

FINANCIAL INFORMATION

You should read the following discussion and analysis of our Group's financial condition and results of operations together with our combined financial information for each of the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, and the accompanying notes ("Financial Information") included in the Accountants' Report set out in Appendix I to this [REDACTED]. The Financial Information has been prepared in accordance with HKFRSs, which may differ in material respects from the generally accepted accounting principle in other jurisdiction. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this [REDACTED] and not rely merely on the information contained in this section. The following discussion and analysis may contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by our Company in light of our experience and perception of historical trends, current condition and expected future development, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and development will meet the expectations and predictions of our Company depends on a number of factors over which our Company has no control. For additional information, please refer to the section headed "Risk factors" in this [REDACTED].

OVERVIEW

Established in 1992, we are an IT service provider based in Hong Kong. Our Group is principally engaged in the following businesses:

(1) Provision of IT application and solution development

We have been engaging in the provision of IT application and solution development in Hong Kong since 1995. The provision of IT application and solution development generally includes IT systems integration, software development, technology consultancy and third party hardware and software procurement and after sales service. Our IT application and solution development is generally provided on a project basis.

We charge our customers on a fixed price basis; our fees of which may be payable in several milestones. The pricing of IT application and solution development depends on factors such as complexity of the project, technology and equipment required, expected number of required man-days and level of competition during the bidding process. During the Track Record Period, our Group has not experienced any cost overrun.

(2) Provision of secondment services

We have been offering secondment services in Hong Kong since 1995 where we designate our staff to work for our customers for a fixed period of time pursuant to the relevant secondment service agreements. Our seconded staff are responsible for carrying out a wide range of IT-related services for our customers, such as system administration, unit testing, preparation of technical specifications, system design, development and support.

We generally charge our customers on a monthly basis with the rate specified in the secondment service agreements and such rate remains unchanged during the contract period unless otherwise mutually agreed. The pricing of secondment services depends on factors such as

FINANCIAL INFORMATION

experience and qualification of the seconded staff, the salary of the seconded staff and the prevailing market rate. We may specify service fee caps for the fees chargeable by us in the secondment service agreements.

(3) Provision of maintenance and support services

Following the completion of the provision of IT application and solution development, we may be engaged by our customers to provide maintenance and support services in separate agreements. We may also be engaged by customers whose IT systems were built and developed by other parties but seek us for maintenance and support services.

We generally charge our customers on a fixed price basis for an agreed service period. We take into account various factors when pricing our maintenance and support services, including scope of work, required service level, complexity of the customers' IT systems and cost of our suppliers.

(4) Provision of IT infrastructure solutions

We assess, design and implement IT infrastructure solutions for our customers. Our Group provides IT infrastructure solutions to customers by integrating various hardware and software sourced from third party suppliers, including servers, storage systems, security systems, software and networking equipment, to fulfil customers' requirements in relation to their IT infrastructure.

We generally charge our customers on a fixed price basis based on our customers' requirements, scope of work and cost of hardware, software and subcontracting.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 26 April 2013 as part of the Reorganisation as detailed in the section headed "History, Reorganisation and Group Structure" in this [REDACTED]. The companies taking part in the Reorganisation were controlled by the Controlling Shareholders. Pursuant to the Reorganisation completed on [●], our Company became the holding company of the companies now comprising our Group.

As the companies now comprising our Group were controlled by the Controlling Shareholders before and after the Reorganisation, there was a continuation of the risks and benefits to the Controlling Shareholders and, therefore, the Reorganisation is considered to be a restructuring of business under common control. The financial information has been prepared using the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period. The assets and liabilities of the companies comprising our Group are combined using the existing book values from the Controlling Shareholders' perspective.

The combined income statements, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group for the Track Record Period as set out in Section B of the Accountants' Report in Appendix I to this [REDACTED] include the results of operations of the companies now comprising our Group (or where the companies were incorporated at a date later than 1 April 2012, for the period from the date of

FINANCIAL INFORMATION

incorporation to 30 June 2014) as if the current group structure had been in existence and remained unchanged throughout the Track Record Period. The combined statements of financial position of our Group as at 31 March 2013 and 2014, and 30 June 2013 and 2014 as set out in Section B of the Accountants' Report in Appendix I to this [REDACTED] have been prepared to present the state of affairs of the companies now comprising our Group as at those dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on combination in full in preparing the financial information.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITIONS

Our ability to maintain sufficient working capital

For IT application and solution development projects, we may receive payments in a number of milestones and we may be required to pay project expenditures before the actual receipt of payments from customers. As projects progress, the cash outflows may further increase, so will the burden on our working capital. Our capability to take up projects, and hence our business, is restrained by our ability to maintain sufficient working capital. Our Directors closely monitor projects' expenditures and ensure our Group is able to maintain sufficient working capital from time to time.

Our ability to cope with increasing labour costs and retain our staff

According to Ipsos, the salary of IT professionals is the major cost of IT service and solution providers. The persistent demand for skilled IT professionals has caused the steady growth in the salary of IT professionals in Hong Kong. Although the supply of IT professionals was largely in line with the growing demand for them in Hong Kong, the quality of supply currently lags behind. Our Directors consider that it is important for our Group to retain quality staff. As our business relies substantially on our staff's capabilities to deliver services to our customers, our ability to cope with the increasing labour costs and retain our staff is important to our operations and financial conditions.

Our ability to keep up with changes in technology

The IT industry is characterised by rapidly changing technology, evolving industry standards, frequent introductions and enhancements of new products and services, and changing customer demands. The introduction of new technology and the emergence of new industry standards may render our services to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies, to adapt our services to the evolving industry standards and to improve the know-how of our staff in response to evolving demands of the market place. We are committed to keeping ourselves abreast of the technology development in order to stay competitive in the market. Failing to adapt to such changes would have a material adverse effect on our business operations.

Our ability to stay competitive in the market

The markets for IT application and solution development services, IT infrastructure solutions services, secondment services and maintenance and support services are highly competitive. There is a large supply of IT solutions and other application software products and services in the market which

FINANCIAL INFORMATION

are similar to those offered by us. We compete with Hong Kong and international vendors or service providers. For large scale IT application and solution development projects, our Directors believe that the barriers of entry are relatively high as they generally require sophisticated technical know-how and extensive development experience. However, we might have to compete with internationally renowned IT services providers for these projects. Our ability to stay competitive in the market is imperative to our operations.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of our combined financial information for the years ended 31 March 2013 and 2014 and the three months ended 30 June 2013 and 2014 in accordance with HKFRSs requires the use of accounting estimates and assumptions concerning the future. Estimates and judgments that we use in applying our accounting policies are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. Our estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities when such values are not readily apparent from other sources. Actual results typically differ from our estimates. The estimates and assumptions may have a significant effect on the carrying amounts of assets and liabilities.

The sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our combined financial information. Our Directors believe the following accounting policies are among those that involve the most significant judgments and estimates used in the preparation of our combined financial information. Other significant accounting policies are set forth in details in Note 1 to Section C of the Accountants' Report set out in Appendix I to this [REDACTED].

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *IT application and solution development*

When the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable to be recoverable.

(ii) *IT infrastructure solutions*

Revenue from rendering of services is recognised when the services are rendered.

Revenue from sales of goods is recognised when goods are delivered at customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

FINANCIAL INFORMATION

(iii) Secondment and maintenance and support services

Revenue arising from the provision of secondment and maintenance and support services is recognised when the services are rendered.

(iv) Interest income

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

Project contracts in progress

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in our Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as "Gross amounts due from customers for contract work" (as part of trade and other receivables) in the statement of financial position for all contracts in which costs incurred plus recognised profits less recognised losses exceed progress billings. If progress billings exceed costs incurred plus recognised profits less recognised losses, then the difference is presented as "Gross amounts due to customers for contract work" (as part of trade and other payables) in the statement of financial position.

Provisions and contingent liabilities

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

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

FINANCIAL INFORMATION

Impairment of assets

(i) *Impairment of trade and other receivables*

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of our Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payment;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When our Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

FINANCIAL INFORMATION

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Plant and equipment; and
- Intangible assets

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

RESULTS OF OPERATIONS

The table below sets out a summary of our Group's unaudited combined financial results for the three months ended 30 June 2013, and audited combined financial results for the three months ended 30 June 2014 and each of the two years ended 31 March 2013 and 31 March 2014. For more detailed information, please refer to the Accountants' Report in Appendix I to this [REDACTED].

FINANCIAL INFORMATION

COMBINED INCOME STATEMENTS

	Year ended 31 March		Three months ended	
	2013	2014	30 June	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)			
Turnover	196,152	189,984	43,357	38,304
Cost of sales	<u>(150,792)</u>	<u>(150,957)</u>	<u>(33,891)</u>	<u>(29,557)</u>
Gross profit	45,360	39,027	9,466	8,747
Other revenue	650	344	57	216
Other net income	622	139	182	40
General and administrative expenses	<u>(28,753)</u>	<u>(36,927)</u>	<u>(8,214)</u>	<u>(9,036)</u>
Profit from operations	17,879	2,583	1,491	(33)
Finance costs	(362)	(147)	(46)	(46)
Impairment loss on assets of disposal group classified as held for sale	<u>(1,202)</u>	<u>—</u>	<u>—</u>	<u>—</u>
Profit before taxation	16,315	2,436	1,445	(79)
Income tax	<u>(3,518)</u>	<u>(1,806)</u>	<u>(640)</u>	<u>(151)</u>
Profit for the year/period	<u><u>12,797</u></u>	<u><u>630</u></u>	<u><u>805</u></u>	<u><u>(230)</u></u>

FINANCIAL INFORMATION

DESCRIPTION OF THE COMBINED INCOME STATEMENTS

Turnover

We derived our turnover from IT application and solution development, secondment services, maintenance and support services, and IT infrastructure solutions. For the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, the turnover of our Group was approximately HK\$196.2 million, HK\$190.0 million and HK\$38.3 million, respectively.

