ICO GROUP LIMITED
揚科集團有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1460)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2020

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of ICO Group Limited (the "**Company**") is presenting the audited results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2020, together with comparative audited figures for the preceding financial year, as follows:

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*4*	**606,290**	595,467
Cost of sales		**(488,718)**	(498,062)
Gross profit		**117,572**	97,405
Other revenue	*5*	**626**	498
Other net gain/(loss)	*6*	**88**	(137)
General and administrative expenses		**(89,884)**	(64,155)
Impairment of trade receivables and contract assets		**(690)**	–
Change in fair value of contingent consideration payable		**1,384**	21,492
Change in fair value of derivative component in convertible bonds		**(1,146)**	45,621
Gain on conversion of convertible bonds		**105,110**	1,276
Impairment of deposits for acquisition of subsidiaries		**(43,336)**	–
Share of (loss)/profit of associates		**(782)**	542
Share of loss of joint ventures		**(811)**	(653)
Finance costs	*7(a)*	**(5,154)**	(4,971)
Profit before taxation	*7*	**82,977**	96,918
Income tax	*8*	**(5,686)**	(3,734)
Profit for the year		**77,291**	93,184
Attributable to:			
Equity shareholders of the Company		**70,086**	83,920
Non-controlling interests		**7,205**	9,264
Profit for the year		**77,291**	93,184
Earnings/(loss) per share	*10*		
Basic (HK cents per share)		**1.34**	1.85
Diluted (HK cents per share)		**(0.52)**	0.40

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
Profit for the year	**77,291**	93,184
Other comprehensive loss 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)	**(30,900)**	(33,909)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiary	**(72)**	(7)
Total comprehensive income for the year	**46,319**	59,268
Attributable to:		
Equity shareholders of the Company	**39,114**	50,004
Non-controlling interests	**7,205**	9,264
Total comprehensive income for the year	**46,319**	59,268

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**49,655**	47,935
Intangible assets		**316**	140
Interests in associates		**60,472**	62,488
Interests in joint ventures		**1,225**	1,098
Other financial asset		**6,900**	37,800
Deposits for acquisition of subsidiaries		**202,230**	117,602
		320,798	267,063
Current assets			
Trade and other receivables	*11*	**175,257**	175,856
Contract assets		**28,010**	4,483
Tax recoverable		**709**	5,924
Pledged bank deposits		**1,999**	3,197
Time deposit		**1,198**	–
Cash and cash equivalents		**45,366**	52,980
		252,539	242,440
Current liabilities			
Trade and other payables	*12*	**(88,906)**	(82,760)
Contract liabilities		**(11,125)**	(10,489)
Bank loans		**–**	(7,591)
Contingent consideration payable		**–**	(10,715)
Derivative component in convertible bonds		**–**	(2,951)
Lease liabilities		**(1,103)**	–
Tax payable		**(547)**	(2,177)
		(101,681)	(116,683)
Net current assets		**150,858**	125,757
Total assets less current liabilities		**471,656**	392,820

	2020	2019
	HK$'000	*HK$'000*
Non-current liabilities		
Liability component in convertible bonds	**–**	(52,773)
Lease liabilities	**(2,740)**	–
Promissory notes payable	**(19,027)**	–
Deferred tax liabilities	**(161)**	(161)
	(21,928)	(52,934)
Net assets	**449,728**	339,886
Capital and reserves		
Share capital	**15,562**	11,741
Reserves	**426,471**	316,077
Total equity attributable to equity shareholders of the Company	**442,033**	327,818
Non-controlling interests	**7,695**	12,068
Total equity	**449,728**	339,886

NOTES TO THE 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 Unit A, 25/F, TG Place, No. 10 Shing Yip Street, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company and its subsidiaries are principally engaged in the businesses of IT application and solution development, IT infrastructure solutions, secondment services and maintenance and support services.

2. CHANGES IN ACCOUNTING POLICIES

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. 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) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 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.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

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. *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 an entity 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 entity 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.

b. *Lessee accounting and transitional impact*

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 which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (that is 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. The weighted average of the incremental borrowing rates used for the determination of the present value of the remaining lease payments was 4.41%.

