$84,363,180 with an initial conversion price of HK\$0.1323 per share). The convertible bonds carry no interest.

During the six months ended 30 September 2019, convertible bonds with principal amount of approximately HK\$48,308,000 (2018: HK\$11,535,000) were converted and the Company allotted and issued 365,138,888 (2018: 87,186,224) new ordinary shares on 27 August 2019 (2018: 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 are subsequently carried at amortised cost with interest expenses calculated using the effective interest method recognised in profit or loss. As at 30 September 2019, the effective interest rates of the liability component in convertible bonds range from 2.99% to 15.86% (31 March 2019: 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 component in convertible bonds are recognised in profit or loss. During the six months ended 30 September 2019, the difference between the fair value of shares issued upon conversion of convertible bonds of approximately HK\$21,178,000 and the carrying amounts of the derivative and liability components of convertible bonds of approximately HK\$43,183,000 was recognised as "gain on conversion of convertible bonds" in profit or loss with an amount of approximately HK\$22,005,000.

The fair values of the convertible bonds as at each issue date and the derivative components in convertible bonds as at each issue date, conversion date and the end of the reporting period 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 movement of liability and derivative components in convertible bonds are as follows:

	Liability component	Derivative component	Total
	<i>HK\$ '000</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
At 1 April 2018 (audited)	–	–	–
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)
	<hr/>	<hr/>	<hr/>
At 31 March 2019 and 1 April 2019 (audited)	52,773	2,951	55,724
Initial recognition on issuance of convertible bonds	24,961	3,438	28,399
Conversion of convertible bonds	(37,691)	(5,492)	(43,183)
Amortisation of liability component in convertible bonds	3,306	–	3,306
Fair value change on derivative component in convertible bonds	–	4,893	4,893
	<hr/>	<hr/>	<hr/>
At 30 September 2019 (unaudited)	43,349	5,790	49,139
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. SHARE CAPITAL

	30 September 2019		31 March 2019	
	Number of shares	HK\$'000	Number of shares	HK\$'000
Authorised:				
Ordinary shares of HK\$0.0025 each	40,000,000,000	100,000	40,000,000,000	100,000
Issued and fully paid:				
At 1 April	4,696,505,221	11,741	4,218,253,968	10,546
Shares issued for settlement of contingent consideration payable in relation to acquisition of other financial asset (<i>note (i)</i>)	–	–	218,253,969	546
Shares issued for acquisition of associates (<i>note (ii)</i>)	–	–	172,811,060	431
Shares issued for settlement of contingent consideration payable in relation to acquisition of associates (<i>note (ii)</i>)	172,811,060	431	–	–
Shares issued upon conversion of convertible bonds (<i>note (iii)</i>)	365,138,888	913	87,186,224	218
At 30 September/31 March	5,234,455,169	13,085	4,696,505,221	11,741

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.

Notes:

- (i) On 10 August 2018, the Company allotted and issued 218,253,969 new shares to the vendors in respect of the acquisition of the other financial asset pursuant to the sale and purchase agreement.
- (ii) On 4 July 2018 and 11 September 2019, the Company allotted and issued 172,811,060 and 172,811,060 new shares respectively, to the vendors in respect of the acquisition of associates pursuant to the sale and purchase agreement.
- (iii) On 27 August 2018 and 27 August 2019, the Company allotted and issued 87,186,224 and 365,138,888 new shares respectively, upon the conversion of convertible bonds issued as deposits for acquisition of a subsidiary pursuant to the sale and purchase agreement (see notes 10 and 13).

15. CAPITAL COMMITMENT

On 6 December 2017, ICO IT Properties (Malaysia) Limited, a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Rainbow Field Investment Limited, Teoh Teng Guan, Tan Yun Harn and Lau Chuen Yien Calvin at a consideration of RM145 million in relation to acquisition of the entire issued capital of O2O Limited. As at 30 September 2019, there is a capital commitment of RM82.9 million (31 March 2019: RM97.3 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 30 September 2019, the proposed acquisition was not yet completed. Details of the acquisition of O2O Limited are disclosed in note 10.

16. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

On 12 November 2019, the Company issued convertible bonds with principal amount of approximately HK\$79,289,787.50 and the promissory notes with principal amount of approximately HK\$19,377,787.50 as part of deposit for acquisition of a subsidiary (see note 10).

17. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

MANAGEMENT DISCUSSION AND ANALYSIS

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

BUSINESS REVIEW AND OUTLOOK

For the six months ended 30 September 2019 (“**Interim 2019**”), the Group recorded a profit attributable to equity shareholders of the Company of approximately HK\$21.1 million as compared to the profit attributable to equity shareholders of the Company of approximately HK\$81.1 million for the six months ended 30 September 2018 (“**Interim 2018**”). As compared to Interim 2018, the decrease was primarily attributable to the net effect of: (i) an increase in gross profit for the period by approximately HK\$14.7 million as compared to Interim 2018; (ii) a decrease in aggregate of change in fair value of derivative component in convertible bonds and gain on conversion of convertible bonds by approximately HK\$31.3 million as compared to Interim 2018; (iii) a decrease in change in fair value of contingent consideration payable by approximately HK\$24.0 million as compared to Interim 2018; and (iv) an increase in general and administrative expenses by approximately HK\$16.6 million as compared to Interim 2018 due to the increase in payroll.

Provision of IT application and solution development services

This segment provides design and implementation of IT application solution and procurement of third party hardware and software. The revenue generated from this segment amounted to approximately HK\$23.3 million, representing approximately 7.1% of the total revenue for Interim 2019. The revenue derived from this segment increased by approximately 200% from approximately HK\$7.8 million for Interim 2018 to approximately HK\$23.3 million for Interim 2019. The increase was primarily due to commencement of implementation phase of various new projects during Interim 2019.

Provision of IT infrastructure solutions

This segment provides IT infrastructure solutions services and sale of related IT hardware and software. The revenue generated from this segment amounted to approximately HK\$224.0 million, representing approximately 67.6% of the total revenue for Interim 2019. The revenue from this segment increased by approximately 45% from approximately HK\$154.1 million for Interim 2018 to approximately HK\$224.0 million for Interim 2019. The 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) increase in the number of active customers for the Group 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 secondment service agreements. The revenue generated from this segment amounted to approximately HK\$25.5 million, representing approximately 7.7% of the total revenue for Interim 2019. The revenue derived from this segment decreased by approximately 2% from approximately HK\$26.1 million for Interim 2018 to approximately HK\$25.5 million for Interim 2019, the slight decrease was primarily due to a decrease in demand for service 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 customers.

Provision of maintenance and support services

This segment provides maintenance and support services. The revenue generated from this segment amounted to approximately HK\$58.4 million, representing approximately 17.6% of the total revenue for Interim 2019. The revenue derived from this segment increased by approximately 8% from approximately HK\$54.3 million for Interim 2018 to approximately HK\$58.4 million for Interim 2019, the increase of revenue for this segment was primarily due to (i) during Interim 2019, there was enhancement of the maintenance phase commenced from a Group's sizable IT Project; and (ii) some maintenance phase of sizable IT Projects commenced since August 2018, so the revenue was recorded partly in Interim 2018 and recorded fully in Interim 2019.

Prospects

The Group continues to face various risk and uncertainties which may adversely affect its business, results and financial position. The key risks and uncertainties facing by the Group are detailed under the Report of Directors in the annual report of the Company for the year ended 31 March 2019. In order to mitigate the risks, the management of the Group would closely monitor the operations and financial position of the Group, as well as maintaining good relationship with customers and suppliers.

In the forthcoming future, due to the US-China Trade War and social disruption in Hong Kong recently, it is expected that it's a tough time. However, the Group will keep its best endeavour to expand its sales channel and customer portfolio, maintain the maintenance contracts and synergise the investments by the Group.