The following table sets out the revenue by segments for the periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2013		2014		2013		2014	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	(Unaudited)							
IT application and solution development	25,995	13.3	21,679	11.4	6,578	15.2	3,174	8.3
Secondment services	42,812	21.8	40,660	21.4	9,316	21.5	10,746	28.1
Maintenance and support services	18,825	9.6	19,614	10.3	4,252	9.8	4,833	12.6
IT infrastructure solutions	<u>108,520</u>	<u>55.3</u>	<u>108,031</u>	<u>56.9</u>	<u>23,211</u>	<u>53.5</u>	<u>19,551</u>	<u>51.0</u>
	<u>196,152</u>	<u>100.0</u>	<u>189,984</u>	<u>100.0</u>	<u>43,357</u>	<u>100.0</u>	<u>38,304</u>	<u>100.0</u>

Turnover derived from IT application and solution development

Our IT application and solution development service generally includes IT systems integration, software development, technology consultancy and third party hardware and software procurement and after sales service. We provide our IT application and solution development service on a project basis.

Our turnover generated from the provision of IT application and solution development amounted to approximately HK\$26.0 million and HK\$21.7 million, representing approximately 13.3% and 11.4% of our total turnover for the two years ended 31 March 2013 and 2014, respectively. Our turnover derived from the provision of IT application and solution development decreased by approximately 16.6% from HK\$26.0 million for the year ended 31 March 2013 to HK\$21.7 million for the year ended 31 March 2014 primarily due to the decrease in our turnover from the general business enterprises of approximately HK\$3.9 million, the decrease in our turnover from financial institutions of approximately HK\$1.4 million and was offset by the increase in our turnover from government and statutory bodies of approximately HK\$0.9 million.

Our Directors consider that a substantial portion of our turnover from IT application and solution development is usually recognised during the later stage of each project and the project duration of which may span across financial years. The decrease in turnover from general business enterprises and

FINANCIAL INFORMATION

financial institutions for the year ended 31 March 2014 was primarily due to the fact that some large scale projects from these two sectors were completed in the first quarter of 2013 and such revenue was recognized in the year ended 31 March 2013.

Our turnover derived from the provision of IT application and solution development decreased by approximately 51.7% from HK\$6.6 million for the three months ended 30 June 2013 to HK\$3.2 million for the three months ended 30 June 2014. The decrease in turnover from IT application and solution development was mainly due to the decrease in our turnover from government and statutory bodies of approximately HK\$4.0 million partially offset by the increase in turnover from general business enterprises and financial institutions of approximately HK\$0.3 million and HK\$0.3 million respectively. The decrease in turnover from government and statutory bodies was due to (i) the completion of large-scale projects during the year ended 31 March 2014; (ii) our Group allocated additional numbers of technical staff in preparation of the bidding for a government tender, as referred in the paragraph "Recent development subsequent to Track Record Period" in the section headed "Financial information" in this [REDACTED]; and (iii) there were delays in the tender awarding process.

Turnover derived from secondment services

We designate our staff to work for our customers for a fixed period of time pursuant to the secondment service agreements with our customers in Hong Kong. Our seconded staff are responsible for carrying out a wide range of IT-related services for our customers, such as system administration, system design and development.

Our turnover generated from the provision of secondment services to our customers amounted to approximately HK\$42.8 million and HK\$40.7 million, representing approximately 21.8% and 21.4% of our total turnover for the two years ended 31 March 2013 and 2014, respectively. Our turnover derived from the provision of secondment services to our customers decreased by approximately 5.0% from HK\$42.8 million for the year ended 31 March 2013 to HK\$40.7 million for the year ended 31 March 2014 was primarily due to decrease in turnover from one of our top five customers resulting from our staff turnover of secondment services.

Our turnover derived from the provision of secondment services to our customers increased by approximately 15.3% from approximately HK\$9.3 million for the three months ended 30 June 2013 to approximately HK\$10.7 million for the three months ended 30 June 2014. The increase in turnover from secondment services was primarily due to the increase in our turnover from financial institutions of approximately HK\$2.2 million. Such increase was due to the increase in the number of staff seconded to one of our top five customers to meet its increasing demand for secondment services.

Turnover derived from maintenance and support services

Following the completion of the provision of IT application and solution development, we may be engaged by our customers to provide maintenance and support services in separate agreements. We may also be engaged by customers whose IT systems was built and developed by other parties but seek us for maintenance and support services.

The turnover generated from the provision of maintenance and support services amounted to approximately HK\$18.8 million and HK\$19.6 million, representing approximately 9.6% and 10.3% of our total turnover for the two years ended 31 March 2013 and 2014, respectively. Our turnover derived

FINANCIAL INFORMATION

from the provision of maintenance and support services increased by approximately 4.2% from HK\$18.8 million for the year ended 31 March 2013 to HK\$19.6 million for the year ended 31 March 2014 primarily due to the increase in premium charged for the renewal of maintenance and support contracts with government and statutory bodies.

For the three months ended 30 June 2014, our turnover derived from the provision of maintenance and support services increased by approximately 13.6% from approximately HK\$4.3 million for the three months ended 30 June 2013 to approximately HK\$4.8 million. The increase in turnover derived from maintenance and support services was primarily due to the increase in the number of maintenance and support contracts entered during the three months ended 30 June 2014.

Turnover derived from IT infrastructure solutions

We assess, design and implement IT infrastructure solutions for our customers. Our Group provides IT infrastructure solutions to customers by integrating servers, storage systems, security systems, software, networking equipment, etc. sourced from different hardware and software suppliers.

The majority of our turnover was generated from the provision of IT infrastructure solutions to our customers which accounted for approximately 55.3% and 56.9% of our total turnover for the two years ended 31 March 2013 and 2014, respectively. Our turnover from provisions of IT infrastructure solutions remained stable at approximately HK\$108.5 million for the year ended 31 March 2013 to approximately HK\$108.0 million for the year ended 31 March 2014.

Our turnover derived from IT infrastructure solutions decreased by approximately 15.7% from approximately HK\$23.2 million for the three months ended 30 June 2013 to approximately HK\$19.6 million for the three months ended 30 June 2014. Such decrease was mainly due to the decrease in our turnover from financial institutions of approximately HK\$3.3 million. It was because one of our top five customers has a non-annual purchase cycle for IT infrastructure solutions and placed its order at different periods each year.

Revenue breakdown by geographical location

We derive our revenue from Hong Kong and the PRC. The following table sets out the revenue by geographical location for the periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2013		2014		2013		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Hong Kong	191,589	97.7	189,984	100.0	43,357	100.0	38,304	100.0
PRC	<u>4,563</u>	<u>2.3</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>196,152</u>	<u>100.0</u>	<u>189,984</u>	<u>100.0</u>	<u>43,357</u>	<u>100.0</u>	<u>38,304</u>	<u>100.0</u>

During the Track Record Period, the majority of our turnover was derived in Hong Kong which accounted for approximately 97.7%, 100.0% and 100.0% of our total turnover for the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, respectively. Our turnover derived

FINANCIAL INFORMATION

in Hong Kong decreased by approximately 0.8% from approximately HK\$191.6 million for the year ended 31 March 2013 to approximately HK\$190.0 million for the year ended 31 March 2014. Likewise, our turnover derived in Hong Kong decreased by approximately 11.7% from approximately HK\$43.4 million for the three months ended 30 June 2013 to approximately HK\$38.3 million for the three months ended 30 June 2014.

During the Track Record Period, all of our turnover derived in the PRC was derived from the provision of IT infrastructure solutions.

Following the completion of the Disposal on 1 April 2013, we had no turnover derived from the provision of IT infrastructure solutions in the PRC for the year ended 31 March 2014.

Revenue breakdown by customers' industry sectors

	Year ended 31 March				Three months ended 30 June			
	2013		2014		2013		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Government and statutory bodies	19,798	10.1	14,441	7.6	5,962	13.7	493	1.3
Financial institutions	87,310	44.5	93,936	49.4	15,995	36.9	15,424	40.3
General business enterprises	<u>89,044</u>	<u>45.4</u>	<u>81,607</u>	<u>43.0</u>	<u>21,400</u>	<u>49.4</u>	<u>22,387</u>	<u>58.4</u>
	<u>196,152</u>	<u>100.0</u>	<u>189,984</u>	<u>100.0</u>	<u>43,357</u>	<u>100.0</u>	<u>38,304</u>	<u>100.0</u>

Our customers include institutions and corporations from a variety of sectors and multinational backgrounds. Our customers include government and statutory bodies, financial institutions and enterprises of various scales.

During the Track Record Period, the majority of our turnover was derived from financial institutions, mainly by provision of secondment services and IT infrastructure solutions, generating a turnover of approximately HK\$87.3 million, HK\$93.9 million and HK\$15.4 million for the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, respectively. Our turnover derived from financial institutions increased by approximately 7.6% from HK\$87.3 million for the year ended 31 March 2013 to approximately HK\$93.9 million for the year ended 31 March 2014 primarily due to the increase in turnover derived from IT infrastructure solutions of approximately HK\$9.2 million following our Group's strategic focus on expanding our portfolio to banks and was offset by the decrease in turnover derived from secondment services of approximately HK\$3.1 million. Our turnover derived from financial institutions decreased by approximately 3.6% from approximately HK\$16.0 million for the three months ended 30 June 2013 to approximately HK\$15.4 million for the three months ended 30 June 2014. The decrease was primarily due to the decrease in our turnover from IT infrastructure solutions of approximately HK\$3.3 million. It was because one of our top five customers has a non-annual purchase cycle for IT infrastructure solutions and placed its orders at different periods each year. The decrease was partially offset by the increase in our turnover from secondment services of approximately HK\$2.2 million resulting from increase in the number of staff seconded to one of our top five customers to meet its increasing demand for secondment services.