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 that is, 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 at 31 March 2019 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 ***HK$'000***
Operating lease commitments at 31 March 2019	**1,341**
Less: Total future interest expenses	**(37)**
Lease liabilities recognised at 1 April 2019	**1,304**

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 statement of financial position at 31 March 2019.

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

	Carrying amount at 31 March 2019 *HK$'000*	Captialisation of operating lease contracts *HK$'000*	Carrying amount at 1 April 2019 *HK$'000*
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**

c. *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 positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, 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 the presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 March 2020, by adjusting the amounts reported under HKFRS 16 in these consolidated 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 in 2020 instead of HKFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under HKAS 17.

	2020				2019
	Amounts reported under HKFRS 16 (A) *HK$'000*	**Add back: HKFRS 16 depreciation and interest expense (B)** *HK$'000*	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C)** *HK$'000*	**Hypothetical amounts for 2020 as if under HKAS 17 (D=A+B+C)** *HK$'000*	Compared to amounts reported for 2019 under HKAS 17 *HK$'000*
Financial result for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:					
Finance costs	**(5,154)**	**36**	**–**	**(5,118)**	(4,971)
Profit before taxation	**82,977**	**1,254**	**(1,289)**	**82,942**	96,918
Profit for the year	**77,291**	**1,254**	**(1,289)**	**77,256**	93,184
Reportable segment gross profit for the year ended 31 March 2020 *(note 4)* impacted by the adoption of HKFRS 16:					
– IT application and solution development	**49,733**	**–**	**–**	**49,733**	23,992
– IT infrastructure solutions	**408,846**	**–**	**–**	**408,846**	427,008
– Secondment services	**39,653**	**–**	**–**	**39,653**	46,038
– Maintenance and support services	**108,058**	**–**	**–**	**108,058**	98,384

	2020			2019
	Amounts reported under HKFRS 16 (A) *HK$'000*	**Estimated amounts related to operating leases as if under HKAS 17 (note 1&2) (B)** *HK$'000*	**Hypothetical amounts for 2020 as if under HKAS 17 (C=A+B)** *HK$'000*	Compared to amounts reported for 2019 under HKAS 17 *HK$'000*
Line items in the consolidated statement of cash flow for the year ended 31 March 2020 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**12,504**	**(1,223)**	**11,281**	37,810
Net cash generated from operating activities	**10,403**	**(1,223)**	**9,180**	36,048
Capital element of lease rental paid	**–**	**1,187**	**1,187**	–
Interest element of lease rental paid	**–**	**36**	**36**	–
Net cash used in financing activities	**(17,541)**	**1,223**	**(16,318)**	(18,889)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2020. 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.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 March 2020 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)

– Contingent consideration payable

– Derivative component in convertible bonds

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

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

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The 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:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
IT application and solution development	**49,733**	23,992
IT infrastructure solutions	**408,846**	427,008
Secondment services	**39,653**	46,083
Maintenance and support services	**108,058**	98,384
	606,290	595,467

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$Nil (2019: approximately HK$135,108,000) accounted for 10% or more of the Group's revenue for the year ended 31 March 2020.

(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.

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 resources allocation and assessment of segment performance for the years ended 31 March 2020 and 2019 is set out below.

	Year ended 31 March 2020				
	IT application and solution development *HK$'000*	**IT infrastructure solutions** *HK$'000*	**Secondment services** *HK$'000*	**Maintenance and support services** *HK$'000*	**Total** *HK$'000*
Disaggregated by timing of revenue recognition					
– Point in time	**–**	**408,846**	**–**	**39,486**	**448,332**
– Over time	**49,733**	**–**	**39,653**	**68,572**	**157,958**
Revenue from external customers and reportable segment revenue	**49,733**	**408,846**	**39,653**	**108,058**	**606,290**
Reportable segment gross profit	**18,140**	**49,826**	**16,092**	**33,514**	**117,572**

	Year ended 31 March 2019				
	IT application and solution development *HK$'000*	IT infrastructure solutions *HK$'000*	Secondment services *HK$'000*	Maintenance and support services *HK$'000*	Total *HK$'000*
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

(ii) ***Geographic information***

Revenue form external customers

	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**606,290**	595,467
The People's Republic of China (the "**PRC**")	**–**	–
Malaysia	**–**	–
	606,290	595,467

The geographic location of revenue from external customers is based on the location at which the services were rendered.