To explore ways to improve its financial performance and to broaden the sources of revenue within acceptable risk level, the Company does not preclude the possibility of investing in other business as long as it is in the interest of the Company and the shareholders as a whole. Subject to the then market and economy situation, appropriateness and available resources, the Company may review the asset allocation of its business and investment portfolio and/or expand its business portfolio with a view of realising and/or optimising the expected return and minimising the risks. In these regards, the Company will publish announcement as and when appropriate according to applicable rules and regulations.

FINANCIAL REVIEW

Revenue

The Group's revenue for Interim 2019 amounted to approximately HK\$331.2 million, representing an increase of approximately HK\$89.0 million or 36.7% as compared to Interim 2018 (Interim 2018: approximately HK\$242.2 million). The increase was mainly attributable to the increase in revenue generated from provision of IT application and solution development, IT infrastructure solutions and maintenance and support services of approximately HK\$15.5 million, HK\$69.9 million and HK\$4.1 million respectively, offset by the decrease in revenue generated from provision of secondment services of approximately HK\$0.6 million.

Gross profit and gross profit margin

The Group's gross profit for Interim 2019 amounted to approximately HK\$54.1 million, representing an increase of approximately HK\$14.7 million or 37.3% as compared to Interim 2018 (interim 2018: approximately HK\$39.4 million), while the gross profit margin of the Group remained stable at approximately 16% for Interim 2019 (Interim 2018: approximately 16%). Although there was increase in gross profit margin for IT application and solution development services segment and secondment services segment, the effect was being set off by the slight decrease in gross profit margin in IT infrastructure solutions segment.

General and administrative expenses

The Group's general and administrative expenses for Interim 2019 amounted to approximately HK\$44.7 million, representing an increase of approximately HK\$16.6 million or 59% as compared to Interim 2018 (Interim 2018: approximately HK\$28.1 million). The increase was mainly due to the increase in staff cost incurred for i) expansion of the Group's sales team despite its effort to downsize its technical team so as to expand its sales channels; ii) presale and tender bidding activities in order to secure new projects for the IT application and solution development segment; and iii) commission paid to sales staff which was in line with the increase in revenue of the Group during Interim 2019.

Change in fair value of contingent consideration payables 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 Interim 2019 and Interim 2018, namely acquisition of 15% equity interest of INAX Technology Limited (“**INAX**”), 40% equity interest of PointSoft Limited (“**PointSoft**”) and the e-Marketplace project in Malaysia with both physical stores and online trading platform (“**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 gain or loss on these financial liabilities were determined and recognised for the six months period ended 30 September 2019. Nevertheless, the valuation gains or losses 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, 4 July 2018, 5 September 2019 and 11 September 2019 (collectively the “**PointSoft Announcements**”) and 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, 12 June 2019, 7 August 2019 and 1 November 2019 (collectively the “**Project CKB Announcements and Circular**”).

Finance costs

The increase in finance costs for Interim 2019 was mainly due to the imputed interest expenses arising from amortisation of the liability component in convertible bonds in accordance with the relevant accounting standards. Such imputed interest expenses do not have any cash impacts on the Group, the interest expenses arising from bank borrowings of the Group further decreased for Interim 2019 as a result of the settlement of bank loans.

Income tax

As the valuation gains nor losses recognised by the Group are not taxable or deductible and tax loss brought forward from last year was fully set off with taxable profit for the current period, the effective tax rate of the Group for Interim 2019 was approximately 6%, representing an increase of approximately 4% as compared to Interim 2018.

Profit for the period

The Group recorded a net profit of approximately HK\$24.4 million for Interim 2019, as compared to a net profit of approximately HK\$85.0 million for Interim 2018. The decrease was mainly attributable to the net effect of: (i) an increase in gross profit for the period by approximately HK\$14.7 million as compared to Interim 2018; (ii) a decrease in aggregate of change in fair value of derivative component in convertible bonds and gain on conversion of convertible bonds by approximately HK\$31.3 million as compared to Interim 2018; (iii) a decrease in change in fair value of contingent consideration payable by approximately HK\$24.0 million as compared to Interim 2018; and (iv) an increase in general and administrative expenses by approximately HK\$16.6 million as compared to Interim 2018 due to the increase in payroll.