FINANCIAL INFORMATION

Turnover derived from general business enterprises decreased by approximately 8.4% from approximately HK\$89.0 million for the year ended 31 March 2013 to approximately HK\$81.6 million for the year ended 31 March 2014. The decrease in turnover from general business enterprises was primarily due to the decrease in turnover derived from IT infrastructure solutions of approximately HK\$6.9 million and the decrease in turnover derived from IT application and solution development of approximately HK\$3.9 million resulting from the completion of some large major projects. Our turnover derived from general business enterprises increased by approximately 4.6% from approximately HK\$21.4 million for the three months ended 30 June 2013 to approximately HK\$22.4 million for the three months ended 30 June 2014. The increase was primarily due to the increase in turnover from maintenance and support services, IT application and solution development and secondment services segments of approximately HK\$0.4 million, HK\$0.3 million and HK\$0.2 million, respectively.

Turnover derived from government and statutory bodies decreased by approximately 27.1% from approximately HK\$19.8 million for the year ended 31 March 2013 to approximately HK\$14.4 million for the year ended 31 March 2014. The decrease in turnover from government and statutory bodies was mainly attributable to the decrease in turnover derived from IT infrastructure solutions and secondment services of approximately HK\$2.7 million and HK\$3.7 million respectively due to one of our major projects entered into the final stage during the year ended 31 March 2014. Our turnover derived from government and statutory bodies decreased by approximately 91.7% from approximately HK\$6.0 million for the three months ended 30 June 2013 to approximately HK\$0.5 million for the three months ended 30 June 2014. The decrease was primarily due to the decrease in our turnover from IT application and solution development of approximately HK\$4.0 million and the decrease in our turnover from secondment services of approximately HK\$1.0 million due to (i) the completion of large-scale projects during the year ended 31 March 2014; (ii) our Group allocated additional numbers of technical staff in the preparation of the bidding for a government tender, as referred in the Paragraph "Recent development subsequent to Track Record Period" in the section headed "Financial information" in this [REDACTED]; and (iii) there were delays in the tender awarding process.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales mainly comprised purchase of goods and services and direct labour costs. The table below sets out the breakdown of the major components of our cost of sales for the periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2013		2014		2013		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
Purchase of goods and services	94,787	62.9	92,918	61.6	19,335	57.0	16,291	55.1
Direct labour costs	58,673	38.9	57,353	38.0	14,462	42.7	13,151	44.5
Others	<u>(2,668)</u>	<u>(1.8)</u>	<u>686</u>	<u>0.4</u>	<u>94</u>	<u>0.3</u>	<u>115</u>	<u>0.4</u>
	<u>150,792</u>	<u>100.0</u>	<u>150,957</u>	<u>100.0</u>	<u>33,891</u>	<u>100.0</u>	<u>29,557</u>	<u>100.0</u>

The largest component of our cost of sales was purchase of goods and services mainly for our provision of IT application and solution development and IT infrastructure solutions, which amounted to approximately HK\$94.8 million, HK\$92.9 million and HK\$16.3 million, representing approximately 62.9%, 61.6% and 55.1% of our total cost of sales for the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, respectively. Direct labour costs mainly represented the salary, compensation and benefits offered to our staff. Others included provision for expected loss, business tax and other direct costs.

The following table sets out the direct labour costs by segments for the periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2013		2014		2013		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
IT application and solution development	15,770	26.9	11,481	20.0	3,504	24.2	1,626	12.4
Secondment services	30,103	51.3	29,339	51.2	7,210	49.9	7,044	53.6
Maintenance and support services	8,294	14.1	8,825	15.4	1,188	8.2	1,672	12.7
IT infrastructure solutions	<u>4,506</u>	<u>7.7</u>	<u>7,708</u>	<u>13.4</u>	<u>2,560</u>	<u>17.7</u>	<u>2,809</u>	<u>21.3</u>
	<u>58,673</u>	<u>100.0</u>	<u>57,353</u>	<u>100.0</u>	<u>14,462</u>	<u>100.0</u>	<u>13,151</u>	<u>100.0</u>

The direct labour cost in IT application and solution development decreased by HK\$4.3 million from HK\$15.8 million for the year ended 31 March 2013 to HK\$11.5 million for the year ended 31 March 2014 due to the decrease in the revenue from IT application and solution development for the correspondence period. The direct labour cost in IT infrastructure solution increased by HK\$3.2 million

FINANCIAL INFORMATION

for the year ended 31 March 2014 and HK\$0.3 million for the three months ended 30 June 2014 due to the additional costs resulted from the change in product mix from hardware product solutions to software product solutions.

The following table sets out the cost of sales by segments for the periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2013		2014		2013		2014	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	(Unaudited)							
IT application and solution development	16,275	10.8	11,221	7.5	3,650	10.8	1,726	5.8
Secondment services	30,894	20.5	29,955	19.8	7,402	21.8	7,086	24.0
Maintenance and support services	11,303	7.5	13,160	8.7	1,818	5.4	2,616	8.9
IT infrastructure solutions	<u>92,320</u>	<u>61.2</u>	<u>96,621</u>	<u>64.0</u>	<u>21,021</u>	<u>62.0</u>	<u>18,129</u>	<u>61.3</u>
	<u>150,792</u>	<u>100.0</u>	<u>150,957</u>	<u>100.0</u>	<u>33,891</u>	<u>100.0</u>	<u>29,557</u>	<u>100.0</u>

Gross profit and gross profit margin

The following table sets out the gross profit and gross profit margin by segments for each of the periods indicated:

	Year ended 31 March				Three months ended 30 June			
	2013		2014		2013		2014	
	<i>Gross profit margin</i>	<i>HK\$'000</i>	<i>Gross profit margin</i>	<i>HK\$'000</i>	<i>Gross profit margin</i>	<i>HK\$'000</i>	<i>Gross profit margin</i>	<i>HK\$'000</i>
	(Unaudited)							
IT application and solution development	9,720	37.4	10,458	48.2	2,928	44.5	1,448	45.6
Secondment services	11,918	27.8	10,705	26.3	1,914	20.5	3,660	34.1
Maintenance and support services	7,522	40.0	6,454	32.9	2,434	57.2	2,217	45.9
IT infrastructure solutions	<u>16,200</u>	<u>14.9</u>	<u>11,410</u>	<u>10.6</u>	<u>2,190</u>	<u>9.4</u>	<u>1,422</u>	<u>7.3</u>
	<u>45,360</u>	<u>23.1</u>	<u>39,027</u>	<u>20.5</u>	<u>9,466</u>	<u>21.8</u>	<u>8,747</u>	<u>22.8</u>

Our gross profit decreased by approximately 14.0% from approximately HK\$45.4 million for the year ended 31 March 2013 to approximately HK\$39.0 million for the year ended 31 March 2014. This decrease was primarily due to the decrease in gross profit generated from IT infrastructure solutions by approximately 29.6% from approximately HK\$16.2 million for the year ended 31 March 2013 to approximately HK\$11.4 million for the year ended 31 March 2014.

FINANCIAL INFORMATION

The gross profit margin of IT application and solution development increased from approximately 37.4% for the year ended 31 March 2013 to approximately 48.2% for the year ended 31 March 2014. The increase in gross profit margin of IT application and solution development for the year ended 31 March 2014 was due to the decrease in the proportion of direct labour cost to revenue recognised resulting from the decrease in number of staff involved in certain projects during warranty periods.

The gross profit margin of secondment services remained stable at approximately 27.8% and 26.3% for the two years ended 31 March 2013 and 2014, respectively. The decrease in gross profit margin of maintenance and support services from approximately 40.0% for the year ended 31 March 2013 to approximately 32.9% for the year ended 31 March 2014 was primarily due to the completion of a high premium charged maintenance contract during the period.

The gross profit margin of IT infrastructure solutions decreased from approximately 14.9% for the year ended 31 March 2013 to approximately 10.6% for the year ended 31 March 2014. The decrease in gross profit margin of IT infrastructure solutions was primarily due to the increase in direct labour cost for the provision of IT infrastructure solution projects resulted from the change in product mix from hardware product solutions to software product solutions. As the staff cost is relatively fixed in nature, the drop in the turnover had resulted in the drop of gross profit margin of IT infrastructure solutions.

For the three months ended 30 June 2014, our gross profit decreased by approximately 7.6% from HK\$9.5 million for the three months ended 30 June 2013 to approximately HK\$8.7 million. Such decrease was mainly due to the decrease in gross profit generated from IT application and solution development, maintenance and support services and IT infrastructure solutions of approximately HK\$1.5 million, HK\$0.2 million and HK\$0.7 million respectively and was offset by the increase in gross profit of secondment services of approximately HK\$1.7 million.

Our gross profit margin increased from approximately 21.8% for the three months ended 30 June 2013 to approximately 22.8% for the three months ended 30 June 2014 primarily due to the increase in gross profit margins of IT application and solution development and secondment services from approximately 44.5% and 20.5% for the three months ended 30 June 2013 to approximately 45.6% and 34.1% for the three months ended 30 June 2014, respectively. The increase in gross profit margin of IT application and solution development was primarily due to the decrease in direct labour cost from approximately HK\$3.5 million for the three months ended 30 June 2013 to approximately HK\$1.6 million for the three months ended 30 June 2014. The increase in gross profit margin of secondment services was primarily due to the increase in average cost charged by our seconded staff during the period.