Non-current assets

	2020	2019
	HK$'000	*HK$'000*
Hong Kong (place of domicile)	**109,288**	111,621
The People's Republic of China (the "**PRC**")	**2,380**	40
Malaysia	**202,230**	117,602
	313,898	229,263

The above table sets out the information about the geographical location of the Group's property, plant and equipment, intangible assets, interests in associates and joint ventures and deposits for acquisition of subsidiaries ("**Specified non-current assets**"). 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, the location of the operation to which they are allocated, in the case of intangible assets and deposits for acquisition of subsidiaries and the location of operation, in the case of interests in associates and joint ventures.

5. OTHER REVENUE

	2020	2019
	HK$'000	*HK$'000*
Bank interest income*	**66**	23
Marketing income	**501**	474
Others	**59**	1
	626	498

* interest income on financial assets not at fair value through profit or loss

6. OTHER NET GAIN/(LOSS)

	2020	2019
	HK$'000	*HK$'000*
Net foreign exchange gain/(loss)	**88**	(137)

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2020	2019
	HK$'000	*HK$'000*
Total interest expense on financial liabilities not at fair value through profit or loss:		
– Interest on bank loans	**44**	395
– Interest on lease liabilities	**36**	–
Effective interest expenses of convertible bonds	**4,862**	4,576
Effective interest expenses of promissory note	**212**	–
	5,154	4,971

(b) Staff costs (including directors' emoluments)

	2020	2019
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**123,236**	113,865
Contributions to defined contribution retirement plan	**2,871**	3,505
	126,107	117,370

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

	2020	2019
	HK$'000	*HK$'000*
Cost of hardware and software sold	**356,761**	375,599
Amortisation of intangible assets	**192**	124
Depreciation of property, plant and equipment		
– owned property, plant and equipment	**2,597**	2,687
– right-of-use asset*	**1,218**	–
Loss on disposal of property, plant and equipment	**17**	–
Auditors' remuneration		
– audit services	**800**	750
– other services	**168**	90
Written off of trade receivables	**–**	129

* The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 April 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 April 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated.

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

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

	2020	2019
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**5,686**	3,734

(i) The provision for Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year ended 31 March 2020, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime in Hong Kong.

For this subsidiary, the first HK$2 million of assessable profits is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated on the same basis in 2019.

The provision for Hong Kong Profits Tax for the year ended 31 March 2020 has taken into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable for the year of assessment 2019–20 subject to a maximum reduction of $20,000 for each business (2019: a maximum reduction of $20,000 was granted for the year of assessment 2018–19 and was taken into account in calculating the provision for the year ended 31 March 2019).

(ii) 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.

(iii) A PRC subsidiary of the Company was qualified as "Small Low-profit Enterprise" in Guangdong and subject to a concessionary PRC Enterprise Income Tax rate. The Malaysia Corporate Tax standard rate is 24%.

No provision for PRC Enterprise 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 2020 and 2019.

9. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2020 (2019: Nil).

10. EARNINGS/(LOSS) 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$70,086,000 (2019: approximately HK$83,920,000) and the weighted average number of 5,215,609,614 ordinary shares (2019: 4,538,315,986 ordinary shares) in issue during the year.

(i) Weighted average number of ordinary shares

	2020	2019
	Number of shares	*Number of shares*
Issued ordinary shares at 1 April	**4,696,505,221**	4,218,253,968
Effect of shares issued	**519,104,393**	320,062,018
Weighted average number of ordinary shares at 31 March	**5,215,609,614**	4,538,315,986

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit attributable to equity shareholders of the Company of approximately HK$(30,400,000) (2019: approximately HK$20,107,000) and the weighted average number of 5,791,772,297 ordinary shares (2019: 5,032,635,582 ordinary shares), calculated as follow.