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

As at 30 September 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 reserve the unutilised amount of net proceeds to settle the promissory note for the Project CKB.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2019, the shareholders' funds of the Group amounted to approximately HK\$369.5 million (as at 31 March 2019: approximately HK\$327.8 million). Current assets were approximately HK\$256.7 million (as at 31 March 2019: approximately HK\$242.4 million), mainly comprised of cash and cash equivalents of approximately HK\$31.3 million (as at 31 March 2019: approximately HK\$53.0 million), trade and other receivables and contract assets of approximately HK\$222.2 million (as at 31 March 2019: approximately HK\$180.3 million). Current liabilities mainly comprised of trade and other payables and contract liabilities of approximately HK\$110.2 million (as at 31 March 2019: approximately HK\$93.2 million) and contingent consideration payable of nil (as at 31 March 2019: approximately HK\$10.7 million).

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

- (i) the increase in the aggregate amount of trade and other receivables and contract assets arising from services rendered yet pending for settlement in accordance with the payment schedule set out in contracts with customers;
- (ii) the decrease in tax recoverable as a result of the refund of tax from provisional tax payments brought forward from previous year;
- (iii) the decrease in outstanding bank loans since the Group fully settled its bank loans during Interim 2019;
- (iv) the increase in trade creditors (included in trade and other payables) arising from increased purchases made by the Group but not yet due for settlement; and
- (v) the decrease in contingent consideration payable due to settlement during Interim 2019.

The bank loans are fully settled during Interim 2019, and as at 30 September 2019, the Group has unutilised bank facilities amounted to approximately HK\$30.5 million. The net asset value per share attributable to equity shareholders of the Company as at 30 September 2019 was approximately HK\$0.071 (as at 31 March 2019: approximately HK\$0.070). The Group's gearing ratio, expressed as a percentage of bank loans and liability component in convertible bonds over total equity, was approximately 11% (as at 31 March 2019: 18%). As at 30 September 2019, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 2.1 times (as at 31 March 2019: approximately 2.1 times).

CAPITAL STRUCTURE

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

During Interim 2019, the Company had the following changes in its share capital:

- (i) On 11 September 2019, the Company allotted and issued 172,811,060 new shares in respect of the acquisition of Pointsoft pursuant to the sale and purchase agreement dated 20 June 2018; and
- (ii) On 27 August 2019, the Company allotted and issued 365,138,888 new shares upon the conversion of convertible bond issued as deposits paid for the acquisition of Project CKB pursuant to the sale and purchase agreement dated 6 December 2017.

As at 30 September 2019 and 31 March 2019, the Company's issued share capital was approximately HK\$13,085,000 and HK\$11,741,000 respectively and the number of its issued ordinary shares was 5,234,455,169 and 4,696,505,221 of HK\$0.0025 each respectively.

During Interim 2019, the Group's capital is mainly derived from long term debt (being convertible bonds) and retained profit of the Group. When managing its capital, the Group's primary objectives are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity owners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. As at 30 September 2018, all outstanding bank loans are denominated in Hong Kong dollars and with a fixed interest rate with reference to HIBOR. As at 30 September 2019, convertible bonds in an aggregate principal amount of approximately HK\$111.7 million were issued for Project CKB. Of which approximately HK\$51.9 million were outstanding and approximately HK\$59.8 million were converted into shares of the Company as at 30 September 2019. Of which approximately HK\$51.9 million were outstanding and approximately HK\$59.8 million were converted into shares of the Company as at 30 September 2019. Further details and movement of the convertible bonds during Interim 2019 are set out in note 13 to the financial statements. 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.

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. Should there is any concrete plan for material investments and capital assets, the Company shall publish announcement as and when appropriate according to the Listing Rules.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During Interim 2019 and up to the date of this announcement, save for disclosed elsewhere in this announcement, the Group did not enter into any new material acquisitions or disposals of subsidiaries and affiliated companies.