The decrease in gross profit margin of maintenance and support services was primarily due to the completion of maintenance contracts with higher profit margin during the three months ended 30 June 2013. The decrease in gross profit margin of IT infrastructure solutions was due to offering of new line of products/services to the market at competitive prices with lower profit margins.

FINANCIAL INFORMATION

Other revenue

Other revenue mainly comprised bank interest income, marketing income and management fee income. The following table sets out the other revenue for each of the periods indicated:

	Year ended 31 March		Three months ended	
			30 June	
	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Bank interest income	47	16	12	1
Marketing income	562	328	45	215
Others	<u>41</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>650</u></u>	<u><u>344</u></u>	<u><u>57</u></u>	<u><u>216</u></u>

For the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, we recorded other revenue of approximately HK\$650,000, HK\$344,000 and HK\$216,000. Marketing income represented subsidies from partners sponsoring our marketing events.

Other net income

Other net income mainly comprised net foreign exchange gain/(loss) and write back of allowance for impairment of amount due from a related company. The following table sets out other net income for each of the periods indicated:

	Year ended 31 March		Three months ended	
			30 June	
	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Net foreign exchange gain	200	139	182	40
Write-back of allowance for impairment of amount due from a related company	<u>422</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u><u>622</u></u>	<u><u>139</u></u>	<u><u>182</u></u>	<u><u>40</u></u>

Other net income amounted to approximately HK\$622,000, HK\$139,000 and HK\$40,000 for the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, respectively. Other net income decreased from approximately HK\$622,000 for the year ended 31 March 2013 to approximately HK\$139,000 for the year ended 31 March 2014 primarily due to the other income of HK\$422,000 from write-back of allowance for impairment of amount due from a related company. Other net income decreased from approximately HK\$182,000 for the three months ended 30 June 2013 to approximately HK\$40,000 for the three months ended 30 June 2014 due to that less foreign currencies was held by us as at 30 June 2014.

FINANCIAL INFORMATION

General and administrative expenses

General and administrative expenses mainly comprised staff costs, rental expenses, office expenses, depreciation and amortisation, marketing and promotion expenses, professional service fees and listing expenses. The following table sets out the general and administrative expenses for each of the years/periods indicated:

	Year ended 31 March		Three months ended 30 June	
	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Staff costs	21,233	22,472	4,396	6,796
Rental expenses	2,382	2,127	498	534
Office expenses	1,045	951	236	280
Depreciation and amortisation	650	462	96	125
Marketing and promotion expenses	1,658	1,536	338	648
Professional service fees	627	1,215	157	(285)
Listing expenses	—	7,402	2,342	750
Others	1,158	762	151	188
	<u>28,753</u>	<u>36,927</u>	<u>8,214</u>	<u>9,036</u>

General and administrative expenses amounted to approximately HK\$28.8 million, HK\$36.9 million and HK\$9.0 million, representing approximately 14.7%, 19.4% and 23.6% of our total turnover for the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, respectively. Our general and administrative expenses was increased by approximately HK\$8.2 million from approximately HK\$28.7 million for the year ended 31 March 2013 to approximately HK\$36.9 million for the year ended 31 March 2014, which was primarily due to the incur of Listing expenses in the amount of approximately HK\$7.4 million for the year ended 31 March 2014. Staff costs mainly represented the basic salary, social welfare contribution and year-end bonus paid to or provided for back office personnel and management teams. Office expenses mainly represented the general administrative expenses of office operations. Professional service fees were incurred for advices and services provided by various professional parties in relation to company secretarial services and accounting services. Our Group incurred approximately [REDACTED], HK\$[REDACTED] and HK\$[REDACTED] in relation to the [REDACTED] for the year ended 31 March 2014 and the three months ended 30 June 2014, respectively. Based on the [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the proposed price range), it is estimated that an aggregate amount of approximately HK\$[REDACTED] million would be paid to the Underwriters and various professional parties as Listing expenses. The Listing expenses borne by our Company will be treated as follows: (i) approximately HK\$[REDACTED] million will be charged to profit or loss account for the year ending 31 March 2015, which will reduce the profit for the year ending 31 March 2015 correspondingly; and (ii) approximately HK\$[REDACTED] million will be accounted for as a deduction from our share premium account for the year ending 31 March 2015.

FINANCIAL INFORMATION

Finance costs

Finance costs primarily represented interest expenses on bank borrowings. For the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014, our finance costs amounted to approximately HK\$362,000, HK\$147,000 and HK\$46,000, representing approximately 0.2%, 0.1% and 0.1% of our total turnover, respectively.

Income tax expenses

The following table sets out the breakdown of our income tax expenses for each of the periods indicated:

	Year ended 31 March		Three months ended	
			30 June	
	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Current income tax	3,529	1,727	640	151
Deferred taxation	<u>(11)</u>	<u>79</u>	<u>—</u>	<u>—</u>
	<u><u>3,518</u></u>	<u><u>1,806</u></u>	<u><u>640</u></u>	<u><u>151</u></u>

Income tax expenses for the year comprise current and deferred tax. Our Company and subsidiaries are incorporated in different jurisdictions with different taxation requirements. The statutory income tax rate of our Company and its subsidiaries registered in Hong Kong is 16.5%. Pursuant to the EIT Law, our PRC subsidiaries have been subject to the PRC's statutory income tax rate of 25%. Our effective tax rate was approximately 21.6% and 74.1% for the two years ended 31 March 2013 and 2014.

The difference between the effective tax rate and the statutory tax rate for the years ended 31 March 2013 and 2014 was primarily due to the effect of non-taxable income.

FINANCIAL INFORMATION

THREE MONTHS ENDED 30 JUNE 2014 COMPARED TO THREE MONTHS ENDED 30 JUNE 2013

Turnover

Our turnover decreased by approximately HK\$5.1 million, or approximately 11.7% from approximately HK\$43.4 million for the three months ended 30 June 2013 to approximately HK\$38.3 million for the three months ended 30 June 2014. The decrease was mainly attributable to the decrease in turnover from IT application and solution development and IT infrastructure solutions of approximately HK\$3.4 million and HK\$3.6 million for the three months ended 30 June 2014, respectively.

IT application and solution development

Our turnover from provision of IT application and solution development decreased by approximately HK\$3.4 million, or approximately 51.7% from approximately HK\$6.6 million for the three months ended 30 June 2013 to approximately HK\$3.2 million for the three months ended 30 June 2014. The decrease was mainly attributable to the decrease in our turnover from government and statutory bodies of approximately HK\$4.0 million partially offset by the increase in turnover from general business enterprises and financial institutions of approximately HK\$0.3 million and HK\$0.3 million respectively.

Secondment services

Turnover from the provision of secondment services increased by approximately HK\$1.4 million, or approximately 15.3% from approximately HK\$9.3 million for the three months ended 30 June 2013 to approximately HK\$10.7 million for the three months ended 30 June 2014. The increase was mainly attributable to the increase in our turnover from financial institutions of approximately HK\$2.2 million. Such increase was due to the increase in the number of staff seconded to one of our top five customers to meet its increasing demand for secondment services.

Maintenance and support services

Our turnover from provision maintenance and support services decreased by approximately HK\$0.6 million, or approximately 13.6% from approximately HK\$4.3 million for the three months ended 30 June 2013 to approximately HK\$4.8 million for the three months ended 30 June 2014. The increase was mainly attributable to the increase in the number of maintenance and support contracts entered into during the three months ended 30 June 2014.

IT infrastructure solutions

Turnover from the provision of IT infrastructure solutions decreased by approximately HK\$3.6 million, or approximately 15.7% from approximately HK\$23.2 million for the three months ended 30 June 2013 to approximately HK\$19.6 million for the three months ended 30 June 2014. The decrease was mainly attributable to the decrease in our turnover from financial institutions of approximately HK\$3.3 million. It was because one of our top five customers has a non-annual purchase cycle for IT infrastructure solutions and placed its orders at different periods each year.

FINANCIAL INFORMATION

Cost of sales

Our cost of sales decreased by approximately HK\$4.3 million, or approximately 12.8% from approximately HK\$33.9 million for the three months ended 30 June 2013 to approximately HK\$29.6 million for the three months ended 30 June 2014. The decrease was mainly attributable to the decrease in purchase of goods and services of approximately HK\$3.0 million which was mainly resulted from the decrease in turnover of IT infrastructure solutions.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$0.7 million, or approximately 7.6% from approximately HK\$9.5 million for the three months ended 30 June 2013 to approximately HK\$8.7 million for the three months ended 30 June 2014. The decrease was mainly attributable to the decrease in gross profit generated from IT application and solution development, maintenance and support services and IT infrastructure solutions of approximately HK\$1.5 million, HK\$0.2 million and HK\$0.7 million respectively and was offset by the increase in gross profit of secondment services of approximately HK\$1.7 million.

Our overall gross profit margin increased from approximately 21.8% for the three months ended 30 June 2013 to approximately 22.8% for the three months ended 30 June 2014. This was primarily due to the increase in gross profit margins of IT application and solution development and secondment services from approximately 44.5% and 20.5% for the three months ended 30 June 2013 to approximately 45.6% and 34.1% for the three months ended 30 June 2014, respectively. The increase in gross profit margin of IT application and solution development was primarily due to the decrease in direct labour cost from approximately HK\$3.5 million for the three months ended 30 June 2013 to approximately HK\$1.6 million for the three months ended 30 June 2014. The increase in gross profit margin of secondment services for the three months ended 30 June 2014 was primarily due to the increase in average cost charged by our seconded staff during the period.

Other revenue

Our other revenue increased by approximately HK\$159,000, from approximately HK\$57,000 for the three months ended 30 June 2013 to approximately HK\$216,000 for the three months ended 30 June 2014. The increase was mainly attributable to the increase of approximately HK\$170,000 in marketing fund provided by our suppliers for promoting their products.

