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 three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 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 services

We have engaged in the provision of IT application and solution development services in Hong Kong since 1995. The provision of IT application and solution development services 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 services are 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 experienced cost overun on one IT application and solution development project and recognised a loss of approximately HK$4.2 million for the year ended 31 March 2012 due to the increase in direct labour cost from assigning additional staff to the project; other than this, our Group has not experienced any other 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 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 services, 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 27 February 2015, 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 incorporation to 30 September 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 2012, 2013 and 2014, and 30 September 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 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 2012, 2013 and 2014 and the six months ended 30 September 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 our customers have 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.

(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 the 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.

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 decreases 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.

(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 generate 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 losses 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 six months ended 30 September 2013, and audited combined financial results for the six months ended 30 September 2014 and each of the three years ended 31 March 2012, 2013 and 2014. For more detailed information, please refer to the Accountants' Report in Appendix I to this [REDACTED].

COMBINED INCOME STATEMENTS

	Year ended 31 March			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Turnover	220,687	196,152	189,984	94,654	88,715
Cost of sales	(172,012)	(150,792)	(150,957)	(75,416)	(68,003)
Gross profit	48,675	45,360	39,027	19,238	20,712
Other revenue	56	650	344	211	294
Other net income	184	622	139	244	121
General and administrative expenses	(30,364)	(28,753)	(36,927)	(16,662)	(18,475)
Profit from operations	18,551	17,879	2,583	3,031	2,652
Finance costs	(479)	(362)	(147)	(83)	(102)
Loss on deregistration of inactive subsidiary	(53)	—	—	—	—
Impairment loss on assets of disposal group classified as held for sale	—	(1,202)	—	—	—
Profit before taxation	18,019	16,315	2,436	2,948	2,550
Income tax	(1,890)	(3,518)	(1,806)	(1,223)	(640)
Profit for the year/period	16,129	12,797	630	1,725	1,910

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 three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, the turnover of our Group was approximately HK$220.7 million, HK$196.2 million, HK$190.0 million and HK$88.7 million, respectively.

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

	Year ended 31 March						Six months ended 30 September			
	2012		2013		2014		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
IT application and solution development	33,762	15.3	25,995	13.3	21,679	11.4	12,221	12.9	6,674	7.5
Secondment services	45,409	20.6	42,812	21.8	40,660	21.4	19,757	20.9	21,880	24.7
Maintenance and support services	16,954	7.7	18,825	9.6	19,614	10.3	8,928	9.4	9,933	11.2
IT infrastructure solutions	124,562	56.4	108,520	55.3	108,031	56.9	53,748	56.8	50,228	56.6
	220,687	100.0	196,152	100.0	189,984	100.0	94,654	100.0	88,715	100.0

Turnover derived from IT application and solution development

Our IT application and solution development services generally include 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 services on a project basis.

Our turnover generated from the provision of IT application and solution development amounted to approximately HK$33.8 million, HK$26.0 million and HK$21.7 million, representing approximately 15.3%, 13.3% and 11.4% of our total turnover for the three years ended 31 March 2012, 2013 and 2014, respectively. Our turnover derived from the provision of IT application and solution development services decreased by approximately 23.0% from HK$33.8 million for the year ended 31 March 2012 to HK$26.0 million for the year ended 31 March 2013 primarily due to the decrease in our turnover from general business enterprises of approximately HK$13.2 million, the decrease in our turnover from financial institutions of approximately HK$2.4 million and was offset by the increase in our turnover from government and statutory bodies of approximately HK$7.8 million. The decrease was primarily due to the reduced number of large-scale IT application and solution development projects completed during the year ended 31 March 2013 as compared to the year ended 31 March 2012. Our turnover derived from the provision of IT application and solution development services 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 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 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 services decreased by approximately 45.4% from HK$12.2 million for the six months ended 30 September 2013 to HK$6.7 million for the six months ended 30 September 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$6.4 million partially offset by the increase in turnover from general business enterprises and financial institutions of approximately HK$0.3 million and HK$0.6 million respectively. The decrease in turnover from government and statutory bodies was due to (i) our Group allocated additional numbers of technical staff in preparation of the bidding for a government tender of Project A starting from December 2013, as referred in the paragraph "Recent development subsequent to Track Record Period" in this section; and (ii) 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$45.4 million, HK$42.8 million, HK$40.7 million and HK$21.9 million, representing approximately 20.6%, 21.8%, 21.4% and 24.7% of our total turnover for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Our turnover derived from the provision of secondment services to our customers decreased by approximately 5.7% from approximately HK$45.4 million for the year ended 31 March 2012 to approximately HK$42.8 million for the year ended 31 March 2013 was primarily because of the decrease in number of secondment staff seconded to our customers during the year ended 31 March 2013 causing a shortfall in suitable technical staff to fulfill customers' demand. 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 10.7% from approximately HK$19.8 million for the six months ended 30 September 2013 to approximately HK$21.9 million for the six months ended 30 September 2014. The increase in turnover from secondment services was primarily due to the increase in our turnover from financial institutions of approximately HK$4.2 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 services, 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.

The turnover generated from the provision of maintenance and support services amounted to approximately HK$17.0 million, HK$18.8 million and HK$19.6 million, representing approximately 7.7%, 9.6% and 10.3% of our total turnover for the three years ended 31 March 2012, 2013 and 2014, respectively. Our turnover derived from the provision of maintenance and support services increased by approximately 11.0% from HK$17.0 million for the year ended 31 March 2012 to HK$18.8 million for the year ended 31 March 2013 primarily due to the increase in number of new maintenance and support services agreements following the completion of IT application and solution development projects during the year ended 31 March 2012 and the renewal of maintenance and support contracts with government and statutory bodies during the period. Our turnover derived 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 six months ended 30 September 2014, our turnover derived from the provision of maintenance and support services increased by approximately 11.3% from approximately HK$8.9 million for the six months ended 30 September 2013 to approximately HK$9.9 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 six months ended 30 September 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 56.4%, 55.3% and 56.9% of our total turnover for the three years ended 31 March 2012, 2013 and 2014, respectively. Our turnover from provisions of IT infrastructure solutions decreased from approximately HK$124.6 million for the year ended 31 March 2012 to approximately HK$108.5 million for the year ended 31 March 2013. The decrease in turnover derived from the provision of IT infrastructure solutions during the year ended 31 March 2013 was mainly due to the decrease in turnover of approximately HK$34.8 million from general business enterprises sector and was partly offset by the increase in turnover from financial institutions sector of approximately HK$17.3 million and the increase in turnover from government and statutory bodies of approximately HK$1.5 million. The decrease in turnover from general business enterprises sector was primarily due to the decrease in turnover of approximately HK$18.1 million from one of our top five customers resulting from its decreasing purchase orders over its purchase cycle of IT infrastructure. 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 6.5% from approximately HK$53.7 million for the six months ended 30 September 2013 to approximately HK$50.2 million for the six months ended 30 September 2014. Such decrease was mainly due to the decrease in our turnover from general business enterprises of approximately HK$4.1 million. It was because one of our top five customers had 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						**Six months ended 30 September**			
	2012		**2013**		**2014**		**2013**		**2014**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Hong Kong	211,386	95.8	191,589	97.7	189,984	100.0	94,654	100.0	88,715	100.0
PRC	9,301	4.2	4,563	2.3	—	—	—	—	—	—
	220,687	100.0	196,152	100.0	189,984	100.0	94,654	100.0	88,715	100.0

During the Track Record Period, the majority of our turnover was derived in Hong Kong which accounted for approximately 95.8%, 97.7%, 100.0% and 100.0% of our total turnover for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Our turnover derived in Hong Kong decreased by approximately 9.4% from HK$211.4 million for the year ended 31 March 2012 to approximately HK$191.6 million for the year ended 31 March 2013. Our turnover derived 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 6.3% from approximately HK$94.7 million for the six months ended 30 September 2013 to approximately HK$88.7 million for the six months ended 30 September 2014.