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

	2020	2019
	HK$'000	*HK$'000*
Profit attributable to equity shareholders of the Company	**70,086**	83,920
Effect of change in fair value of contingent consideration payable	**(1,384)**	(21,492)
Effect of change in fair value of derivative component in convertible bonds	**1,146**	(45,621)
Effect of gain on conversion of convertible bonds	**(105,110)**	(1,276)
Effect of effective interest expense of convertible bonds	**4,862**	4,576
(Loss)/profit attributable to equity shareholders of the Company (diluted)	**(30,400)**	20,107

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

	2020	2019
	Number of shares	*Number of shares*
Weighted average number of ordinary shares at 31 March	**5,215,609,614**	4,538,315,986
Effect of convertible bonds	**499,200,380**	374,189,872
Effect of contingent consideration payable	**76,962,303**	120,129,724
Weighted average number of ordinary shares (diluted) at 31 March	**5,791,772,297**	5,032,635,582

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables, the ageing analysis of trade receivables based on the date of billing is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**125,903**	132,496
1 to 3 months	**28,669**	26,369
Over 3 months	**11,199**	10,457
	165,771	169,322

12. TRADE AND OTHER PAYABLES

Included in trade and other payables, the ageing analysis of trade payables based on the invoice date is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**26,999**	43,982
1 to 3 months	**33,163**	29,039
Over 3 months	**3,779**	9
	63,941	73,030

13. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

(a) Up to the date of the consolidated financial statements, in relation to the acquisition of the entire issued capital of O2O Limited, which has a wholly owned subsidiary in Malaysia, developing an e-Marketplace project with both physical stores and online trading platforms ("**Project CKB**"), both the vendors and the Group considered that an online-to-offline trading platform requires further revision and development, and agrees to an extension of the timeline to fulfill the Payment Condition (J) in the Payment Schedule under Acquisition Agreements to a date no later than 30 November 2020.

Other than the online-to-offline trading platform, the completion of Project CKB took place on 2 June 2020. The O2O Limited and Nexus Primo SDN BHD becomes wholly-owned subsidiaries of the Group.

b) Since January 2020, the outbreak on Novel Coronavirus ("**COVID-19**") has impacted the global business environment. Up to the date of these consolidated financial statements, COVID-19 has resulted impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

14. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 April 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the year ended 31 March 2020 ("**FY2020**"), the revenue of the Group was approximately HK$606.3 million, representing an increase of approximately HK$10.8 million or 1.8% as compared to the year ended 31 March 2019 ("**FY2019**"), the increase was primarily attributable to the significant increase in revenue derived from (i) the IT application and solution development services segment and (ii) the maintenance and support services segment. For FY2020, the Group recorded profit before taxation of approximately HK$83.0 million (2019: approximately HK$96.9 million), profit before interests, tax, depreciation and amortisation of approximately HK$92.1 million (2019: approximately HK$104.7 million) and profit attributable to equity shareholders of the Company of approximately HK$70.1 million (2019: approximately HK$83.9 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$49.7 million, representing approximately 8% of the revenue for FY2020. The revenue derived from provision of IT application and solution development services increased by approximately 107% from approximately HK$24.0 million for FY2019 to approximately HK$49.7 million for FY2020, the significant increase was primarily attributable to the commencement of implementation phrase of various new large-scale projects during FY2020.

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 amounted to approximately HK$408.8 million, representing approximately 67% of the revenue for FY2020. The revenue derived from provision of IT infrastructure solutions decreased by approximately 4% from approximately HK$427.0 million for FY2019 to approximately HK$408.8 million for FY2020, the decrease was primarily due to (i) there was a one-off significant amount of revenue, amounted to approximately HK$75.3 million recorded in FY2019, which did not occurred in FY2020. The increase in amount of revenue generated from customers in the construction and financial services sectors during FY2020 was not enough to offset the impact for the abovementioned one-off revenue and (ii) the combine effect of social unrest and the outbreak of novel coronavirus disease 2019 ("**COVID-19**") which inevitably led to the drop of revenue in the last quarter of FY2020.