Other net income

Other net income decreased by approximately HK\$142,000, from other net income of approximately HK\$182,000 for the three months ended 30 June 2013 to other net income of approximately HK\$40,000 for the three months ended 30 June 2014. The decrease was mainly attributable to the decrease in net foreign exchange gain of approximately HK\$142,000 for the three months ended 30 June 2014.

FINANCIAL INFORMATION

General and administrative expenses

Our general and administrative expenses increased by approximately HK\$0.8 million, or approximately 10.0% from approximately HK\$8.2 million for the three months ended 30 June 2013 to approximately HK\$9.0 million for the three months ended 30 June 2014. The increase was mainly attributable to the increase in staff costs of approximately HK\$2.4 million from approximately HK\$4.4 million for the three months ended 30 June 2013 to approximately HK\$6.8 million for the three months ended 30 June 2014. The increase in staff costs was because our Group allocated additional numbers of technical staff in the preparation of the bidding for a government tender as referred in the paragraph "Recent development subsequent to Track Record Period" in the section headed "Financial information" in this [REDACTED].

Finance costs

Our finance costs remained stable at approximately HK\$46,000 for the three months ended 30 June 2013 and 2014.

Income tax

Income tax of our Group decreased by approximately HK\$489,000, or approximately 76.4% from approximately HK\$640,000 for the three months ended 30 June 2013 to approximately HK\$151,000 for the three months ended 30 June 2014. The decrease was mainly attributable to the decrease in taxable profits earned during the three months ended 30 June 2014.

Profit for the year

In light of the foregoing, our Group recorded a net profit of approximately HK\$805,000 and a net loss of approximately HK\$230,000 for the three months ended 30 June 2013 and 2014 respectively. The change in net profit of approximately HK\$1.0 million was mainly due to the decrease in gross profit of approximately HK\$0.7 million and the increase in general and administrative expenses of approximately HK\$0.8 million.

YEAR ENDED 31 MARCH 2013 COMPARED TO YEAR ENDED 31 MARCH 2014

Turnover

Our turnover decreased by approximately HK\$6.2 million, or approximately 3.1% from approximately HK\$196.2 million for the year ended 31 March 2013 to approximately HK\$190.0 million for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in turnover from IT application and solution development and secondment services of approximately HK\$4.3 million and HK\$2.2 million for the year ended 31 March 2014, respectively.

IT application and solution development

Our turnover from provision of IT application and solution development decreased by approximately HK\$4.3 million, or approximately 16.6% from approximately HK\$26.0 million for the year ended 31 March 2013 to approximately HK\$21.7 million for the year ended 31 March 2014. The decrease was mainly attributable to the projects for IT application and solution development during the year ended 31 March 2013 were still at their early stage and therefore less turnover were recognised throughout the year ended 31 March 2014.

FINANCIAL INFORMATION

Secondment services

Turnover from the provision of secondment services decreased by approximately HK\$2.2 million, or approximately 5.0% from approximately HK\$42.8 million for the year ended 31 March 2013 to approximately HK\$40.7 million for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in provision of our secondment services to one of our top five customers resulting from our staff turnover of secondment service.

Maintenance and support services

Our turnover from provision maintenance and support services increased by approximately HK\$0.8 million, or approximately 4.2% from approximately HK\$18.8 million for the year ended 31 March 2013 to approximately HK\$19.6 million for the year ended 31 March 2014. The increase was mainly attributable to the increase in premium charged for the renewal of maintenance and support contracts with government and statutory bodies.

IT infrastructure solutions

Turnover from the provision of IT infrastructure solutions remained stable at approximately HK\$108.5 million and HK\$108.0 million for the two years ended 31 March 2014.

Cost of sales

Despite our turnover decreased by approximately 3.1% for the year ended 31 March 2014 as compared to the year ended 31 March 2013, our cost of sales increased by approximately HK\$0.2 million, or approximately 0.1% from approximately HK\$150.8 million for the year ended 31 March 2013 to approximately HK\$151.0 million for the year ended 31 March 2014. The lower cost of sales for the year ended 31 March 2013 was primarily due to the reversal of provision of expected loss which lower the cost of sales by approximately HK\$3.2 million.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK\$6.3 million, or approximately 14.0% from approximately HK\$45.4 million for the year ended 31 March 2013 to approximately HK\$39.0 million for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in gross profit generated from IT infrastructure solutions, maintenance and support services and secondment services of approximately HK\$4.8 million, HK\$1.1 million and HK\$1.2 million respectively. The decrease in gross profit of IT infrastructure solutions was primarily due to the drop in turnover of IT infrastructure solutions and the increase in direct labour cost primarily due to additional staff involved in certain IT infrastructure solution projects resulted from the change in product mix from hardware product solutions to software product solutions. Comparatively, the increase in gross profit of IT application and solution development was due to the decrease in purchase of goods and services. The decrease in gross profit margin of maintenance and support services for the year ended 31 March 2014 was primarily due to the completion of a high-premium-charged maintenance contract during the last correspondence period.

FINANCIAL INFORMATION

Our overall gross profit margin decreased from approximately 23.1% for the year ended 31 March 2013 to approximately 20.5% for the year ended 31 March 2014. This was primarily due to the decrease in gross profit margins of IT infrastructure solutions and maintenance and support services from approximately 14.9% and 40.0% for the year ended 31 March 2013 to approximately 10.6% and 32.9% for the year ended 31 March 2014, respectively.

Other revenue

Our other revenue decreased by approximately HK\$306,000, from approximately HK\$650,000 for the year ended 31 March 2013 to approximately HK\$344,000 for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in marketing income of approximately HK\$234,000.

Other net income

Other net income decreased by approximately HK\$483,000, from other net income of approximately HK\$622,000 for the year ended 31 March 2013 to other net income of approximately HK\$139,000 for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in write-back of allowance for impairment of amount due from a related company of approximately HK\$422,000 for the year ended 31 March 2014.

General and administrative expenses

Our general and administrative expenses increased by approximately HK\$8.2 million, or approximately 28.4% from approximately HK\$28.8 million for the year ended 31 March 2013 to approximately HK\$36.9 million for the year ended 31 March 2014. The increase was mainly attributable to the listing expenses amounting to approximately HK\$7.4 million incurred in relation to the [REDACTED] for the year ended 31 March 2014. There was no such expense in the year ended 31 March 2013.

Finance costs

Our finance costs decreased by approximately HK\$215,000, or approximately 59.4% from approximately HK\$362,000 for the year ended 31 March 2013 to approximately HK\$147,000 for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in bank borrowings from approximately HK\$4.4 million for the year ended 31 March 2013 to approximately HK\$3.3 million for the year ended 31 March 2014.

Income tax

Income tax of our Group decreased by approximately HK\$1.7 million, or approximately 48.7% from approximately HK\$3.5 million for the year ended 31 March 2013 to approximately HK\$1.8 million for the year ended 31 March 2014. The decrease was mainly attributable to the decrease in taxable profits earned during the year ended 31 March 2014.

FINANCIAL INFORMATION

Profit for the year

In light of the foregoing, our Group recorded a net profit of approximately HK\$12.8 million and HK\$0.6 million for the year ended 31 March 2013 and 2014 respectively. The decrease in net profit of approximately HK\$12.2 million was mainly due to the decrease in turnover of approximately HK\$6.2 million, the increase in general and administrative expenses of approximately HK\$8.2 million of which approximately HK\$7.4 million relating to the Listing expense.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds are to finance working capital, growth and expansion of our operations. Our principal sources of funds are cash generated from our operations and bank borrowings. Going forward, we expect these sources to continue to be our principal sources of liquidity, and we expect the net proceeds of the [REDACTED] to increase our liquidity. As at 31 March 2013, 31 March 2014 and 30 June 2014, we had cash and cash equivalents in the combined statement of cash flows of approximately HK\$21.6 million, HK\$14.0 million and HK\$10.8 million respectively.

Our working capital is critical to our financial performance. We must maintain sufficient liquidity and financial flexibility to continue our daily operations.

We may, however, need additional cash resources in the future if we experience changed business conditions or other development. We may also need additional cash resources in the future if we find and wish to pursue opportunities for investment, acquisition, and collaborations of other similar action. If our existing cash resources are insufficient to meet our requirement, we may seek to obtain credit facilities, or sell or issue equity securities, which might result dilution to the Shareholders. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all, where our business and financial results may be adversely affected.

FINANCIAL INFORMATION

The following table sets out a summary of our Group's combined statements of cash flows for each of the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2013 and 2014:

	Year ended 31 March		Three months ended	
			30 June	
	2013	2014	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Net cash generated from/(used in)				
operating activities	4,625	2,385	(1,450)	(996)
Net cash (used in)/generated from				
investing activities	(184)	3,518	3,606	(62)
Net cash used in financing activities	(8,276)	(13,496)	(3,905)	(2,136)
Cash and cash equivalents at beginning				
of year/period	25,418	21,598	21,598	14,005
Effect on changes in foreign exchange				
rate	<u>15</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and cash equivalents at end of				
year/period	<u>21,598</u>	<u>14,005</u>	<u>19,849</u>	<u>10,811</u>

Net cash generated from/used in operating activities

Our net cash generated from operating activities was approximately HK\$4.6 million for the year ended 31 March 2013, which was primarily attributable to our operating cash flow before changes in working capital of approximately HK\$18.0 million and was offset by net decrease in working capital of approximately HK\$11.5 million and income tax payment of approximately HK\$1.9 million. Net decrease in working capital primarily consisted of an increase in trade and other receivable of approximately HK\$1.7 million increase in the amount of unsettled bills from one of our top five customers during the year ended 31 March 2013 and a decrease in trade and other payables of approximately HK\$9.8 million mainly due to a reduction in purchase in light of the decrease in our turnover of IT application and solution development and IT infrastructure solutions.

