

TARGET

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T H U R S D A Y

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**ICO GROUP LTD:
ONLY TOO OFTEN, THINGS MAY NOT BE
EXACTLY THAT WHICH ONE HAD HAD ASPIRATIONS**

On a careful and detailed examination of the Annual Results Announcement of ICO Group Ltd (揚科集團有限公司) (Code: 1460, Main Board, The Stock Exchange of Hongkong Ltd), dated Wednesday, June 29, 2022, one would be barmy not to appreciate Management's considerable errors of judgement in respect of its acquisitions of yesteryear.

At Pages 24 through to 26 of the Annual Results Announcement in respect of the Financial Year, ended March 31, 2022, a total of four investments were mentioned, under the subheading: '*Significant investments held as at 31 March 2022*'.

The following is a precis of that which was explained with regard to those four investments:

'Project CKB

'On 6 December 2017, ICO IT Properties (Malaysia) Limited, an indirectly wholly owned subsidiary of the Company, entered into a sale and purchase agreement with various vendors, at a total consideration of RM145 million for the acquisition of Project CKB. The acquisition was completed on 2 June 2020. Upon the completion, (i) the companies in the Project CKB becomes indirect wholly owned subsidiaries of the Company and their financial statements were consolidated into the Group; (ii) the property was classified as investment property in the consolidated statement of financial position and (iii) the business of Project CKB became the new segment of the Group.*

'Project CKB provides property leasing services and online trading platform services. 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. During FY2022 and FY2021, Project CKB was not yet started its operation and no dividend income was received from this investment.

‘The Group assessed the fair value of the Property by the independent valuers, B.I. Appraisals Limited (保柏國際評估有限公司) (the “Valuer”). The Valuer is an independent professional valuer and possesses professional qualifications with recent experience in the valuation of similar properties in vicinity. According to the valuation report, in FY2022, there was drop in the monthly market rent per square foot adopted in the valuation under income capitalisation approach, the fair value of the Property is approximately RM123.4 million (approximately HK\$231.1 million) as at 31 March 2021 and decrease to RM117.9 million (approximately HK\$220.1 million) as at 31 March 2022...

‘The adopted capitalisation rates in the valuation range from 4.6% to 5.2%, and the monthly market rent per square foot ranged from approximately RM17.6 (equivalent to approximately HK\$32.3) to approximately RM20.5 (equivalent to approximately HK\$38.3). The capitalisation rate and the monthly market rent per square foot are the key parameters in the valuation method of income capitalisation and they involve professional judgment in relation to the adjustments made by the Valuer. The fair value measurement is positively correlated to the monthly market rent per square foot and negatively correlated to the capitalisation rate. Taking into account the change in fair value of investment property, the Group considered that it is appropriate to recognise the decrease of fair value change in investment property of approximately HK\$10.3 million.

INAX Technology Limited (INAX)

‘On 10 November 2017, Value Digital Limited, an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement, at a total consideration of HK\$66 million to acquire 15% equity interest in INAX, INAX is a limited company incorporated in Hong Kong and which principally engages in IT (Information Technology) infrastructure business with a focus on IT and telecommunication infrastructures and data centre industry. After consideration the operation and financial performance of INAX for the past years, the management of the Group decided to dispose the 15% equity interest in INAX, in order to deliver better return to the shareholders.

‘On 28 February 2022, Value Digital Limited entered into a sale and purchase agreement, at a total consideration of HK\$4.5 million to dispose 15% equity interest in INAX. The transaction was completed on 28 February 2022. With reference to the valuation report prepared by an independent professional valuer, as at 28 February 2022, the fair value of this investment (recorded as other financial asset in the Group’s consolidated statement of financial position) was approximately HK\$4.0 million, represented a discount of approximately 94% to its cost and approximately 1% of the Group’s total asset (the fair value as at 31 March 2021 by independent valuer: HK\$7.7 million). During FY2022, no dividend was received from this investment.

‘Other investments held as at 31 March 2022

‘The interests in joint ventures represented 33.3% equity interest in DeepSolutions Limited (深決有限公司), which in turn holds 100% equity interest in DeepTranslate Limited (譯谷有限公司) (together the “DeepSolutions Group”). As disclosed in the announcement of the Company dated 8 August 2018, DeepSolutions Limited and DeepTranslate Limited are the 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 launched in August 2019. After consideration the operation and financial performance of ... [CLICK TO ORDER FULL ARTICLE](#)

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