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$39.7 million, representing approximately 7% of the revenue for FY2020. The income from this segment was a relatively stable revenue source when compared with project basis income. During FY2020, the revenue derived from provision of secondment services decreased by approximately 14% from approximately HK$46.1 million for FY2019 to approximately HK$39.7 million for FY2020, the decrease was primarily due to (i) the decrease in demand for services from the major customers in banking and finance sector and (ii) the revenue of new secondment services 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 provision of maintenance and support services amounted to approximately HK$108.1 million, representing approximately 18% of the revenue for FY2020. The revenue derived from provision of maintenance and support services increased by approximately 10% from approximately HK$98.4 million for FY2019 to approximately HK$108.1 million for FY2020, the increase was primarily due to (i) during FY2020, there was enhancement of the maintenance phase commenced from a Group's sizable IT Projects and (ii) some maintenance phase of sizable IT Projects commenced since August 2018, so the corresponding revenue was recorded partly in FY2019 and recorded fully in FY2020.

OUTLOOK AND FUTURE PROSPECTS

FY2020 was another successful year for the Group, not only the increase in revenue derived from (i) IT application and solution development services segment and (ii) maintenance and support services segment, also the Group recorded a net profit for FY2020. 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 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 healthy working capital level for the Group to sustain and expand its business in the future.

Secondly, upon completion of the downsizing exercise in FY2019, this enables the Group to avoid cost overrun, maintain a sustainable team size and monitor its cost structure efficiently in the future.

Thirdly, for the investment of 40% equity interest of PointSoft Limited, (a company with a focus on developing and managing food and beverage point-of-sales system) it managed to provide steady dividend income and share of profit to the Group during the challenging business environment in FY2020. This effectively diversified the business portfolio and broadened the revenue sources of the Group.

Lastly, up to the date at this announcement, the acquisition of 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**") Project CKB by the Group was completed on 2 June 2020. Upon its completion, O2O Limited is the 100% wholly owned subsidiary of the Group, the Group would be able to further expand and diversify the revenue sources by receiving stable rental income from the physical stores. 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, 12 June 2019, 7 August 2019, 1 November 2019, 6 February 2020, 28 February 2020 and 2 June 2020 (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 FY2020 amounted to approximately HK$606.3 million, representing an increase by approximately 1.8% from approximately HK$595.5 million for FY2019 to approximately HK$606.3 million for FY2020. The increase was mainly attributable to the increase in revenue generated from (i) the IT application and solution development segment and (ii) the maintenance and support services segment of approximately HK$25.7 million and HK$9.7 million respectively, offset by the decrease in revenue generated from (i) the IT infrastructure solutions segment and (ii) the secondment services segment of approximately HK$18.2 million and HK$6.4 million respectively.

Gross profit and gross profit margin

The gross profit of the Group increased from approximately HK$97.4 million for FY2019 to approximately HK$117.6 million for FY2020, while the gross profit margin of the Group increased from approximately 16% for FY2019 to approximately 19% for FY2020. During FY2020, there were some large-scale projects commenced from IT application and solution development services segment, the Group had to retain a sizable team of IT professionals to deliver the professional services. Hence, the revenue for this segment has significantly increased in FY2020, and the gross profit increased in line with the increase in revenue, while the gross profit margin decreased due to the corresponding increase demand in labor.

For maintenance and support services segment, the gross profit generated in line with the increase in revenue during FY2020; for IT infrastructure solutions segment and secondment services segment, despite the decrease in revenue, the gross profit for these segments increased. And for the gross profit margin for these three segments, it was increased in FY2020 mainly contributed by the successful downsizing exercise during FY2019 and which reduced the team size to an optimal level.

General and administrative expenses

The Group's administrative expenses for FY2020 amounted to approximately HK$89.9 million (2019: approximately HK$64.2 million), representing an increase by approximately HK$25.7 million or 40% as compared to FY2019. Such increase were mainly due to (a) the increase in staff cost of approximately HK$21.9 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; (iii) commission paid to sales staff which was in line with the increase in revenue of the Group during FY2020 and (iv) discretionary bonus accrued for the management and general staff with reference to the performance in FY2020 and (b) the increase in professional fees of approximately HK$2.7 million mainly due to the professional fees incurred for the voluntary conditional cash offer by Titan Wise Group Limited during FY2020.