Our net cash generated from operating activities was approximately HK\$2.4 million for the year ended 31 March 2014, which was primarily attributable to our operating cash flow before changes in working capital of approximately HK\$3.0 million and net increase in working capital of approximately HK\$4.1 million and was offset by income tax payment of approximately HK\$4.7 million. Net increase in working capital primarily resulted from the decrease in trade and other receivables of approximately HK\$1.9 million due to the decrease in our turnover for the year ended 31 March 2014, and the increase in trade and other payables of approximately HK\$5.9 million due to more hardware and software were purchased on credits towards the end of the year ended 31 March 2014.

Our net cash used in operating activities was approximately HK\$1.0 million for the three months ended 30 June 2014, which was primarily attributable to our operating cash flow before changes in working capital of approximately HK\$95,000 and was offset by net decrease in working capital of approximately HK\$214,000. Net increase in working capital primarily resulted from the decrease in

FINANCIAL INFORMATION

trade and other receivables of approximately HK\$6.5 million due to the decrease in turnover for the three months ended 30 June 2014 and the decrease in trade and other payables of approximately HK\$6.7 million due to our decrease in purchase of hardware and software products.

Net cash generated from/used in investing activities

Our Group had net cash outflow in investing activities of approximately HK\$184,000 for the year ended 31 March 2013, which was primarily attributable to (i) a payment for purchase of plant and equipment of approximately HK\$222,000, (ii) an increase in pledged bank deposits of approximately HK\$9,000, partially offset by interest received of approximately HK\$47,000.

Our Group had net cash inflow in investing activities of approximately HK\$3.5 million for the year ended 31 March 2014, which was primarily attributable to a decrease in pledged bank deposits of approximately HK\$2.9 million, interest received of approximately HK\$16,000 and cash inflow from the Disposal of approximately HK\$775,000, partially offset by a payment for plant and equipment of approximately HK\$166,000.

Our Group had net cash outflow investing activities of approximately HK\$62,000 for the three months ended 30 June 2014, which was primarily attributable to a payment for plant and equipment of approximately HK\$40,000 and a payment for purchase of intangible assets of approximately HK\$23,000, partially offset by interest received of approximately HK\$1,000.

Net cash generated from/used in financing activities

Our Group had net cash outflow from financing activities of approximately HK\$8.3 million for the year ended 31 March 2013, which was attributable to (i) repayment of bank borrowings amounting to approximately HK\$5.5 million, (ii) interest payment of approximately HK\$0.4 million, (iii) dividend payment of approximately HK\$5.3 million, and (iv) repayment to related parties of approximately HK\$63,000, and was offset by proceeds from new bank loans of approximately HK\$3.0 million.

Our Group had net cash outflow from financing activities of approximately HK\$13.5 million for the year ended 31 March 2014, which was attributable to (i) the dividend payment of approximately HK\$16.1 million, (ii) the repayment of bank borrowings amounting to approximately HK\$5.0 million, (iii) the interest payment of approximately HK\$0.1 million, (iv) the finance lease rentals payment of approximately HK\$0.2 million, (v) offset by the advance from related parties of approximately HK\$4.0 million, and (vi) proceeds from new bank loan of approximately HK\$4.0 million.

Our Group had net cash outflow from financing activities of approximately HK\$2.1 million for the three months ended 30 June 2014, which was mainly attributable to the repayment of bank borrowings amounting to approximately HK\$1.0 million and the repayment to related parties of approximately HK\$1.0 million.

FINANCIAL INFORMATION

NET CURRENT ASSETS

The table below sets forth our current assets and current liabilities as at the dates indicated:

	As at		As at	As at
	31 March		30 June	30 September
	2013	2014	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)
Current assets				
Trade and other receivables	44,898	46,783	40,321	48,435
Pledged bank deposits	2,898	—	—	—
Tax recoverable	—	1,100	1,696	1,573
Cash and cash equivalents	<u>20,431</u>	<u>14,005</u>	<u>12,612</u>	<u>18,422</u>
	68,227	61,888	54,629	68,430
Assets of disposal group classified as held for sale	<u>1,530</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>69,757</u>	<u>61,888</u>	<u>54,629</u>	<u>68,430</u>
Current liabilities				
Bank borrowings	4,377	3,343	4,152	1,350
Obligation under finance lease	—	339	345	321
Trade and other payables	25,757	34,709	27,018	41,257
Current taxation	<u>2,279</u>	<u>387</u>	<u>257</u>	<u>623</u>
	32,413	38,778	31,772	43,551
Liabilities of disposal group classified as held for sale	<u>1,749</u>	<u>—</u>	<u>—</u>	<u>—</u>
	34,162	38,778	31,772	43,551
Net current assets	<u><u>35,595</u></u>	<u><u>23,110</u></u>	<u><u>22,857</u></u>	<u><u>24,879</u></u>

We recorded net current assets of approximately HK\$35.6 million, HK\$23.1 million and HK\$22.9 million as at 31 March 2013, 31 March 2014 and 30 June 2014, respectively.

Our net current assets decreased by approximately HK\$12.5 million from approximately HK\$35.6 million as at 31 March 2013 to approximately HK\$23.1 million as at 31 March 2014. The decrease was primarily attributable to the increase in trade and other payables of approximately HK\$9.0 million, decrease in cash and cash equivalents of approximately HK\$6.4 million and the decrease in pledged bank deposits of approximately HK\$2.9 million partially offset by the increase in trade and other receivables of approximately HK\$1.9 million and the decrease in bank borrowing of approximately HK\$1.0 million.

FINANCIAL INFORMATION

Our net current assets decreased by approximately HK\$0.2 million from approximately HK\$23.1 million as at 31 March 2014 to approximately HK\$22.9 million as at 30 June 2014. The decrease was primarily attributable to the decrease in trade and other receivables of approximately HK\$6.5 million, the decrease in cash and cash equivalents of approximately HK\$1.4 million and the increase in bank borrowings of approximately HK\$0.8 million partially offset by the decrease in trade and other payables of approximately HK\$7.7 million.

ANALYSIS OF SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Trade and other receivables

The following table sets forth the breakdown of trade and other receivables as at the end of each reporting period:

	As at 31 March		As at 30 June
	2013	2014	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	31,258	38,608	30,247
Gross amounts due from customers for contract work	3,236	4,192	5,882
Amounts due from related parties	9,251	2,917	2,932
Rental and other deposits	633	729	710
Prepayments	520	312	525
Other receivables	—	25	25
	<u>44,898</u>	<u>46,783</u>	<u>40,321</u>

Our trade and other receivables increased from approximately HK\$44.9 million as at 31 March 2013 to approximately HK\$46.8 million as at 31 March 2014. The increase was primarily due to the increase in trade debtors of approximately HK\$7.4 million and the increase in gross amounts due from customers for contract work of approximately HK\$1.0 million, which were offset by the decrease in amounts due from related parties of approximately HK\$6.3 million. The increase in trade debtors of approximately HK\$7.4 million was mainly due to the increase in amount of unsettled bills from one of our top five customers.

Our trade and other receivables decreased from approximately HK\$46.8 million as at 31 March 2014 to approximately HK\$40.3 million as at 30 June 2014. The decrease was primarily due to the decrease in trade debtors of approximately HK\$8.4 million partially offset by the increase in gross amounts due from customers for contract work of approximately HK\$1.7 million. The decrease in trade debtors was mainly due to the decrease in our turnover for the three months ended 30 June 2014.

FINANCIAL INFORMATION

Trade debtors

The following table sets forth the trade debtors turnover days (calculated as the average of beginning and ending trade debtors balances for the period divided by turnover for the period, multiplied by the number of the days in the period) for the periods indicated:

	Year ended 31 March		Three months ended
	2013	2014	30 June 2014
	<i>Days</i>	<i>Days</i>	<i>Days</i>
Trade debtors turnover days	55.2	67.1	81.8

Our trade debtors turnover days were approximately 55.2 days, 67.1 days and 81.8 days for the two years ended 31 March 2013 and 2014 and for the three months ended 30 June 2014.

Our trade debtors turnover days increased from approximately 55.2 days for the year ended 31 March 2013 to approximately 67.1 days for the year ended 31 March 2014. The increase was primarily due to the increase in the amount of unsettled bills from one of our top five customers, which were subsequently settled and the decrease in our turnover for the year ended 31 March 2014. Our trade debtors turnover days increased to approximately 81.8 days for the three months ended 30 June 2014. The increase was primarily due to increase in trade debtors aged from one to three months during such period.

The following table illustrates the aging analysis of trade debtors that are neither individually nor collectively considered to be impaired:

	As at 31 March		As at
	2013	2014	30 June 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	25,607	27,416	24,425
Less than 1 month past due	1,876	5,848	2,576
1 to 3 months past due	506	3,084	1,100
Over 3 months past due	3,269	2,260	2,146
	31,258	38,608	30,247

Our trade debtors that were neither past due nor impaired related to customers and debtors for whom there was no recent history of default. Based on the past experience of our Group, our Directors believe that trade debtors that are past due but not impaired are generally recoverable and no impairment allowance is necessary.

FINANCIAL INFORMATION

As at 30 September 2014, approximately HK\$18.7 million of our total trade debtors as at 30 June 2014 had been subsequently settled, representing approximately 62.0% of the outstanding trade debtors as at 30 June 2014. During the Track Record Period, our Group has neither written down any trade debtors nor reduced the carrying amounts of any trade debtors through the use of allowance account.