Our turnover derived in the PRC was derived from the provision of IT application and solution development and the provision of IT infrastructure solutions. The provision of IT application and solution development in the PRC accounted for approximately 31.4% and nil for the two years ended 31 March 2012 and 2013, respectively. The provision of IT infrastructure solutions in the PRC accounted for approximately 68.6% and 100.0% of our turnover derived in the PRC for the two years ended 31 March 2012 and 2013, respectively. 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						Six months ended 30 September			
	2012		2013		2014		2013		2014	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
Government and statutory bodies	13,086	5.9	19,798	10.1	14,441	7.6	10,214	10.8	2,157	2.4
Financial institutions	75,259	34.1	87,310	44.5	93,936	49.4	40,484	42.8	46,029	51.9
General business enterprises	132,342	60.0	89,044	45.4	81,607	43.0	43,956	46.4	40,529	45.7
	220,687	100.0	196,152	100.0	189,984	100.0	94,654	100.0	88,715	100.0

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$75.3 million, HK$87.3 million, HK$93.9 million and HK$46.0 million for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Our turnover derived from financial institutions increased by approximately 16.0% from HK$75.3 million for the year ended 31 March 2012 to approximately HK$87.3 million for the year ended 31 March 2013, primarily due to the increase in turnover from IT infrastructure solutions of approximately HK$19.1 million from one of our top five customers for upgrading the banking system and was offset by the decrease in turnover from secondment services of approximately HK$3.7 million due to the decrease in number of secondment staff seconded to our customers resulting from the turnover of our secondment staff for the year ended 31 March 2013. 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 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 increased by approximately 13.7% from approximately HK$40.5 million for the six months ended 30 September 2013 to approximately HK$46.0 million for the six months ended 30 September 2014. The increase was primarily due to increase in our turnover from secondment services of approximately HK$4.2 million resulting from the increase in number of staff seconded to one of our top five customers to meet its increasing demand for secondment services.

Turnover derived from general business enterprises decreased by approximately 32.7% from approximately HK$132.3 million for the year ended 31 March 2012 to approximately HK$89.0 million for the year ended 31 March 2013. The decrease in turnover from general business enterprises was primarily due to the decrease in turnover from IT infrastructure solutions of approximately HK$18.1 million of one of the top five customers for the year ended 31 March 2013 decreasing purchase orders over its purchase cycle of IT infrastructure solutions and a decrease in number of IT application and solution development projects completed during the year ended 31 March 2013. 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$6.8 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 decreased by approximately 7.8% from approximately HK$44.0 million for the six months ended 30 September 2013 to approximately HK$40.5 million for the six months ended 30 September 2014. The decrease was primarily due to the decrease in turnover from IT infrastructure solutions of approximately HK$4.1 million resulting from several long-term relationship customers decreasing purchase orders over their purchase cycle of IT infrastructure solutions.

Turnover derived from government and statutory bodies increased by approximately 51.3% from approximately HK$13.1 million for the year ended 31 March 2012 to approximately HK$19.8 million for the year ended 31 March 2013. The increase in turnover from government and statutory bodies was mainly attributable to the increase in turnover contributed by two major IT application and solution development projects during the year ended 31 March 2013. 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 78.9% from approximately HK$10.2 million for the six months ended 30 September 2013 to approximately HK$2.2 million for the six months ended 30 September 2014. The decrease was primarily due to the decrease in our turnover from IT application and solution development of approximately HK$6.4 million and the decrease in our turnover from secondment services of approximately HK$1.5 million due to the fact that (i) our Group allocated additional numbers of technical staff in the preparation of the bidding for a government tender of Project A starting from December 2013, as referred in the Paragraph "Recent development subsequent to Track Record Period" in this section; and (ii) there were delays in the tender awarding process.

Cost of sales

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

	Year ended 31 March						Six months ended 30 September			
	2012		2013		2014		2013		2014	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
							(Unaudited)			
Purchase of goods and services	105,998	61.6	94,787	62.9	92,918	61.6	46,190	61.2	40,025	58.9
Direct labour cost	61,481	35.7	58,673	38.9	57,353	38.0	28,950	38.4	27,660	40.7
Others	4,533	2.7	(2,668)	(1.8)	686	0.4	276	0.4	318	0.4
	172,012	100.0	150,792	100.0	150,957	100.0	75,416	100.0	68,003	100.0

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$106.0 million, HK$94.8 million, HK$92.9 million and HK$40.0 million, representing approximately 61.6%, 62.9%, 61.6% and 58.9% of our total cost of sales for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Direct labour cost 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 cost by segments for the periods indicated:

	Year ended 31 March						**Six months ended 30 September**			
	2012		**2013**		**2014**		**2013**		**2014**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
							(Unaudited)			
IT application and solution development	18,889	30.7	15,770	26.9	11,481	20.0	6,291	21.7	4,268	15.4
Secondment services	32,293	52.5	30,103	51.3	29,339	51.2	14,635	50.5	14,263	51.6
Maintenance and support services	6,411	10.5	8,294	14.1	8,825	15.4	4,621	16.0	3,655	13.2
IT infrastructure solutions	3,888	6.3	4,506	7.7	7,708	13.4	3,403	11.8	5,474	19.8
	61,481	100.0	58,673	100.0	57,353	100.0	28,950	100.0	27,660	100.0

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 periods. The direct labour cost in IT infrastructure solution increased by HK$3.2 million for the year ended 31 March 2014 and HK$2.1 million for the six months ended 30 September 2014 as compared to the corresponding periods 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						**Six months ended 30 September**			
	2012		**2013**		**2014**		**2013**		**2014**	
	HK$'000	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%	*HK$'000*	%
					(Unaudited)					
IT application and solution development	24,871	14.5	16,275	10.8	11,221	7.5	6,465	8.6	4,401	6.5
Secondment services	33,391	19.4	30,894	20.5	29,955	19.8	15,049	20.0	14,384	21.1
Maintenance and support services	10,588	6.1	11,303	7.5	13,160	8.7	5,680	7.5	5,594	8.2
IT infrastructure solutions	103,162	60.0	92,320	61.2	96,621	64.0	48,222	63.9	43,624	64.2
	172,012	100.0	150,792	100.0	150,957	100.0	75,416	100.0	68,003	100.0

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						Six months ended 30 September			
	2012		2013		2014		2013		2014	
		Gross profit margin		*Gross profit margin*		*Gross profit margin*		*Gross profit margin*		*Gross profit margin*
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(Unaudited)			
IT application and solution development	8,891	26.3	9,720	37.4	10,458	48.2	5,756	47.1	2,273	34.1
Secondment services	12,018	26.5	11,918	27.8	10,705	26.3	4,708	23.8	7,496	34.3
Maintenance and support services	6,366	37.5	7,522	40.0	6,454	32.9	3,248	36.4	4,339	43.7
IT infrastructure solutions	21,400	17.2	16,200	14.9	11,410	10.6	5,526	10.3	6,604	13.1
	48,675	22.1	45,360	23.1	39,027	20.5	19,238	20.3	20,712	23.3

Our gross profit decreased by approximately 6.8% from approximately HK$48.7 million for the year ended 31 March 2012 to approximately HK$45.4 million for the year ended 31 March 2013. This decrease was primarily due to the decrease in gross profit generated from IT infrastructure solutions by approximately 24.3% from approximately HK$21.4 million for the year ended 31 March 2012 to approximately HK$16.2 million for the year ended 31 March 2013 and was offset by the increase in gross profit generated from IT application and solution development and maintenance and support services of approximately HK$0.8 million and HK$1.2 million, respectively.

The gross profit margin of IT application and solution development increased from approximately 26.3% for the year ended 31 March 2012 to approximately 37.4% for the year ended 31 March 2013. The lower gross profit margin of IT application and solution development for the year ended 31 March 2012 was due to the provision for expected loss and other extra direct cost for subcontracting work incurred from a project for a multi-national client in general business enterprise segment undertaken by our Group during the year ended 31 March 2012.

The gross profit margin of secondment services remained stable at approximately 26.5% and 27.8% for the two years ended 31 March 2012 and 2013, respectively. The increase in gross profit margin of maintenance and support services from approximately 37.5% for the year ended 31 March 2012 to approximately 40.0% for the year ended 31 March 2013 was primarily due to higher premium charged for the renewal of maintenance contracts with government and statutory bodies and the fact that our Group entered into a high-premium-charged maintenance contract during the year ended 31 March 2013.

The gross profit margin of IT infrastructure solutions decreased from approximately 17.2% for the year ended 31 March 2012 to approximately 14.9% for the year ended 31 March 2013. 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.

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.

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 six months ended 30 September 2014, our gross profit increased by approximately 7.7% from HK$19.2 million for the six months ended 30 September 2013 to approximately HK$20.7 million. Such increase was due to the increase in gross profit generated from secondment services, maintenance and support services and IT infrastructure solutions of approximately HK$2.8 million, HK$1.1 million and HK$1.1 million, respectively and was offset by the decrease in gross profit of IT application and solution development of approximately HK$3.5 million.