Change in fair value of contingent consideration payable and derivative component in convertible bonds, gain on conversion of convertible bonds and impairment of deposits for acquisition of subsidiaries

Contingent consideration payable, derivative component in convertible bonds and deposits for acquisition of subsidiaries were recognised by the Group as a result of the acquisitions made by the Group for the year ended 31 March 2018 and 2019, namely acquisition of 40% equity interest of PointSoft and Project CKB. According to the relevant accounting standards, these financial liabilities, including contingent consideration payable and derivative component in convertible bonds, are required to be remeasured the change in fair value and gain/loss on conversion at the date of conversion 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 and significant amount recorded as gain on conversion of convertible bonds on these financial liabilities were determined and recognised during FY2020. For deposits for acquisition of subsidiaries, as at 31 March 2020, with reference to valuation reports prepared by an independent professional valuer, the value of deposit for acquisition of subsidiaries recorded a significant amount of impairment. Nevertheless, the valuation gains, gain on conversion of convertible bonds and impairment of deposits for acquisition of subsidiaries 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 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 the Project CKB Announcements and Circular.

Finance costs

The increase in finance costs for FY2020 was solely due to the imputed interest expenses arising from amortisation of the liability component in convertible bonds and promissory note 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$0.4 million for FY2020 as compared to FY2019, it was due to all of the bank loans were fully settled during FY2020.

Income tax

As the valuation gains recognised by the Group are not taxable, the effective interest rate of the Group for FY2020 was only approximately 7%.

Profit for the year

The Group recorded a net profit of approximately HK$77.3 million for FY2020 as compared to approximately HK$93.2 million for FY2019. It was mainly attributable to the combined effect of (i) the increase in gross profit of approximately HK$20.2 million as compared to FY2019; and (ii) the aggregate gain on conversion of convertible bonds, change in fair value of contingent consideration payable and change in fair value of derivative component in convertible bonds of approximately HK$37.0 million, offset by the increase in impairment of deposits for acquisition of subsidiaries, general and administrative expenses and income tax expenses of approximately HK$43.3 million, HK$25.7 million and HK$2.0 million respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2020, the shareholders' funds of the Group amounted to approximately HK$442.0 million (2019: approximately HK$327.8 million). Current assets were approximately HK$252.5 million (2019: approximately HK$242.4 million), mainly comprised of cash and cash equivalents of approximately HK$45.4 million (2019: approximately HK$53.0 million), and trade and other receivables and contract assets of approximately HK$203.3 million (2019: approximately HK$180.4 million). Current liabilities mainly comprised of trade and other payables and contract liabilities of approximately HK$100.0 million (2019: approximately HK$93.2 million), bank loans of HK$nil (2019: approximately HK$7.6 million), contingent consideration payable of HK$nil (2019: approximately HK$10.7 million) and derivative component in convertible bonds of HK$nil (2019: approximately HK$3.0 million). The changes in current assets and current liabilities of the Group were primarily due to:

(i) the decrease in cash and cash equivalent reflected by the fully repayment of bank loan during FY2020. The decrease in outstanding bank loan as the Group was able to maintain sufficient working capital;

(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 FY2020;

(iii) the decrease in derivative component of convertible bonds due to the conversion of all outstanding convertible bonds for Project CKB during FY2020; and

(iv) the decrease in contingent consideration payable due to the issue of all outstanding consideration shares during FY2020.

The bank loan was fully settled during FY2020, the Group has unutilised bank facilities amounted to HK$56.8 million. The net asset value per share attributable to equity shareholders of the Company as at 31 March 2020 was approximately HK$0.07 (2019: approximately HK$0.07). The Group's gearing ratio, expressed as a percentage of bank loans, liability component in convertible bonds and promissory notes payable over total equity, was approximately 4.2% (2019: approximately 18%). As at 31 March 2020, the liquidity ratio of the Group, determined as a ratio of current assets over current liabilities, was approximately 2.5 times (2019: approximately 2.1 times).

CAPITAL STRUCTURE

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

During FY2020, the Company had the following changes in its share capital:

(i) On 27 August 2019 and 16 January 2020, the Company allotted and issued 365,138,888 and 990,937,960 new shares respectively upon the conversion of convertible bonds issued as part of the deposits for the acquisition of Project CKB pursuant to the sale and purchase agreement dated 6 December 2017; and

(ii) On 11 September 2019, 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.