Trade and other payables

The following table sets forth the breakdown of trade and other payables as at the end of each reporting period:

	As at 31 March		As at
	2013	2014	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	7,254	13,939	10,387
Gross amounts due to customers for contract work	1,660	—	—
Customers' deposits received	3,730	2,078	2,891
Deferred income	3,943	1,577	5,963
Accrued service costs	4,787	4,330	1,729
Other accrued expenses	2,205	7,779	2,057
Amounts due to related parties	1,773	4,781	3,766
Other taxes payables	180	—	—
Dividend payable to equity owners	<u>225</u>	<u>225</u>	<u>225</u>
	<u>25,757</u>	<u>34,709</u>	<u>27,018</u>

Our trade and other payables increased from approximately HK\$25.8 million as at 31 March 2013 to approximately HK\$34.7 million as at 31 March 2014. The increase was primarily due to the increase in trade creditors of approximately HK\$6.7 million, increase in other accrued expenses of approximately HK\$5.6 million and increase in amounts due to related parties of approximately HK\$3.0 million.

Our trade creditors amounted to approximately HK\$7.3 million and HK\$13.9 million as at 31 March 2013 and 2014 respectively. The increase in trade creditors was mainly due to the increase in hardware and software purchased on credit towards the end of the year ended 31 March 2014. The increase in accrued expenses was primarily due to the decrease in our turnover of maintenance and support services which led to decrease in accrued expenses. Our trade creditors decreased to approximately HK\$10.4 million as at 30 June 2014. The decrease was primarily due to the decrease in hardware and software purchased which is in line with the decrease in turnover of our Group. Our amounts due to related parties decreased from approximately HK\$4.8 million as at 31 March 2014 to approximately HK\$3.8 million as at 30 June 2014 primarily due to the increase in dividend payable to non-controlling shareholders.

Our amounts due to related parties increased from approximately HK\$1.8 million as at 31 March 2013 to approximately HK\$4.8 million as at 31 March 2014 primarily due to the increase in dividend payable to non-controlling shareholders.

FINANCIAL INFORMATION

Trade creditors

The following table sets out the turnover day of trade creditors (calculated as the average of beginning and ending trade creditors balances due to all parties for the period, divided by cost of sales for the period, multiplied by the number of days in the period) for the period indicated:

	Year ended 31 March		Three months ended
	2013	2014	30 June 2014
Trade creditors turnover day	28.8	25.6	37.4

Our trade creditors turnover days were approximately 28.8, 25.6 and 37.4 for the two years ended 31 March 2013, 2014 and for the three months ended 30 June 2014. The decrease was primarily due to our Group slightly accelerated our payment to creditors.

Our trade creditors turnover days increased from approximately 25.6 days for the year ended 31 March 2014 to approximately 37.4 days for the three months ended 30 June 2014. The increase was primarily due to that we fully utilised the credit periods granted by our customers.

Amounts due to/from related parties

As at 30 June 2014 amounts due to related parties was approximately HK\$3.8 million and amounts due from related parties was approximately HK\$3.0 million. The outstanding balances are unsecured, interest free and have no fixed repayment terms.

Amounts due to/from related parties will be settled by internal resources before [REDACTED].

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets out our indebtedness as at the end of each reporting period:

	As at 31 March		As at
	2013	2014	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank overdrafts			
— secured by a fixed deposit provided by a Director of our Company	—	—	1,801
— unsecured	18	—	—
Bank loans			
— secured by a fixed deposit provided by a Director of our Company	—	—	2,351
— unsecured	4,359	3,343	—
Obligation under finance lease			
— current portion	—	339	345
— non-current portion	—	149	60
Amounts due to related parties			
— Yong Man Kim	—	4,271	3,263
— Chan Kwok Pui	—	510	503
— Ho Chak Keung	1	—	—
— Intellectual Capital Outsourcing Limited	792	—	—
	<u>5,170</u>	<u>8,612</u>	<u>8,323</u>

As at 31 March 2013 and 2014 and 30 June 2014, our Group had outstanding indebtedness of approximately HK\$5.2 million, HK\$8.6 million and HK\$8.3 million respectively.

Certain of our banking facilities are subject to compliance with financial covenants. If we fail to comply with these covenants and are unable to rectify such non-compliance, the drawn down facilities may become repayable on demand at the request of the lenders.

As at 31 March 2012, ICO Technology failed to comply with the borrowing covenant of a loan facility in maintaining a tangible net worth of HK\$5 million at all times after the distribution of dividends as at 31 March 2012 due to our Directors inadvertently overlooked the borrowing covenant when considering the declaration of dividends and the Company did not receive any notice from the bank in relation to the breach of covenant. However, such breach had no significant financial impact on our Group's combined financial statements. In August 2012, the bank loan has been fully repaid and the aggregate principal and interest cash outflow of such bank loan approximately amounted to HK\$3,343,000 for the period from 1 April 2012 to the repayment date. We have adopted an internal control measure to ensure our compliance with our bank loan covenants in the future. Please refer to the section headed "Internal control" under "Business" of this [REDACTED] for details.

FINANCIAL INFORMATION

As at 30 September 2014, being the latest practicable date for the purpose of this indebtedness statement in this [REDACTED], our Group had the following borrowings:

	As at 30 September 2014 <i>HK\$'000</i>
Bank loan secured by a fixed deposit provided by a Director of our Company	1,350
Obligation under finance lease	
— current portion	321
— non-current portion	—
Amount due to related parties	<u>3,258</u>
	<u><u>4,929</u></u>

As at 30 September 2014, being the latest practicable date for the purpose of this indebtedness statement in this [REDACTED], our total indebtedness amounted to approximately HK\$4.9 million, consisting of bank loan of approximately HK\$1.4 million which secured by a fixed deposit provided by a Director of our Company, obligation under finance leases of approximately HK\$0.3 million and amount due to related parties of approximately HK\$3.2 million.

Our Group's banking facilities are secured by personal guarantee given by Controlling Shareholders and a fixed deposit provided by a Director of our Company. The guarantees will be released and will be replaced by guarantees from our Company before [REDACTED]. For further information, please see note 24 of "Notes to the Financial Information" in Appendix I of this [REDACTED].

Save as described in this section, as at 30 September 2014, our Group did not have any outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities, acceptance credits, any guarantees or other significant contingent liabilities.

FINANCIAL INFORMATION

KEY FINANCIAL RATIOS

	As at/for the year ended		As at/for the three months ended
	31 March		30 June
	2013	2014	2014
Current ratio	2.0	1.6	1.7
Quick ratio	2.0	1.6	1.7
Gearing ratio	12.0%	15.9%	19.2%
Debt to equity ratio	N/A	N/A	N/A
Return on assets	18.1%	1.0%	(0.4)%
Return on equity	35.2%	2.6%	(1.0)%
Interest coverage	46.1	17.6	(0.7)

1. Current ratio is calculated based on the current assets divided by current liabilities.
2. Quick ratio is calculated based on the current assets less inventories, divided by current liabilities.
3. Gearing ratio is calculated based on the total interest-bearing debt divided by total equity multiplied by 100%.
4. Debt to equity ratio is calculated based on the total interest-bearing debt net of cash and cash equivalents divided by total equity.
5. Return on assets is calculated by the profit for the year divided by total assets multiplied by 100%.
6. Return on equity is calculated by the profit for the year divided by total equity multiplied by 100%.
7. Interest coverage is calculated by the profit before interest and tax divided by interest as at the relevant year end.

Current ratio

As at 31 March 2013 and 31 March 2014, our current ratio was approximately 2.0 and 1.6 respectively. The decrease in our current ratio as at 31 March 2014 was mainly due to decrease in cash and cash equivalents of approximately HK\$6.4 million and the increase in trade and other payables from approximately HK\$25.8 million as at 31 March 2013 to approximately HK\$34.8 million as at 31 March 2014.

As at 30 June 2014, our current ratio remained stable at 1.7 as the decrease in trade and other receivables of approximately HK\$6.4 million and increase in bank borrowings of approximately HK\$0.8 million was offset by decrease in cash and cash equivalent of approximately HK\$1.4 million and decrease in trade and other payables of approximately HK\$7.7 million.

Quick ratio

As at 31 March 2013, 31 March 2014 and 30 June 2014, our current ratio was approximately 2.0, 1.6 and 1.7 respectively. As our Group does not have any inventory during the Track Record Period. The quick ratio of our Group is equal to its current ratio.

FINANCIAL INFORMATION

Gearing ratio

As at 31 March 2013, 31 March 2014 and 30 June 2014, our Group recorded a total interest-bearing debt of approximately HK\$4.4 million, HK\$3.8 million and HK\$4.6 million, respectively, which represented a gearing ratio of approximately 12.0%, 15.9% and 19.2% to the total equity of our Group respectively.

The increase in gearing ratio as at 31 March 2014 as compared to 31 March 2013 was a result of our decrease in our capital reserves of approximately HK\$13.5 million.

The increase in gearing ratio as at 30 June 2014 as compared to 31 March 2014 was a result of increase in our bank borrowings of approximately HK\$0.8 million.

Return on assets

Return on assets for each of the two years ended 31 March 2013 and 2014 and the three months ended 30 June 2014 was approximately 18.1%, 1.0% and (0.4)%, respectively.

Our return on assets decreased to approximately 1.0% for the year ended 31 March 2014 primarily due to the decrease in our net profit resulting from the decrease in our turnover and the increase in general and administrative expenses of approximately HK\$8.2 million as compared to the year ended 31 March 2013. As a result of loss recognised, our return on assets for the three months ended 30 June 2014 was approximately (0.4)%.

Return on equity

Return on equity was approximately 35.2%, 2.6% and (1.0)% for each of the two years ended 31 March 2013, 2014 and the three months ended 30 June 2014 respectively.