Our gross profit margin increased from approximately 20.3% for the six months ended 30 September 2013 to approximately 23.3% for the six months ended 30 September 2014 primarily due to the increase in gross profit margins of secondment services and maintenance and support services from approximately 23.8% and 36.4% for the six months ended 30 September 2013 to approximately 34.3% and 43.7% for the six months ended 30 September 2014, respectively. 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 increase in gross profit margin of maintenance and support services was mainly due to the increase in service charges of two major customers of maintenance and support services.

The decrease in gross profit margin of IT application and solution development services was primarily due to the pricing strategy for launching new line of IT application and solutions development services.

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			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Bank interest income	12	47	16	14	1
Marketing income	18	562	328	197	293
Others	26	41	—	—	—
	56	650	344	211	294

For the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, we recorded other revenue of approximately HK$56,000, HK$650,000, HK$344,000 and HK$294,000. 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			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Net foreign exchange gain	184	200	139	244	121
Write-back of allowance for impairment of amount due from a related company	—	422	—	—	—
	184	622	139	244	121

Other net income amounted to approximately HK$184,000, HK$622,000, HK$139,000 and HK$121,000 for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. Other net income increased from approximately HK$184,000 for the year ended 31 March 2012 to approximately HK$622,000 for the year ended 31 March 2013 primarily due to the other income of approximately HK$422,000 from write-back of allowance for impairment of amount due from a related company. Other net income decreased from approximately HK$244,000 for the six months ended 30 September 2013 to approximately HK$121,000 for the six months ended 30 September 2014 due to the fact that less foreign currency was held by us as at 30 September 2014.

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 [REDACTED] expenses. The following table sets out the general and administrative expenses for each of the years/periods indicated:

	Year ended 31 March			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Staff costs	23,875	21,233	22,472	9,471	14,208
Rental expenses	2,427	2,382	2,127	1,139	1,068
Office expenses	1,030	1,045	951	497	598
Depreciation and amortisation	510	650	462	191	253
Marketing and promotion expenses	1,285	1,658	1,536	695	1,124
Professional service fees	561	627	1,215	160	(282)
[REDACTED] expenses	—	—	7,402	3,879	1,213
Others	676	1,158	762	630	293
	30,364	28,753	36,927	16,662	18,475

General and administrative expenses amounted to approximately HK$30.4 million, HK$28.8 million, HK$36.9 million and HK$18.5 million, representing approximately 13.8%, 14.7%, 19.4% and 20.8% of our total turnover for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, respectively. 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 general and administrative expenses was increased by approximately HK$8.1 million from approximately HK$28.8 million for the year ended 31 March 2013 to approximately HK$36.9 million for the year ended 31 March 2014, which was primarily due to the [REDACTED] expenses in the amount of approximately HK$[REDACTED] for the year ended 31 March 2014. Our Group incurred approximately nil, nil, HK$[REDACTED] and HK$[REDACTED] in relation to the [REDACTED] for the years ended 31 March 2012, 31 March 2013 and 31 March 2014 and the six months ended 30 September 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] would be paid to the [REDACTED] and various professional parties as [REDACTED] expenses. The [REDACTED] expenses borne by our Company will be treated as follows: (i) approximately HK$4.8 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$7.0 million will be accounted for as a deduction from our share premium account for the year ending 31 March 2015.

Finance cost

Finance cost primarily represented interest expenses on bank borrowings. For the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014, our finance cost amounted to approximately HK$479,000, HK$362,000, HK$147,000 and HK$102,000, representing approximately 0.2%, 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			**Six months ended 30 September**	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Current income tax	1,843	3,529	1,727	1,223	640
Deferred taxation	47	(11)	79	—	—
	1,890	3,518	1,806	1,223	640

Income tax expenses for the year comprising 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 10.5%, 21.6% and 74.1% for the three years ended 31 March 2012, 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.

SIX MONTHS ENDED 30 SEPTEMBER 2014 COMPARED TO SIX MONTHS ENDED 30 SEPTEMBER 2013

Turnover

Our turnover decreased by approximately HK$5.9 million, or approximately 6.3% from approximately HK$94.7 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 mainly attributable to the decrease in turnover from IT application and solution development and IT infrastructure solutions of approximately HK$5.5 million and HK$3.5 million for the six months ended 30 September 2014, respectively and was offset by the increase in turnover from secondment services and maintenance and support services of approximately HK$2.1 million and HK$1.0 million, respectively.

IT application and solution development

Our turnover from the provision of IT application and solution development services decreased by approximately HK$5.5 million, or approximately 45.4% from approximately HK$12.2 million for the six months ended 30 September 2013 to approximately HK$6.7 million for the six months ended 30 September 2014. The decrease was mainly attributable to the decrease in our turnover from government and statutory bodies of approximately HK$6.4 million partially offset by the increase in turnover from general business enterprises and financial institutions of approximately HK$0.3 million and HK$0.6 million respectively.

Secondment services

Turnover from the provision of secondment services increased by approximately HK$2.1 million, or approximately 10.7% from approximately HK$19.8 million for the six months ended 30 September 2013 to approximately HK$21.9 million for the six months ended 30 September 2014. The increase was mainly attributable to the increase in our turnover from financial institutions of approximately HK$4.2 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 increased by approximately HK$1.0 million, or approximately 11.3% from approximately HK$8.9 million for the six months ended 30 September 2013 to approximately HK$9.9 million for the six months ended 30 September 2014. The increase was mainly attributable to the increase in the number of maintenance and support contracts entered into during the six months ended 30 September 2014.

IT infrastructure solutions

Turnover from the provision of IT infrastructure solutions decreased by approximately HK$3.5 million, or approximately 6.5% from approximately HK$53.7 million for the six months ended 30 September 2013 to approximately HK$50.2 million for the six months ended 30 September 2014. The decrease was mainly attributable to the decrease in our turnover from general business enterprises of approximately HK$4.1 million. It was because one of our top five customers had a non-annual purchase cycle for IT infrastructure solutions and placed its orders at different periods each year.

Cost of sales

Our cost of sales decreased by approximately HK$7.4 million, or approximately 9.8% from approximately HK$75.4 million for the six months ended 30 September 2013 to approximately HK$68.0 million for the six months ended 30 September 2014. The decrease was mainly attributable to the decrease in purchase of goods and services of approximately HK$6.2 million which was mainly resulted from the decrease in turnover of IT infrastructure solutions.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$1.5 million, or approximately 7.7% from approximately HK$19.2 million for the six months ended 30 September 2013 to approximately HK$20.7 million for the six months ended 30 September 2014. The increase was mainly attributable to the increase in gross profit generated from secondment services, maintenance and support services and IT infrastructure solutions of approximately HK$2.8 million, HK$1.1 million and HK$1.1 million respectively and was offset by the decrease in gross profit of IT application and solution development of approximately HK$3.5 million.

Our overall gross profit margin increased from approximately 20.3% for the six months ended 30 September 2013 to approximately 23.3% for the six months ended 30 September 2014. This was primarily due to the increase in gross profit margins of secondment services and maintenance and support services from approximately 23.8% and 36.4% for the six months ended 30 September 2013 to approximately 34.3% and 43.7% for the six months ended 30 September 2014, respectively. The increase in gross profit margin of secondment services for the six months ended 30 September 2014 was primarily due to the increase in average cost charged by our seconded staff during the period. The increase in gross profit margin of maintenance and support services was mainly due to the increase in service charges of two major customers of maintenance and support services.

Other revenue

Our other revenue increased by approximately HK$83,000, from approximately HK$211,000 for the six months ended 30 September 2013 to approximately HK$294,000 for the six months ended 30 September 2014. The increase was mainly attributable to the increase of approximately HK$96,000 in marketing fund provided by our suppliers for promoting their products.

Other net income

Other net income decreased by approximately HK$123,000, from other net income of approximately HK$244,000 for the six months ended 30 September 2013 to other net income of approximately HK$121,000 for the six months ended 30 September 2014. The decrease was mainly attributable to the decrease in net foreign exchange gain of approximately HK$123,000 for the six months ended 30 September 2014.