As at 31 March 2020 and 2019, the Company's issued share capital was approximately HK$15,562,000 and HK$11,741,000 respectively and the number of its issued ordinary shares was 6,225,393,129 and 4,696,505,221 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. During FY2020 and FY2019, 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 2020, the Group had no operating lease commitments in respect of rented office (2019: approximately HK$1.3 million).

As at 31 March 2020 and 2019 and up to the date of this announcement, subject to certain conditions, the Group has capital commitments on its acquisition of Project CKB. For details on the acquisition, please refer to the Project CKB Announcements and Circular.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 2 June 2020, the Group has completed the acquisition of Project CKB. For details, please refer to the CKB Announcements and Circular.

Save for the above, the Group did not have any material acquisition or disposals of subsidiaries and affiliated companies during FY2020 and up to the date of this announcement.

SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

Significant investments held as at 31 March 2020

(i) INAX Technology Limited ("INAX")

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. As at 31 March 2020, with reference to a valuation report prepared by an independent professional valuer, the fair value of this investment (recorded as other financial asset in the Group's consolidated statement of financial position) is approximately HK$6.9 million, represented a discount of approximately 90% to its cost and approximately 1% of the Group's total asset. During FY2020, no dividend has been received from this investment.

Up to the date of this announcement, the management account of INAX (subject to audit) for the year ended 30 April 2020 showed that there is a significant decrease in profit of approximately 86% during FY2020 as compared with last year. Upon enquiry on the management of INAX, the primary reasons for the significant decrease in profit during FY2020 were due to (i) in China, the pessimistic outlook towards the Sino-US political conflict in this region together with the outbreak of COVID-19 which resulted in material impact to the operation of INAX; and (ii) in Hong Kong, the social unrest and the affect of COVID-19 during FY2020, the operation of some of the customers were held up or suspended, which led to a decrease in demand for INAX's services. Looking forward, despite the decreased profit of INAX, the Group holds cautiously optimistic view on the prospect of this investment due to (i) 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 ("PointSoft")

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 2020, the carrying value of this investment (recorded as interests in associates in the Group's consolidated statement of financial position) is approximately HK$58.1 million, represents approximately 10% 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 2020 is approximately HK$70.7 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 2020 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 this 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 2020

On 6 December 2017, the Company entered into an agreement to acquire the entire issued capital of 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 acquisition of Project CKB was completed on 2 June 2020. As at 31 March 2020, the Group has paid deposits of approximately HK$245.6 million for the acquisition. With reference to a valuation report prepared by an independent professional valuer, the recoverable amount of this investment (recorded as deposits for acquisition of subsidiaries in the Group's consolidated statement of financial position) is approximately HK$202.2 million, representing approximately 35% 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 this investment.

Other investments held as at 31 March 2020

In addition to the abovementioned significant investments, as at 31 March 2020, there were interests in joint ventures and interests in associates recognised in the Group's consolidated statement of financial position with carrying amount of approximately HK$1.2 million and approximately HK$2.3 million respectively.

The interests in joint ventures represented 33.3% equity interest in DeepSolutions Limited, which in turn holds 100% equity interest in DeepTranslate Limited (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. The machine translation system was firstly for sale and according to the management account of DeepSolutions Group (subject to audit) for the year ended 31 March 2020, it recorded a net loss of approximately HK$0.3 million during FY2020. As at 31 March 2020, the carrying amount of DeepSolutions Group is approximately HK$1.2 million, represented approximately 0.2% of the Group's total assets. Since DeepSolutions Group is still newly established without any operating history, the fair value of this investment as at 31 March 2020 is difficult to be determined.

The interests in associates represented 25% equity interest in Bao Cheng Holdings (HK) Limited, which in turn holds 80% equity interest in 深圳市寶誠生物發展有限公司 (the "**Bao Cheng Group**"). Bao Cheng Holdings (HK) Limited and 深圳市寶誠生物發展有限公司 are limited companies incorporated in Hong Kong and the PRC established by the Group and other parties pursuant to an agreement. Bao Cheng Group aims at vaccine production business. During FY2020, Bao Cheng Group did not generate any revenue and recorded a net loss of approximately HK$12.6 million, as at 31 March 2020, the carrying amount of Bao Cheng Group is approximately HK$2.3 million, represented approximately 0.4% of the Group's total assets. Since Bao Cheng Group is still newly established without any operating history, the fair value of this investment as at 31 March 2020 is difficult to be determined.