Our return on equity decreased to approximately 2.6% for the year ended 31 March 2014, primarily due to the significant decrease in our net profit resulting from the decrease in our turnover and the increase in general and administrative expenses of approximately HK\$8.2 million as compared to the year ended 31 March 2014. As a result of loss recognised, our return on equity for the three months ended 30 June 2014 was approximately (1.0)%.

Interest coverage

Our Group's interest coverage was approximately 46.1, 17.6 and (0.7) for the two years ended 31 March 2013, 2014 and 30 June 2014 respectively.

The decrease in interest coverage for the year ended 31 March 2014 was primarily due to the profit before interest and tax decreased at a faster rate than the interest expenses. As a result of loss recognised, our interest coverage for the three months ended 30 June 2014 was approximately (0.7).

FINANCIAL INFORMATION

COMMITMENTS

Capital commitment

As at 31 March 2013, 31 March 2014 and 30 June 2014, our Group had no material capital commitment.

Operating lease commitments

The table below sets forth our operating lease commitments as at 31 March 2013, 31 March 2014, and 30 June 2014:

	As at 31 March		As at
	2013	2014	30 June
	HK\$'000	HK\$'000	2014
			HK\$'000
Within 1 year	<u>247</u>	<u>1,692</u>	<u>1,670</u>

All of the operating lease commitment related to property leases.

WORKING CAPITAL

Our Directors are of the opinion that, taking into account the financial resources available to us, including internally generated funds, the available banking facilities and the estimated net proceeds of the [REDACTED], our Group has sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this [REDACTED].

OFF-BALANCE SHEET ARRANGEMENT

Other than as described above, we did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements. We do not engage in trading activities involving non-exchange traded contracts. In our ongoing business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 26 April 2013 and has not carried out any business since the date of our incorporation, save for the transactions related to the Reorganisation. Accordingly, there was no reserve available for distribution to our Shareholders as at 30 April 2013.

DIVIDENDS AND DIVIDEND POLICY

We do not have any pre-determined dividend distribution ratio. The declaration of future dividends will be subject to our Directors' decision and will depend on, among other things, our earnings, financial condition, cash requirements and availability, and any other factors that our Directors may consider relevant. Any final dividend for a financial year will be subject to our Shareholders' approval.

FINANCIAL INFORMATION

Dividends declared by our Group for each the two years ended 31 March 2014 were approximately HK\$3.6 million and HK\$15.1 million respectively. As at the Latest Practicable Date, unpaid dividends amounted to approximately HK\$225,000 which will be settled by internal resources.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group did not have any material contingent liabilities.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, our Group had not owned any properties. For details related to the leased properties of our Group, please refer to the paragraph headed "Leased properties" under the section headed "Business" in this [REDACTED].

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

Credit risk

Our Group's credit risk is primarily attributable to trade and other receivables, pledged bank deposits and cash at banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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

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

The credit risk is also concentrated on amounts due from key personnel of our Group. In order to minimise the credit risk, the management of our Group closely monitors the exposure and reviews the recoverable amounts of such receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our directors of our Group consider that our Group's credit risk is significantly reduced.

Our Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when our Group has significant exposure to individual customers. As at 31 March 2013, 31 March 2014 and 30 June 2014, 12%, 15% and 12% of the trade debtors were due from our Group's largest customer, and 64%, 55% and 55% of the trade debtors were due from our Group's five largest customers respectively. Our Group does not provide any guarantees which would expose our Group to credit risk.

FINANCIAL INFORMATION

Liquidity risk

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

Interest rate risk

The interest rate profile of our Group's interest-bearing financial instruments was:

	As at 31 March		As at
	2013	2014	30 June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Variable rate instruments			
<i>Financial liabilities</i>			
Bank overdrafts	(18)	—	(1,801)
Bank loans	(4,359)	(3,343)	(2,351)
<i>Financial assets</i>			
Cash at banks	20,341	13,949	12,556
Pledged bank deposits	2,898	—	—
 Total net deposits	 18,862	 10,606	 8,404

As at 31 March 2013 and 2014, it is estimated that a general increase/decrease of 10 basis points in interest rates for bank borrowings and cash at banks and pledged bank deposits, with all other variables held constant, would increase/decrease our Group's profit/(loss) for the year and retained earnings by approximately HK\$16,000 and HK\$9,000, respectively.

As at 30 June 2014, it is estimated that a general increase/decrease of 10 basis points in interest rate for bank borrowings and cash at banks and pledged bank deposits, with all other variable held constant, would decrease/increase the Group's loss for the period and increase/decrease the Group's retained earnings by approximately HK\$2,000.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of our Group is based on the combined net assets derived from the financial information of our Group as at 30 June 2014, as set out in Appendix I of this [REDACTED] and adjusted as follows:

	Combined net tangible assets attributable to equity owners of our Company as at 30 June 2014	Estimated net proceeds from the [REDACTED]	Unaudited pro forma adjusted combined net tangible assets attributable to the equity owners of our Company	Unaudited pro forma adjusted combined net tangible assets attributable to the equity owners of our Company per Share
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>
Based on an [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Based on an [REDACTED] of HK\$[REDACTED] per Share	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Notes:

1. The combined net tangible assets attributable to equity owners of our Company as at 30 June 2014 are extracted from the Accountants' Report set forth in Appendix I to this [REDACTED], which is based on the combined net assets attributable to equity owners of our Company as at 30 June 2014 of approximately HK\$20,583,000 with an adjustment for the intangible assets attributable to equity owners of our Company as at 30 June 2014 of approximately HK\$40,000.
2. The estimated net proceeds from the [REDACTED] are based on the estimated [REDACTED] of HK\$[REDACTED] per Share and HK\$[0.4] per Share respectively, after deduction of the estimated underwriting fees and other related expenses payable by our Company.
3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustments referred to Note (1) and (2) above and on the assumption that a total of [REDACTED] Shares are in issue immediately after completion of the Capitalisation Issue and the [REDACTED].
4. No adjustment has been made to reflect any operating results or other transactions of our Group entered into subsequent to 30 June 2014.

DISCLOSURE UNDER CHAPTER 17 OF GEM LISTING RULES

Save as disclosed above, our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FINANCIAL INFORMATION

MATERIAL ADVERSE CHANGE

Please refer to the listing expenses incurred or to be incurred as set out under the paragraph headed "Impact on our financial results due to expenses incurred in relation to the [REDACTED]" and our deteriorating financial performance as set out under the paragraph headed "Recent Development subsequent to Track Record Period" in this section.

Save for the above, our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since 30 June 2014, being the date to which our latest audited financial statements were prepared, and up to the date of this [REDACTED].

Impact on our financial results due to expenses incurred in relation to the [REDACTED]

Our Directors estimate that the listing expenses are approximately HK\$[REDACTED] million, of which approximately HK\$[REDACTED] million is chargeable to profit or loss account and approximately HK\$[REDACTED] million will be charged to equity upon [REDACTED] during the year ending 31 March 2015.

RECENT DEVELOPMENT SUBSEQUENT TO TRACK RECORD PERIOD

The following is a summary of our selected unaudited financial information for the six months ended 30 September 2014, which was reviewed by the Reporting Accountants in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. Based on the unaudited management accounts of our Group for the six months ended 30 September 2014, our turnover decreased by approximately 3.9% from approximately HK\$92.3 million for the six months ended 30 September 2013 to approximately HK\$88.7 million for the six months ended 30 September 2014. The decrease was primarily due to the fall in turnover derived from the provision of IT infrastructure solution.

We recorded gross profit of approximately HK\$16.9 million and HK\$20.7 million, representing a gross profit margin of approximately 18.3% and 23.4% for the six months ended 30 September 2013 and 2014 respectively.

As at the Latest Practicable Date, our Group had a total of 15 projects on hand (including projects that have commenced but not yet completed as well as projects that have been awarded to us but not yet commenced). Subsequent to the Track Record Period and up to the Latest Practicable Date, we have been awarded five IT application and solution development projects with contract sum of over HK\$1 million. The five contracts have a total contract sum of approximately HK\$16.1 million, of which four contracts were awarded with the end customers being government bodies and the total contract sum is approximately HK\$14.6 million, and one contract was awarded by an existing client from private sector. The duration of these five projects ranged from 8 to 18 months. As at the Latest Practicable Date, we have commenced work for these five projects.

In addition, our Group partnered with a well-known technology enterprise based in the PRC, the shares of which are listed on A-Share market in the PRC, to bid a government tender of HKSAR. Our partner will act as the main contractor with our Group being the sub-contractor under this tender to provide IT application and solution development services and maintenance services. In October 2014, a

FINANCIAL INFORMATION

letter of conditional acceptance in respect of this tender was received, subject to, among others, the signing of the formal contract. We expect that the formal contract would be entered into with the relevant government body of Hong Kong around December 2014 and that our Group would commence work in December 2014. The duration for the provision of IT application and solution development services is expected to be about 40 months (including 12 months of warranty period) and the provision of maintenance services is expected to be for a period of 9 years.

Our Directors confirm that we did not have any material non-recurring income or expenses for the six months ended 30 September 2014 save for expenses incurred in relation to the [REDACTED]. As at 30 September 2014, approximately 62.0% of outstanding trade debtors as at 30 June 2014 have been subsequently settled. Our bank borrowing amounted to approximately HK\$4.2 million as at 30 June 2014. As at the Latest Practicable Date, unutilised banking facilities amounted to approximately HK\$5.2 million.

Our Directors confirm that (i) there has been no material adverse change in the general economic and market conditions, legal, the industry and the operating environment in which our Group operates that materially and adversely affected our Group's financial or operating position since 30 June 2014 and up to the date of this [REDACTED], (ii) save for the deteriorating financial performance, there has been no other material adverse change in the trading and financial positions or prospects of our Group since 30 June 2014 and up to the date of this [REDACTED], and (iii) no event has occurred since 30 June 2014 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this [REDACTED].