General and administrative expenses

Our general and administrative expenses increased by approximately HK$1.8 million, or approximately 10.9% from approximately HK$16.7 million for the six months ended 30 September 2013 to approximately HK$18.5 million for the six months ended 30 September 2014. The increase was mainly attributable to the increase in staff costs of approximately HK$4.7 million from approximately HK$9.5 million for the six months ended 30 September 2013 to approximately HK$14.2 million for the six months ended 30 September 2014. The increase in staff costs was because of the fact that our Group allocated additional number of technical staff in the preparation of the bidding for a government tender as referred in the paragraph "Recent development subsequent to the Track Record Period" in the section headed "Financial information" in this prospects.

Finance cost

Our finance cost remained stable and was approximately HK$83,000 and HK$102,000 for the six months ended 30 September 2013 and 2014, respectively.

Income tax

Income tax of our Group decreased by approximately HK$0.6 million, or approximately 47.7% from approximately HK$1.2 million for the six months ended 30 September 2013 to approximately HK$0.6 million for the six months ended 30 September 2014. The decrease was mainly attributable to decrease in non-tax deductible expenses during the six months ended 30 September 2014 as compared to the corresponding period in 2013.

Profit for the year

In light of the foregoing, our net profit increased by approximately HK$0.2 million, or approximately 10.7%, from approximately HK$1.7 million for the six months ended 30 September 2013 to approximately HK$1.9 million for the six months ended 30 September 2014. The change in net profit was mainly due to the increase in gross profit of approximately HK$1.5 million and the decrease in income tax expenses of approximately HK$0.6 million and was offset by the increase in general and administrative expenses of approximately HK$1.8 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 as they were still at their early stage and therefore less turnover was recognised throughout the year ended 31 March 2014.

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 the 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 lowered 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.

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 margin 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$36.9 million for the year ended 31 March 2014. The increase was mainly attributable to the [REDACTED] expenses amounting to approximately HK$[REDACTED] incurred in relation to the [REDACTED] for the year ended 31 March 2014. There were no such expenses in the year ended 31 March 2013.

Finance cost

Our finance cost 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.

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 the turnover of approximately HK$6.2 million, the increase in the general and administrative expenses of approximately HK$8.2 million of which approximately HK$[REDACTED] relates to the [REDACTED] expense.

YEAR ENDED 31 MARCH 2013 COMPARED TO YEAR ENDED 31 MARCH 2012

Turnover

Our total turnover decreased by approximately HK$24.5 million, or approximately 11.1% from approximately HK$220.7 million for the year ended 31 March 2012 to approximately HK$196.2 million for the year ended 31 March 2013. The decrease was mainly attributable to the significant decrease in the turnover derived from IT infrastructure solutions by approximately 12.9% from approximately HK$124.6 million for the year ended 31 March 2012 to approximately HK$108.5 million for the year ended 31 March 2013 and the decrease in the turnover derived from IT application and solution development by approximately 23.0% from approximately HK$33.8 million for the year ended 31 March 2012 to approximately HK$26.0 million for the year ended 31 March 2013.

IT application and solution development

Our turnover from the provision of IT application and solution development decreased by approximately HK$7.8 million, or 23.0% from approximately HK$33.8 million for the year ended 31 March 2012 to approximately HK$26.0 million for the year ended 31 March 2013. The decrease was primarily due to the decrease in our turnover from the general business enterprises of approximately HK$13.2 million and the decrease in our turnover from financial institutions of approximately HK$2.4 million and was offset by the increase in our turnover from government and statutory bodies of approximately HK$7.8 million. Such decrease was primarily due to fewer IT application and solution development projects completed during the year ended 31 March 2012 as compared to the year ended 31 March 2013. Some large-scale projects from general business enterprises and financial institutions were completed in the second half of the year ended 31 March 2012 and new projects for IT application and solution development were started during the year ended 31 March 2013 that led to the decrease in the turnover recognised during the early stage of the development progress throughout the year ended 31 March 2013.

Secondment services

Our turnover from the provision of secondment services decreased by approximately HK$2.6 million, or 5.7% from approximately HK$45.4 million for the year ended 31 March 2012 to approximately HK$42.8 million for the year ended 31 March 2013. The decrease was primarily due to the decrease in the number of secondment staff resulting from the staff turnover of secondment services during the year ended 31 March 2013. There was a shortfall in suitable technical staff to fulfill customers' demand.

Maintenance and support services

Our turnover from the provision of maintenance and support services increased by approximately HK$1.9 million, or 11.0% from approximately HK$17.0 million for the year ended 31 March 2012 to approximately HK$18.8 million for the year ended 31 March 2013. The increase was primarily due to the newly entered maintenance and support services contracts with customers followed by the completion of IT application and solution development projects during the year ended 31 March 2012 and the renewal of maintenance contracts with government and statutory bodies.

IT infrastructure solutions

Turnover from the provision of IT infrastructure solutions decreased by approximately 12.9% from approximately HK$124.6 million for the year ended 31 March 2012 to approximately HK$108.5 million for the year ended 31 March 2013. The decrease was primarily due to the decrease in the turnover of approximately HK$34.8 million from general business enterprises and was partly offset by the increase in the turnover from financial institutions of approximately HK$17.3 million and the increase in the turnover from government and statutory bodies of approximately HK$1.5 million. The decrease in the turnover from general business enterprises was primarily due to the decrease in the turnover of approximately HK$18.1 million from one of the top five customers for the year ended 31 March 2013 resulting from its decreasing purchase orders over its purchase cycle of IT infrastructure.

Cost of sales

Our cost of sales decreased by approximately HK$21.2 million, or 12.3%, from approximately HK$172.0 million for the year ended 31 March 2012 to approximately HK$150.8 million for the year ended 31 March 2013. The decrease was primarily due to (i) the decrease in purchase of goods and services which was resulted from the decrease in the turnover of IT application and solution development and IT infrastructure solutions; (ii) the reversion of provision of expected loss; and (iii) the decrease in direct labour cost involved in projects of IT application and software development.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$3.3 million or 6.8%, from approximately HK$48.7 million for the year ended 31 March 2012 to approximately HK$45.4 million for the year ended 31 March 2013. The decrease was primarily due to the decrease in gross profit generated from IT infrastructure solutions by approximately 24.3% from approximately HK$21.4 million for the year ended 31 March 2012 to approximately HK$16.2 million for the year ended 31 March 2013 and was offset by the increase in gross profit generated from IT application and solution development and maintenance and support services of approximately HK$0.8 million and HK$1.2 million, respectively. The decrease in gross profit of IT infrastructure solutions was primarily due to the decrease in the turnover derived from this segment and the increase in direct labour cost of infrastructure team for the provision of IT infrastructure solutions. Comparatively, the increase in gross profit of IT application and solution development was due to the decrease in other direct cost and the expected loss which was incurred during the year ended 31 March 2012. The increase in gross profit of maintenance and support services was in line with the increase in our turnover and increase of the profit margin derived from this segment.

Our overall gross profit margin increased slightly from approximately 22.1% for the year ended 31 March 2012 to approximately 23.1% for the year ended 31 March 2013. This was primarily due to the increase in gross profit margin of IT application and solution development and maintenance and support services from approximately 26.3% and 37.5% for the year ended 31 March 2012 to approximately 37.4% and 40.0% for the year ended 31 March 2013, respectively and was partially offset by the decrease in gross profit margin of IT infrastructure solutions from approximately 17.2% for the year ended 31 March 2012 to approximately 14.9% for the year ended 31 March 2013.

The increase in gross profit margin of our IT application and solution development was attributable to the completion of an international project with the recovery of provision of expected loss during the year ended 31 March 2013 and the increase in gross profit margin of maintenance and support services was primarily due to the higher profit margin which was charged to the renewal of maintenance contracts with government and statutory bodies. The decrease in gross profit margin of IT infrastructure solutions was due to the increase in staff of our infrastructure teams for the provision of IT infrastructure solution projects due to the change in product mix from hardware product solutions to software product solutions.

Other revenue

Our other revenue increased by approximately HK$594,000 from approximately HK$56,000 for the year ended 31 March 2012 to approximately HK$650,000 for the year ended 31 March 2013.The increase was primarily due to the increase of marketing income of approximately HK$544,000 from marketing campaign sponsored by our suppliers.

Other net income/(loss)

Other net income increased by approximately HK$438,000 from approximately HK$184,000 for the year ended 31 March 2012 to approximately HK$622,000 for the year ended 31 March 2013 primarily due to the income of approximately HK$422,000 was written back of impairment of amount due from a related company.