During Interim 2018, the Group entered into an agreement for the acquisition of 40% equity interest in PointSoft. Details are set out in PointSoft Announcements. Also, the Group entered into a joint venture agreement with other parties to establish joint ventures in Hong Kong called DeepSolutions Limited which in turn holds 100% equity interest in DeepTranslate Limited (collectively, the “JV Group”) to engage in provision of translation services for documents through the application of an artificial intelligence translation system to be developed by the JV Group. The Group is interested in the JV Group as to 33.3% equity interest. Details are set out in the announcement of the Company dated 8 August 2018.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

Significant investments held as at 30 September 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\$66.0 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 30 September 2019, the fair value of this investment (recorded as other financial asset in the Group’s consolidated statement of financial position) is approximately HK\$27.9 million, represented a discount of approximately 58% to its cost and approximately 5% of the Group’s total asset (the fair value as at 31 March 2019 by independent valuer: HK\$37.8 million). During Interim 2019, 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 announcement, the management account of INAX for the for the 6 months ended 31 October 2019 showed that there is a significant decrease in profit of approximately 52% for the 6 months ended 31 October 2019 as compared with last corresponding period. Upon enquiry on the management of INAX, the primary reasons for the decrease in profit were (i) due to the pessimistic outlook towards the Sino-US political conflict in this region; and (ii) social unrest during the period that held up many projects. Looking forward, despite the decreased profit of INAX, the Group holds cautiously optimistic view on the prospect of this investment due to 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\$60.0 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 30 September 2019, the carrying value of this investment (recorded as interests in associates in consolidated statement of financial position) is approximately HK\$60.6 million, represents approximately 11% of the Group's total asset. 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 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) considering the potential collaboration and cross-selling opportunities that will be mutually beneficial for both the Group and PointSoft, subject to the then circumstance, available resources and mutual agreement, the Group will deepen the collaboration with PointSoft and/or increase the stake in PointSoft. Should there is concrete plan, the Company will publish announcement as and when appropriate according to the Listing Rules.

Significant investment contracted but not yet completed as at 30 September 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 30 September 2019, the Group has accumulatively paid a deposit of approximately HK\$146.0 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 27% of the Group's total asset. During Interim 2019, convertible bonds in principal amount of HK\$27.3 million were newly issued by the Company. 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 30 September 2019

In addition to the abovementioned significant investments, as at 30 September 2019, there was an interests in joint ventures recognised in the Group's consolidated statement of financial position with carrying amount of approximately HK\$1.7 million.

The interests in joint ventures represented 33.3% equity interest in the JV 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. The JV Group aims at developing a machine translation system to be used for translation of documents. During Interim 2019, the JV Group commenced business and approximately HK\$2,000 profit was shared by the Group.

Apart from the above, the Group did not acquire or hold any other significant investments as at 30 September 2019. 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 30 September 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 announcement. Apart from the above, the Group did not acquire or hold any other significant capital assets during Interim 2019 and FY2019.

CONTINGENT LIABILITIES

On 2 October 2018, 11 October 2019 and 21 October 2019, performance bonds amounted to approximately HK\$26.5 million, HK\$9.5 million and HK\$0.7 million were issued by a bank to customers of the Group to protect the customers from the Group's default on its obligation under the contracts. Shall the customer demand compensation for the Group's default under the performance bond, the Group will be liable to reimburse the bank up to the full amount of the performance bond. On 23 October 2019, the performance bond issued on 2 October 2018 was withdrawn. Except for the above, the Group had no other material contingent liabilities as at 30 September 2019 and up to the date of this announcement.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For Interim 2019 and Interim 2018, the Group only exposed to limited currency exchange rate fluctuation risks as virtually all of the Group's monetary assets and liabilities were denominated in Hong Kong dollars as it conducts its business transactions principally in this currency and the foreign exchange rate fluctuation risk of the consideration payable for acquiring Project CKB is limited under the sale and purchase agreement. The currency exchange rate risk of the Group for Interim 2019 and Interim 2018 is therefore considered to be manageable, and the Group did not engage in any hedging activity.