Apart from the above, the Group did not acquire or hold any other significant investments during FY2020 and FY2019. 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 2020

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. As at 31 March 2020, according to a valuation report issued by an independent professional valuer, the fair value of the office premises and the carpark is approximately HK$53.0 million (as at 31 March 2019: approximately HK$59.7 million).

Apart from the above, the Group did not acquire or hold any other significant capital assets during FY2020 and FY2019.

CONTINGENT LIABILITIES

During FY2020, performance bonds amounted to approximately HK$10.2 million (2019: HK$26.5 million) were issued by a bank to customers 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. For the approximately HK$26.5 million performance bond issued during FY2019, it was withdrew on 23 October 2019 due to the completion of contract. Except for the above, the Group had no material contingent liabilities as at 31 March 2020 (2019: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

For FY2020 and FY2019, 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 FY2020 and FY2019 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 2020, except for the pledged bank deposit of approximately HK$2.0 million (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$39.9 million (2019: approximately HK$41.4 million) pledged to a bank for facilities of HK$52.0 million (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 31 March 2020, the Group employed a total of 203 full-time employees (2019: 187). The staff costs, including Directors' emoluments, of the Group were approximately HK$126.1 million for FY2020 (2019: approximately HK$117.3 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group.

OTHER INFORMATION

Corporate Governance Practices

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

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange 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 2020, except where otherwise stated.

Pursuant to code provision A.6.7 of the CG Code, the independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. One Non-executive Director and one Independent Non-executive Directors of the Company were unable to attend the annual general meeting of the Company held on 30 August 2019 due to other business engagements.

However, there were at least one Executive Director and one Independent Non-executive Director presented at each meeting to enable the Board to develop a balanced understanding of the views of shareholders of the Company.

Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by Directors. 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 2020.

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 2020 and 2019.

Competing Interests

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the years ended 31 March 2020 and 2019.

Events after the Reporting Period

On 2 June 2020, the Group completed the acquisition of the entire issued capital of O2O Limited. For details, please refer to Project CKB Announcements and Circular.

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

Closure of Register of Members

The forthcoming annual general meeting (the "**2020 AGM**") will be held on Friday, 25 September 2020. For the purpose of determining shareholders' entitlements to attend and vote at the 2020 AGM, the transfer books and the register of members of the Company will be closed from Tuesday, 22 September 2020 to Friday, 25 September 2020 (both days inclusive), during which period no transfer of shares will be effected. In order to establish the right to attend and vote at the 2020 AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited, at Suites 3301–04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong no later than 4:00 p.m. on Monday, 21 September 2020.

Audit Committee and Review of Annual Results

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

The Audit Committee currently consists of four Independent Non-executive Directors namely Mr. Tan Eng Wah, Mr. Gan Cheng Khuan, Ms. Yvonne Low Win Kum and Mr. Chiu King Yan. The chairman of the Audit Committee is Mr. Chiu King Yan, who has appropriate professional qualifications and experience in accounting matters.

The audited consolidated financial statements of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee, which was of the opinion that the consolidated financial statements had been prepared in compliance with the applicable accounting standards and the Listing Rules.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 March 2020 as set out in this results announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited, on this results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.1460.hk) respectively. The annual report of the Company for the year ended 31 March 2020 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites.

By order of the Board
ICO Group Limited
Leong Yeng Kit
Chairman and Executive Director

Hong Kong, 30 June 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Leong Yeng Kit and Ms. Lee Pei Ling; the non-executive Directors of the Company are Mr. Leong Yeng Kong, Ms. Leong Poh Chih, Mr. Leong Yeng Weng, Ms. Walaiporn Orakij and Ms. Durgadewi Yoganathan; and the independent non-executive Directors of the Company are Mr. Tan Eng Wah, Mr. Gan Cheng Khuan, Ms. Yvonne Low Win Kum and Mr. Chiu King Yan.