General and administrative expenses

Our general and administrative expenses decreased by approximately HK$1.6 million from approximately HK$30.4 million for the year ended 31 March 2012 to approximately HK$28.8 million for the year ended 31 March 2013. The decrease in general and administrative expenses was mainly due to a decrease in staff costs from approximately HK$23.9 million for the year ended 31 March 2012 to approximately HK$21.2 million for the year ended 31 March 2013 as a result of the decrease in commission and bonus incurred in light of the decrease of our turnover.

Finance cost

Our finance cost decreased by approximately HK$117,000 from approximately HK$479,000 for the year ended 31 March 2012 to approximately HK$362,000 for the year ended 31 March 2013. This was primarily due to the decrease in bank borrowings from approximately HK$10.0 million as at 31 March 2012 to approximately HK$4.4 million as at 31 March 2013.

Income tax

Income tax of our Group increased by approximately 86.1% from approximately HK$1.9 million for the year ended 31 March 2012 to approximately HK$3.5 million for the year ended 31 March 2013. The increase in income tax was primarily due to the increase in taxable profit earned during the year ended 31 March 2013.

Profit for the year

In light of the foregoing, our profit for the year decreased from approximately HK$16.1 million for the year ended 31 March 2012 to HK$12.8 million for the year ended 31 March 2013. Net profit margin of our Group decreased from approximately 7.3% for the year ended 31 March 2012 to approximately 6.5% for the year ended 31 March 2013.

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 2012, 31 March 2013, 31 March 2014 and 30 September 2014, we had cash and cash equivalents in the combined statements of cash flows of approximately HK$25.4 million, HK$21.6 million, HK$14.0 million and HK$18.4 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 in the 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.

The following table sets out a summary of our Group's combined statements of cash flows for each of the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2013 and 2014:

	Year ended 31 March			Six months ended 30 September	
	2012	**2013**	**2014**	**2013**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Net cash generated from/(used in) operating activities	14,636	4,625	2,385	4,623	8,396
Net cash (used in)/generated from investing activities	(4,347)	(184)	3,518	3,546	(194)
Net cash used in financing activities	(2,520)	(8,276)	(13,496)	(11,986)	(3,785)
Cash and cash equivalents at the beginning of the year/period	17,610	25,418	21,598	21,598	14,005
Effect on changes in foreign exchange rate	39	15	—	2	—
Cash and cash equivalents at the end of the year/period	25,418	21,598	14,005	17,783	18,422

Net cash generated from/used in operating activities

Our net cash generated from operating activities was approximately HK$14.6 million for the year ended 31 March 2012, which was primarily attributable to our operating cash flow before changes in working capital of approximately HK$18.9 million and was offset by a net decrease in working capital of approximately HK$2.6 million and income tax payment of approximately HK$1.7 million. Net decrease in working capital primarily consisted of an increase in trade and other receivable of approximately HK$8.8 million, primarily due to an increase in number of IT application and solution development projects, the effects of which were partially offset by (i) a decrease in inventory of approximately HK$0.2 million and (ii) an increase in trade and other payables of approximately HK$6.0 million due to our increase in purchase in light of the increase in our turnover.

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 a 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 due to an 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 generated from operating activities was approximately HK$8.4 million for the six months ended 30 September 2014, which was primarily attributable to our operating inflow before changes in working capital of approximately HK$2.8 million and net increase in working capital of approximately HK$6.4 million. Net increase in working capital primarily resulted from the increase in trade and other payables of approximately HK$8.1 million due to increase in trade creditors and was offset by the increase in trade and other receivables of approximately HK$1.6 million due to increase in prepayments.

Net cash generated from/used in investing activities

Our Group had net cash outflow in investing activities of approximately HK$4.3 million for the year ended 31 March 2012, which was primarily attributable to (i) a payment for purchase of plant and equipment of approximately HK$1.5 million, (ii) a payment for purchase of computer softwares of approximately HK$53,000, (iii) an increase in pledged bank deposits of approximately HK$2.9 million, partially offset by interest received of approximately HK$12,000.

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 the 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$194,000 for the six months ended 30 September 2014, which was primarily attributable to a payment for plant and equipment of approximately HK$172,000 and a payment for purchase of intangible assets of approximately HK$23,000, partially offset by the 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$2.5 million for the year ended 31 March 2012, which was attributable to (i) the repayment of bank borrowings amounting to approximately HK$2.5 million; (ii) the interest payment of approximately HK$0.5 million; and (iii) the dividend payment of approximately HK$4.0 million, partially offset by a new bank borrowing of approximately HK$4.0 million and advance from related parties of approximately HK$0.5 million.

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) the repayment of bank borrowings amounting to approximately HK$5.5 million, (ii) the interest payment of approximately HK$0.4 million, (iii) dividend payment of approximately HK$5.3 million, and (iv) the repayment to related parties of approximately HK$63,000, and was offset by the 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, and was offset by the advance from related parties of approximately HK$4.0 million, and the proceeds from new bank loans of approximately HK$4.0 million.

Our Group had net cash outflow from financing activities of approximately HK$3.8 million for the six months ended 30 September 2014, which was mainly attributable to the repayment of bank borrowings amounting to approximately HK$2.0 million and the repayment to related parties of approximately HK$1.5 million.

NET CURRENT ASSETS

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

	As at 31 March			As at 30 September	As at 31 January
	2012	2013	2014	2014	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(Unaudited)
Current assets					
Trade and other receivables	43,506	44,898	46,783	48,435	94,221
Pledged bank deposits	2,889	2,898	—	—	—
Tax recoverable	—	—	1,100	1,573	—
Cash and cash equivalents	28,562	20,431	14,005	18,422	63,097
	74,957	68,227	61,888	68,430	157,318
Assets of disposal group classified as held for sale	—	1,530	—	—	—
	74,957	69,757	61,888	68,430	157,318
Current liabilities					
Bank borrowings	10,019	4,377	3,343	1,350	—
Trade and other payables	38,965	25,757	34,709	41,257	118,209
Obligation under finance lease	—	—	339	321	207
Current taxation	623	2,279	387	623	1,883
	49,607	32,413	38,778	43,551	120,299
Liabilities of disposal group classified as held for sale	—	1,749	—	—	—
	49,607	34,162	38,778	43,551	120,299
Net current assets	25,350	35,595	23,110	24,879	37,019

We recorded net current assets of approximately HK$25.4 million, HK$35.6 million, HK$23.1 million and HK$24.9 million as at 31 March 2012, 2013 and 2014 and 30 September 2014, respectively.

Our net current assets increased by approximately HK$10.2 million to approximately HK$35.6 million as at 31 March 2013 as compared with 31 March 2012 was primarily due to (i) the decrease in bank borrowings of approximately HK$5.6 million and (ii) the decrease of trade and other payables of approximately HK$13.2 million.

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 borrowings of approximately HK$1.0 million.

Our net current assets increased by approximately HK$1.8 million from approximately HK$23.1 million as at 31 March 2014 to approximately HK$24.9 million as at 30 September 2014. The decrease was primarily attributable to the increase in trade and other receivables of approximately HK$1.7 million, the increase in cash and cash equivalents of approximately HK$4.4 million and the decrease in bank borrowings of approximately HK$2.0 million partially offset by the decrease in trade and other payables of approximately HK$6.5 million.

Our net current assets increased by approximately HK$12.1 million from approximately HK$24.9 million as at 30 September 2014 to approximately HK$37.0 million as at 31 January 2015. The increase was primarily due to the increase in trade and other receivables of approximately HK$45.8 million, the increase in cash and cash equivalents of approximately HK$44.7 million and the decrease in bank borrowings of approximately HK$1.4 million partially offset by the increase in trade and other payables of approximately HK$77.0 million. The increase in trade and other receivables was primarily due to the increase in trade debtors from PRC Partner of Project A. The increase in cash and cash equivalents was primarily due to the payment received from the PRC Partner. The increase in trade and other payables was primarily due to the increase in procurement of hardware and software products by our Group for the use in Project A.