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

CHARGE ON GROUP'S ASSETS

As at 30 September 2019, except for the pledged bank deposit of approximately HK\$3.2 million (as at 31 March 2019: 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\$40.6 million (as at 31 March 2019: approximately HK\$41.4 million) pledged to a bank for a revolving term loan facility of HK\$42.0 million (as at 31 March 2019: HK\$42.0 million) used to finance the working capital of the Group, there were no charges on the Group's assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2019, the Group employed a total of 203 full-time employees (as at 30 September 2018: 212). The staff costs, including Directors' emoluments, of the Group were approximately HK\$65.3 million for Interim 2019 (for Interim 2018: approximately HK\$61.2 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.

OTHER INFORMATION

Corporate Governance Practices

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

For the six months ended 30 September 2019, the Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), save for the deviation from the code provision A.2.1 and A.2.7 as explained below:

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

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

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

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

Directors' Securities Transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. In response to a specific enquiry by the Company, all Directors confirmed that they have complied with the Model Code throughout the six months ended 30 September 2019.

Update on Directors' Information

Mr. Fong Sing Chak Jack has resigned as independent non-executive director, chairman of the remuneration committee of the Company, member of the audit committee and nomination committee of the Company with effect from 30 August 2019. For details of the resignation, please refer to the announcement published by the Company on 30 August 2019.

Mr. Ko Sebastian Yat Fung has been appointed as independent non-executive director, chairman of the remuneration committee of the Company, member of the audit committee and nomination committee of the Company with effect from 30 August 2019. For details of the appointment, please refer to the announcement published by the Company on 30 August 2019.

Mr. Tam Wing Yuen has been appointed as executive director of the Company with effect from 11 October 2019. For details of the appointment, please refer to the announcement published by the Company on 11 October 2019.

Mr. Tso Hon Sai Bosco has been appointed as non-executive director of the Company with effect from 11 October 2019. For details of the appointment, please refer to the announcement published by the Company on 11 October 2019.

Purchase, Sale or Redemption of Listed Securities

During the six months ended 30 September 2019 and 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company.

Competing Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the six months ended 30 September 2019 and 2018.

Share Option Scheme

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

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

Events after 30 September 2019

On 4 October 2019, the Certificate of Completion and Compliance (“**CCC**”) has been issued for the Project CKB which certified that the building project has been completed in accordance with the building plans and is fit for occupation. Hence, milestone item No. 8 mentioned in respective acquisition agreement has been reached and accordingly, payment condition I(i) as stated in the announcement dated 9 November 2018 has been fulfilled. A convertible bond in a principal amount of approximately HK\$79.3 million and a promissory note in an amount of approximately HK\$19.4 million were issued by the Company pursuant to the terms and condition of the sales and purchase agreement dated 6 December 2017 as supplemented by the supplemental agreement dated 8 January 2018. Details were set out in the announcement of the Company dated 1 November 2019 and the circular of the Company dated 28 March 2018.

Audit Committee

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

The Audit Committee currently consists of three independent non-executive Directors namely Dr. Cheung Siu Nang Bruce, Mr. Ko Sebastian Yat Fung and Ms. Kam Man Yi Margaret. The chairlady of the Audit Committee is Ms. Kam Man Yi Margaret, who has appropriate professional qualifications and experience in accounting matters.

The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2019 and was of the opinion that such statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ico.com.hk) respectively. The interim report of the Company for the six months ended 30 September 2019 containing all the information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in December 2019.

By Order of the Board

ICO Group Limited

Lee Cheong Yuen

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 November 2019

As at the date of this announcement, the executive Directors of the Company are Mr. Lee Cheong Yuen, Mr. Chan Kwok Pui and Mr. Tam Wing Yuen; the non-executive Directors of the Company are Mr. Tam Kwok Wah, Ms. Tuon Wai Man and Mr. Tso Hon Sai Bosco; and the independent non-executive Directors of the Company are Dr. Cheung Siu Nang Bruce, Mr. Ko Sebastian Yat Fung and Ms. Kam Man Yi Margaret.