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 September
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors	28,073	31,258	38,608	38,223
Gross amounts due from customers for contract work	2,946	3,236	4,192	4,072
Amounts due from related parties	7,552	9,251	2,917	2,932
Rental and other deposits	759	633	729	711
Prepayments	4,176	520	312	2,472
Other receivables	—	—	25	25
	43,506	44,898	46,783	48,435

Our trade and other receivables increased from approximately HK$43.5 million as at 31 March 2012 to approximately HK$44.9 million as at 31 March 2013. The increase was primarily due to the increase in trade debtors of approximately HK$3.2 million and the increase in amounts due from related parties of approximately HK$1.7 million, which were offset by the decrease in prepayments of approximately HK$3.7 million. The increase in trade debtors of approximately HK$3.2 million was mainly due to the increase in amount of unsettled bills from one of our top five customers, which was subsequently settled while the decrease in prepayments was primarily due to the settlement of prepayment for purchase of hardware and software by our Group.

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 our 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 increased from approximately HK$46.8 million as at 31 March 2014 to approximately HK$48.4 million as at 30 September 2014. The increase was primarily due to the increase in prepayments of approximately HK$2.2 million. The increase in prepayment was primarily due to the payment made to a supplier before delivering the IT products to an end customer.

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			Six months ended 30 September
	2012	**2013**	**2014**	**2014**
	Days	*Days*	*Days*	*Days*
Trade debtors turnover days	40.3	55.2	67.1	79.2

Our trade debtors turnover days were approximately 40.3 days, 55.2 days, 67.1 days and 79.2 days for the three years ended 31 March 2012, 2013 and 2014 and for the six months ended 30 September 2014.

Our trade debtors turnover days increased from approximately 40.3 days for the year ended 31 March 2012 to approximately 55.2 days for the year ended 31 March 2013. The increase was primarily due to the increase in the amount of overdue invoices from one of our top five customers, which were subsequently settled. 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 overdue invoices from one of our top five customers and our Group had granted extra 60 days credit period to the customer and the overdue invoices were subsequently settled and the decrease in our turnover for the year ended 31 March 2014. Our trade debtors turnover days increased to approximately 79.2 days for the six months ended 30 September 2014. The increase was primarily due to the increase in the amount of overdue invoices and the granting of extra 60 days credit period for overdue invoices due from certain customers which have long term and on-going business relationships with us.

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

		As at 31 March		**As at 30 September**
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	25,711	25,607	27,416	32,754
Less than 1 month past due	1,552	1,876	5,848	708
1 to 3 months past due	798	506	3,084	2,249
Over 3 months past due	12	3,269	2,260	2,512
	28,073	31,258	38,608	38,223

Our trade debtors that were neither past due nor impaired were 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.

As at 31 January 2015, approximately HK$35.3 million of our total trade debtors as at 30 September 2014 had been subsequently settled, representing approximately 92.4% of the outstanding trade debtors as at 30 September 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 30 September
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors	16,548	7,254	13,939	22,493
Gross amounts due to customers for contract work	1,506	1,660	—	669
Customers' deposits received	3,074	3,730	2,078	4,043
Deferred income	4,586	3,943	1,577	7,323
Accrued service costs	5,944	4,787	4,330	1,547
Other accrued expenses	2,150	2,205	7,779	1,699
Amounts due to related parties	4,850	1,773	4,781	3,258
Other taxes payables	307	180	—	—
Dividend payable to equity owners of our Company	—	225	225	225
	38,965	25,757	34,709	41,257

Our trade and other payables decreased from approximately HK$39.0 million as at 31 March 2012 to approximately HK$25.8 million as at 31 March 2013. The decrease was primarily due to the decrease in trade creditors of approximately HK$9.3 million, and the decrease in amounts due to related parties of approximately HK$3.1 million.

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, the increase in other accrued expenses of approximately HK$5.6 million and the 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 a decrease in accrued expenses. Our trade creditors increased to approximately HK$22.5 million as at 30 September 2014. The increase was primarily due to the purchase from a major supplier which was not yet due for settlement. Our amounts due to related parties decreased from approximately HK$4.8 million as at 31 March 2014 to approximately HK$3.3 million as at 30 September 2014 primarily due to the decrease in the amount due to a Director.

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.

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			Six months ended 30 September
	2012	**2013**	**2014**	**2014**
Trade creditors turnover day	25.5	28.8	25.6	49.0

Our trade creditors turnover days were approximately 25.5 days, 28.8 days, 25.6 days and 49.0 days for the years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 respectively. The decrease for the year ended 31 March 2014 was primarily due to the fact that 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 49.0 days for the six months ended 30 September 2014. The increase was primarily due to the fact that more purchases were made shortly before the cut-off date as of 30 September 2014 and that we fully utilised the credit periods granted by our suppliers. Our Directors confirm that our Group did not experience any material pressure on our cashflow during the six months ended 30 September 2014.

As at 31 January 2015, approximately HK$22.4 million of our total trade creditors as at 30 September 2014 had been subsequently settled, representing approximately 99.6% of the outstanding trade creditors as at 30 September 2014.

Amounts due to/from related parties

As at 30 September 2014, amounts due to related parties was approximately HK$3.3 million and amounts due from related parties was approximately HK$2.9 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].

INDEBTEDNESS

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

	As at 31 March			As at 30 September
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts				
— secured by ICO HK's bank deposit	41	—	—	—
— unsecured and guaranteed	3,103	18	—	—
Bank loans				
— secured by a fixed deposit provided by a Director of our Company	—	—	—	1,350
— unsecured and guaranteed	6,875	4,359	3,343	—
Obligation under finance lease				
— current portion	—	—	339	321
— non-current portion	—	—	149	—
Amounts due to related parties				
— Yong Man Kin	—	—	4,271	2,763
— Chan Kwok Pui	—	—	510	495
— Ho Chak Keung	1	1	—	—
— Leung Man Lun, Walter	754	—	—	—
— Intellectual Capital Outsourcing Limited	855	792	—	—
— Time Profit Group Limited	300	—	—	—
	11,929	5,170	8,612	4,929

As at 31 March 2012, 2013 and 2014 and 30 September 2014, our Group had outstanding indebtedness of approximately HK$11.9 million, HK$5.2 million, HK$8.6 million and HK$4.9 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 because our Directors inadvertently overlooked the borrowing covenant when considering the declaration of dividends. The Loan facility did not expressly stipulate that ICO Technology had to inform the bank of the breach. We did not inform the bank of the breach, nor did we receive any notices from the bank informing us they were aware of it. However, such breach had no significant financial impact on our Group's combined financial statements. In August 2012, the bank loan was 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.

As at 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement in this [REDACTED], our Group had the following borrowings:

	As at 31 January 2015
	HK$'000
Obligation under finance lease	
— current portion	207
Amount due to related parties	2,073
	2,280

As at 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement in this [REDACTED], our total indebtedness amounted to approximately HK$2.3 million, consisting of obligation under finance lease of approximately HK$0.2 million and amount due to related parties of approximately HK$2.1 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 to this [REDACTED].

Save as described in this section, as at 31 January 2015, 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.

KEY FINANCIAL RATIOS

	As at/for the year ended 31 March			As at/for the six months ended 30 September
	2012	2013	2014	2014
Current ratio	1.5	2.0	1.6	1.6
Quick ratio	1.5	2.0	1.6	1.6
Gearing ratio	36.9%	12.0%	15.9%	6.5%
Debt to equity ratio	N/A	N/A	N/A	N/A
Return on assets	21.0%	18.1%	1.0%	2.7%
Return on equity	59.4%	35.2%	2.6%	7.4%
Interest coverage	38.6	46.1	17.6	26.0

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 2012, 31 March 2013 and 31 March 2014, our current ratio was approximately 1.5, 2.0 and 1.6 respectively. The increase in our current ratio as at 31 March 2013 was mainly due to the decrease in bank borrowings of approximately HK$5.6 million and the decrease in trade and other payables from approximately HK$39.0 million as at 31 March 2012 to approximately HK$25.8 million as at 31 March 2013. The decrease in our current ratio as at 31 March 2014 was mainly due to the 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 September 2014, our current ratio remained stable at 1.6 as the increase in trade and other receivables of approximately HK$1.7 million and the increase in cash and cash equivalent of approximately HK$4.4 million were offset by the increase in trade and other payables of approximately HK$6.5 million.

Quick ratio

As at 31 March 2012, 31 March 2013, 31 March 2014 and 30 September 2014, our current ratio was approximately 1.5, 2.0, 1.6 and 1.6 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.

Gearing ratio

As at 31 March 2012, 31 March 2013, 31 March 2014 and 30 September 2014, our Group recorded a total interest-bearing debt of approximately HK$10.0 million, HK$4.4 million, HK$3.8 million and HK$1.7 million, respectively, which represented a gearing ratio of approximately 36.9%, 12.0%, 15.9% and 6.5% to the total equity of our Group respectively.

The decrease in gearing ratio as at 31 March 2013 as compared to 31 March 2012 was a result of our combination effects of the increase in our capital reserves of approximately HK$9.3 million and the decrease in bank borrowings of approximately HK$5.6 million. 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 decrease in gearing ratio as at 30 September 2014 as compared to 31 March 2014 was a result of the decrease in our bank borrowings of approximately HK$2.0 million.

Return on assets

Return on assets for each of the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 was approximately 21.0%, 18.1%, 1.0% and 2.7%, respectively.

The decrease in our return on assets for the year ended 31 March 2013 as compared with that for the year ended 31 March 2012 was primarily due to the rate of decrease in our net profit being larger than that of the decrease in our assets. For the year ended 31 March 2013, our net profit and total assets decreased by approximately 20.7% and 8.2% respectively as compared with that for the year ended 31 March 2012. The decrease in net profit was primarily due to the decrease in our turnover of approximately HK$24.5 million during the corresponding periods.

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 by approximately 95.1% from approximately HK$12.8 million for the year ended 31 March 2013 to approximately HK$0.6 million for the year ended 31 March 2014. The decrease in our net profit was primarily due to the decrease in our turnover of approximately HK$6.2 million and the increase in general and administrative expenses of approximately HK$8.2 million, in which HK$[REDACTED] were expenses incurred in relation to the [REDACTED].

Our return on assets increased to approximately 2.7% for the six months ended 30 September 2014 primarily due to an increase in net profit of approximately HK$1.3 million as compared with that for the year ended 31 March 2014, which outweighted the increase in total assets of approximately 10.3%. The increase in net profit was primarily due to the decrease in the [REDACTED] expenses incurred as compared with that for the year ended 31 March 2014.

Return on equity

Return on equity was approximately 59.4%, 35.2%, 2.6% and 7.4% for each of the three years ended 31 March 2012, 2013 and 2014 the six months ended 30 September 2014 respectively.

The decrease of our return on equity for the year ended 31 March 2013 was primarily attributable to the decrease in our net profit of approximately 20.7% and the increase in our capital reserves of approximately HK$9.3 million as compared to the year ended 31 March 2012.

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 as discussed above, which outweighted the decrease in our equity of approximately 33.9% subsequent to the declaration of dividend of approximately HK$15.2 million.

Our return on equity increased to approximately 7.4% for the six months ended 30 September 2014 primarily due to an increase in net profit of approximately HK$1.3 million as compared with that for the year ended 31 March 2014.

Interest coverage

Our Group's interest coverage was approximately 38.6, 46.1, 17.6 and 26.0 for the three years ended 31 March 2012, 2013 and 2014 and the six months ended 30 September 2014 respectively.

The increase in interest coverage for the year ended 31 March 2013 was primarily due to the decrease in bank borrowings of approximately HK$5.6 million during the year ended 31 March 2013 which reduced the finance cost. 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. The increase in interest coverage for the six months ended 30 September 2014 was primarily due to the decrease in finance cost resulting from the decrease in bank borrowings.

COMMITMENTS

Capital commitment

As at 31 March 2012, 2013 and 2014 and 30 September 2014, our Group had no material capital commitment.

Operating lease commitments

The table below sets forth our operating lease commitments as at 31 March 2012, 2013 and 2014 and 30 September 2014:

	As at 31 March			As at 30 September
	2012	**2013**	**2014**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 1 year	1,493	247	1,692	1,159

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 September 2014.

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.

Dividends declared by our Group for each of the three years ended 31 March 2012, 2013 and 2014 were approximately HK$3.5 million, HK$3.6 million and HK$15.2 million respectively. On 26 February 2015, our Group declared a dividend of HK$9,980,000 to our existing Shareholders. As at the Latest Practicable Date, unpaid dividends amounted to approximately HK$10,205,000 which will be settled by internal resources before [REDACTED].

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 property" 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 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 2012, 2013 and 2014 and 30 September 2014, approximately 16%, 12%, 15% and 15% of the trade debtors were due from our Group's largest customer, and approximately 53%, 64%, 55% and 49% 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.

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 the 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 30 September
	2012	2013	2014	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Variable rate instruments				
Financial liabilities				
Bank overdrafts	(3,144)	(18)	—	—
Bank loans	(6,875)	(4,359)	(3,343)	(1,350)
Financial assets				
Cash at banks	27,919	20,341	13,949	18,366
Pledged bank deposits	2,889	2,898	—	—
Total net deposits	20,789	18,862	10,606	17,016

As at 31 March 2012, 2013 and 2014 and 30 September 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 for the year/period and retained earnings by approximately HK$17,000, HK$16,000, HK$9,000 and HK$7,000, respectively.

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 September 2014, as set out in Appendix I to this [REDACTED] and adjusted as follows:

	Combined net tangible assets attributable to equity owners of our Company as at 30 September 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
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on an [REDACTED] of HK$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The combined net tangible assets attributable to equity owners of our Company as at 30 September 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 September 2014 of approximately HK$21,763,000 with an adjustment for the intangible assets attributable to equity owners of our Company as at 30 September 2014 of approximately HK$35,000.

2. The estimated net proceeds from the [REDACTED] are based on the estimated [REDACTED] of HK$[REDACTED] per Share and HK$[REDACTED] per Share respectively, after deduction of the estimated [REDACTED] 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 1,000,000,000 Shares are in issue immediately after completion of the [REDACTED] and the [REDACTED].

4. The Company declared a dividend of HK$9,980,000 to its existing Shareholders which will be settled before the [REDACTED]. The above adjustment does not take into account this dividend. Taking into account the estimated net proceeds from the [REDACTED] at the [REDACTED] of HK$[REDACTED] per Share and HK$[REDACTED] per Share as well as the declared dividend of HK$9,980,000, the unaudited pro forma adjusted combined net tangible assets attributable to the equity owners of the Company per Share would have been approximately HK$[REDACTED] and HK$[REDACTED], respectively.

5. No adjustment has been made to reflect any operating results or other transactions of our Group entered into subsequent to 30 September 2014.

DISCLOSURE UNDER CHAPTER 17 OF GEM LISTING RULES

Save as disclosed above, our Directors 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.

RECOGNITION OF REVENUE

With reference to HKFRS 15 which would require our Group to assess the revenue recognition policy in respect of the contracts with customers using two approaches to recognising revenue (i.e., at a point in time or over time), given that (1) all the existing contracts with customers signed by our Group in respect of IT application and solution development segment would be substantially completed on or before 31 March 2017 and (2) revenue recognition for IT infrastructure solutions, secondment services, maintenance and support services segments under HKFRS 15 would be consistent with the accounting policies already adopted by our Group, our Group concluded that the adoption of HKFRS 15 is unlikely to have a significant impact on our Group's results of operations and financial position.

For the appropriateness of splitting the contract into two distinct parts:

Our Group manages its businesses by the four reportable segments disclosed in this [REDACTED]. As the contract of Project A explicitly splits the scope of work and total contract sum into IT application and solution development services and maintenance and support services, our Group is of the view that the two distinct parts of the project shall be treated as business in different reportable segments and shall be managed and accounted for separately.

For the contracts to be engaged in the future, our Group assessed that the impact of HKFRS 15 on revenue recognition for IT infrastructure solutions, secondment services, and maintenance and support services segments would be insignificant as the revenue recognition criteria for these segments under HKFRS 15 would be consistent with the accounting policies already adopted by our Group.

For IT application and solution development segment, the revenue from this segment is recognised using the percentage of completion method during the Track Record Period. Under HKFRS 15, revenue from this segment would be recognised upon the satisfaction of performance obligations and the establishment of a right to payment, which shall be identified in the contracts with customers upon the relevant standard becoming effective.

Our Group plans to implement the "five-step model" in the future as follows:

1. Identify the contract with the customers

Sales contracts signed between our Group and our customers will be identified as "Contracts with Customers".

2. Identify the performance obligations in the contract

Our Group will study our sales contracts and separate the products and services it sells into different performance obligations.

3. Determine the transaction price

In general, the total contract sum will be treated as the transaction price.

4. Allocate the transaction price to the performance obligations

The transaction price determined in step 3 will be allocated to the performance obligations identified in step 2 on a reasonable basis (e.g. allocation based on the cost to satisfy the performance obligations).

5. Recognised revenue when (or as) the entity satisfies a performance obligation

Revenue will be recognised when a performance obligation is satisfied, the amount revenue recognised will be the amount allocated to such performance obligation in accordance with in step 4.

For the possible impact of HKFRS 15 on our Group, please refer to Note 26 of the Accountant's Report.

MATERIAL ADVERSE CHANGE

Please refer to the [REDACTED] 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]" 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 September 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 [REDACTED] expenses are approximately HK$[REDACTED], of which approximately HK$[REDACTED] is chargeable to profit or loss account and approximately HK$[REDACTED] 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 nine months ended 31 December 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 nine months ended 31 December 2014, our turnover increased by approximately 105.7% from approximately HK$130.8 million for the nine months ended 31 December 2013 to approximately HK$269.0 million for the nine months ended 31 December 2014.

Our Directors confirm that we did not have any material non-recurring income or expenses for the nine months ended 31 December 2014 save for expenses incurred in relation to the [REDACTED]. As at Latest Practicable Date, approximately 92.4% of outstanding trade debtors as at 30 September 2014 have been subsequently settled. As at the Latest Practicable Date, our Group has no bank borrowings and the unutilised banking facilities amounted to approximately HK$5.1 million.

As at the Latest Practicable Date, our Group had a total of 12 IT application and solution development 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). The total contract value of these projects (including Project A) was approximately HK$443.7 million. From 1 April 2014 and up to the Latest Practicable Date, we have been awarded six IT application and solution development projects with contract sum of over HK$1 million. The six contracts have a total contract sum of approximately HK$431 million, of which five contracts were awarded with the end customers being government bodies and the total contract sum is approximately HK$429 million, and one contract was awarded by an existing client from the private sector. The duration of these six projects ranged from 8 to 40 months (including warranty period). The total unrecognised revenue of these six projects was approximately HK$286 million as at 31 January 2015. As at the Latest Practicable Date, we have commenced work for these six projects.

Project A

Our Group partnered with the PRC Partner and submitted a tender for Project A in February 2014. We had gone through several milestones including technical assessment, price assessment, financial capability assessment and negotiations before the award of Project A in November 2014. The PRC

Partner is the main contractor under Project A and our Group is the sole subcontractor under Project A. The Main Contract became effective following the fulfilment of all the conditions specified in the notification of conditional acceptance. The Main Contract incorporates, among others, the relevant schedules of the tender document, including the schedule which appointed our Group as the subcontractor. Our Group has commenced work on Project A as at the Last Practical Date. The duration for the provision of IT application and solution development services is expected to be about 40 months (including a warranty period of 12 months) and the provision of maintenance services is for a period of nine years.

Based on the subcontractor contract between the PRC Partner and us, the total subcontracting revenue to be recognised by our Group under Project A is expected to be over HK$900 million. Our Group is experienced in delivering IT application and solution development projects of various scales and nature including projects for the government of HKSAR. During the tendering process, we were scrutinised by the government in respect of our technical and financial capabilities. Due to the foreseeable demand for additional manpower for Project A, we have already increased the scale of recruitment in the second quarter of 2014. We have recruited an additional 34 full-time staff from 1 April 2014 to 30 November 2014, and will continue to recruit additional staff, mainly with technical knowledge, according to the estimated human resources plan. To the best knowledge of our Directors, the PRC Partner, together with us, was the only tenderer at the later stage of the tender process. Therefore, our Directors considered that we had a high chance of winning. We therefore began recruiting additional staff before Project A was awarded as we had to meet the agreed schedule and had to have enough manpower to kick off the project immediately upon the award. Such early recruitment was not requested by the government. Should we not begin the recruitment process ahead of the award, we would not be able to meet the manpower demand. Our Directors opine that this kind of arrangement is in line with the industry norm. Had the tender not been awarded, the surplus staff, if any, would be disposed of through (i) natural wastage; (ii) internal redeployment of staff to other IT application and solution development projects or other business segments; and (iii) dismissal upon the expiry of the relevant employment agreements.

Apart from the committed human resources, our Group did not make or enter into any commitment on the financial resources under both the Main Contract and the subcontractor contract in relation to Project A.

We are experienced in delivering IT application and solution development projects of various scales and nature including projects for the government of HKSAR. However, Project A is the largest project we have undertaken in terms of contract value since we commence our business.

We are not required to pay any deposits to our suppliers. The purchase amount will only have to be paid upon product delivery and the suppliers will grant a credit period to us. The products will be delivered by the suppliers to the PRC Partner directly. The PRC Partner will then inspect the products and will pay to us the purchase sum under the purchase order within the credit period we granted to the PRC Partner. In order to minimise the financial impact on our cashflow, we shall match the term of payment by granting the PRC Partner a shorter credit period than the one granted to us by the suppliers. We shall pay to the suppliers once we receive the payment from the PRC Partner. In case there is any default or lapse of payment by the PRC Partner, the cash flow position of our Group during the years ending 31 March 2015, 2016 and 2017 may be adversely affected. Based on the projected human resources commitment and workload of Project A, our Directors consider that the current business of our Group will not be prejudiced and that our Group will have sufficient resources and capacities to deliver the services under Project A without having any material impact on our Group's overall business.

Our Group has commenced work on Project A since November 2014. We expect to record approximately 15%, 21% and 6% of the subcontracting revenue for the years ending 31 March 2015, 2016 and 2017. Our progress of work under Project A was in accordance with the schedule and timeline as at the Latest Practicable Date. For further details regarding the financial implication of Project A, please refer to the paragraph headed "Financial implication of Project A" under the section headed "Financial information" in this [REDACTED]. An unaudited revenue of approximately HK$96.9 million was derived from Project A up to 31 December 2014 and was fully settled as at the Latest Practicable Date.

FINANCIAL IMPLICATION OF PROJECT A

Impact on revenue

Our Group's revenue is expected to be increased which is attributed to the IT application and solution development segment from Project A which makes the segment the larger proportion of revenue for our Group. For the years ending 31 March 2015, 2016 and 2017, it is expected that the proportion of turnover derived from the provision of IT application and solution development to total turnover will increase and as a result the IT application and solution development segment will become the key revenue driver of our Group during the periods.

The turnover generated from the provision of maintenance services from Project A will be recognised during the years ending 31 March 2019 to 31 March 2027. The revenue derived from the provision of maintenance and support services in proportion to total turnover will increase.

Impact on gross profit margin

Based on the existing resources planning, the estimated gross profit margins of Project A is about 20%, which is projected to be lower than the historical average gross profit margin of both the IT application and solution development segment and the maintenance and support segment during the Track Record Period. Project A has a lower profit margin because we adopted a competitive pricing strategy during the tendering process as we were eager to win the tender. Further, a large portion of IT application and solution development services under Project A is to procure IT products provided by third parties and thus we are unable to charge a high premium. We also estimate that the gross profit margin of the maintenance and support segment will be higher than that of the IT application and solution development segment. The projection in gross profit margin of the IT application and solution development segment for the years ending 31 March 2015, 2016 and 2017 will decrease as compared to the Track Record Period. Although our overall gross profit may increase, the gross profit margin of our Group will decrease during the periods.

During the year ending 31 March 2019 to 31 March 2027, the revenue derived from maintenance services for Project A is expected to be the major source of revenue for the segment of maintenance and support services. There will be an expected decrease in the gross profit margin of the maintenance and support services segment during the years ending 31 March 2019 to 2027 as compared to that of the Track Record Period.

It is our strategy to be more conservative in the estimation of our gross profit margin in submission of our tender in order to retain buffer from the cost negotiation. Therefore the estimated gross profit margin may be varied from the actual one subject to the final and actual performance and resources applied. During the Track Record Period, we have experienced the actual gross profit margin being more competitive than the estimated gross profit margin.

Our Directors believe that the participating in Project A would add value to our Group's competitive edge which would assist our Group in acquiring new customers and diversifying our customer base. We will continue to look for new business opportunities with other potential customers so as to minimise the impact of our reliance on the PRC Partner under Project A.

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 September 2014 and up to the date of this [REDACTED], (ii) there has been no other material adverse change in the trading and financial positions or prospects of our Group since 30 September 2014 and up to the date of this [REDACTED], and (iii) no event has occurred since 30 September 2014 that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this [REDACTED].