



## BUSINESS

### OVERVIEW

We are an IT solutions provider established in Hong Kong, primarily engaged in the distribution of IT products in Hong Kong and provision of SI solutions in Hong Kong, the PRC and Macau. In the value chain of the IT industry, we operate in (i) distribution business as an authorised distributor sourcing IT products from IT product vendors and distributing to downstream resellers; and (ii) SI solutions business as an SI solutions provider procuring IT products from authorised distributor, integrating them into customised SI solutions and reselling them to end-users. Due to the distinctiveness of the two segments, we conduct our distribution business and SI solutions business through two different tradenames, namely, TriTech  and Multisoft , respectively.

According to the Ipsos Report, there are approximately 2,000 SI solutions providers in the IT industry in Hong Kong and less than ten companies are operating a business model by engaging in both SI solutions and distribution businesses. Having considered the synergy and benefits enjoyed by our Group, Ipsos is of the view that our business model is rare and unique and is intrinsically different from the traditional SI model or traditional distribution model engaged by most of the market players in the IT industry in Hong Kong. We take pride in our business model which encompasses both distribution and SI solutions businesses and enables us to capture the business opportunities in the whole value chain of the IT industry and thereby distinguishes us from other competitors.

The following table sets forth a breakdown of our revenue from each business for the financial years:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Distribution business	164,507	49.6	203,544	52.5	427,131	67.6
SI solutions business						
IT infrastructure solutions services	159,577	48.1	172,084	44.4	187,673	29.8
IT maintenance and support services	7,802	2.3	11,809	3.1	16,708	2.6
Sub-total	167,379	50.4	183,893	47.5	204,381	32.4
Total	331,886	100.0	387,437	100.0	631,512	100.0

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We began our SI solutions business in 2006 when Multisoft was established as a reseller to provide SI solutions to end-users in Hong Kong. Our SI solutions mainly include (i) IT infrastructure solutions services encompassing data communication and systems infrastructure, cyber security and digital transformation; and (ii) IT maintenance and support services. As a solutions-driven reseller, we work closely with our customers to understand their IT needs and provide comprehensive, integrated, up-to-date and customised SI solutions in accordance with their IT needs and specifications. Throughout our over 15 years of operating history, we have proactively sought opportunities for growth in our SI solutions business and by accumulating our project experience, building customer relationships and reputation in Hong Kong, we have expanded our geographical presence to the PRC and Macau in 2012 and 2013 respectively.

Eyeing on the market potential in the distribution of IT products in Hong Kong, we leveraged on the technical expertise gained and the reseller's network established in our SI solutions business and strategically underwent an expansion by establishing TriTech in 2014 to tap into the IT products distribution industry. As a product-driven distributor, we introduce, market and distribute a broad spectrum of IT products to resellers in Hong Kong. We offer a broad and diversified product portfolio of IT products of both internationally renowned brands and new-to-market niche brands to suit different market demand. As at the Latest Practicable Date, we were the authorised distributor of 38 IT product vendors, with origins spanning across different countries and regions such as the PRC, the U.S., India, Japan and the European region. Ancillary to our distribution business, we also provide IT implementation services to resellers and end-users.

As we operate a business model encompassing both distribution and SI solutions businesses, we are engaged by customers from different segments of the value chain of the IT industry and thereby enjoy a broad customer base. For each of the three years ended 31 March 2022, we served over 1,000 customers. Our customers are mainly divided into two categories, namely resellers and end-users. Our reseller customers primarily include SI solutions providers, telecommunication companies, traders and wholesalers who usually procure our IT products for sale or provision of services to end-users while our end-user customers primarily include government, public utility companies, NGOs, SMEs, large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. We consider that having such diverse and extensive customer base allows us to have a stable and steady line of business and also diversified revenue sources.

Our ability to provide innovative and up-to-date product portfolio and solution offerings to our customers stems from our strong relationships with our suppliers. Our suppliers mainly include IT product vendors, their authorised distributors and other service providers. With our sterling effort in delivering quality services and generating business growth for our IT product vendors and their authorised distributors, we are able to maintain good and stable relationships with suppliers and enjoy close collaborations with IT product vendors and therefore obtain a high level of support and resources from them. Riding on our well-established relationships with and long term support from our suppliers, we are able to equip ourselves with the latest technical knowledge on the product and solutions development as well as technological trends and thereby provide innovative and up-to-date IT products and SI solutions to meet the ever-changing IT requirements of our customers in a timely and cost-efficient manner.

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Our total revenue increased from approximately HK\$331.9 million in FY2019/2020 to approximately HK\$387.4 million in FY2020/2021, representing an increase of approximately 16.7%. Our total revenue increased from approximately HK\$387.4 million in FY2020/2021 to approximately HK\$631.5 million in FY2021/2022, representing an increase of approximately 63.0%. For details of our financial performance during the Track Record Period, please refer to the section headed “Financial information” in this prospectus.

### OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

#### **Our business model has enabled us to operate our business efficiently and differentiate ourselves from our competitors**

We operate a business model in the IT industry and are primarily engaged in the distribution of IT products and provision of SI solutions. In our business operation, we have dual roles as both product-driven distributor selling and distributing IT products to resellers; and solutions-driven reseller providing SI solutions to end-users. Due to the distinctiveness of the two segments, we conduct our distribution business and SI solutions business through two different tradenames, namely, TriTech  and Multisoft , respectively. According to the Ipsos Report, our business model is rare and unique and is intrinsically different from the traditional SI model or traditional distribution model engaged by most of the market players in the IT industry in Hong Kong. We take pride in our business model which encompasses both distribution and SI solutions businesses, and enables us to capture business opportunities in the whole value chain of the IT industry, thereby distinguishing us from other competitors.

Leveraging on our competitive advantages gained from the parallel operation of both distribution and SI solutions businesses and with the continued effort of our management, we have achieved a balanced development in both distribution and SI solutions businesses. During the Track Record Period, approximately 49.6%, 52.5% and 67.6% of our total revenue was derived from our distribution business respectively, whereas our remaining revenue was derived from our SI solutions business. Our dual roles as both distributor and reseller in the IT industry has also benefitted us through close and direct interaction with the essential players in the whole value chain of the IT industry, creating synergy between the two businesses and thereby setting us apart from our competitors in both levels of the value chain.

As a product-driven distributor, we are able to leverage on our in-depth understanding of the end-users’ needs in IT products and awareness of unfulfilled requests and demand of end-users gained through direct interaction with them in our SI solutions business. With such valuable first-hand information, we can strategically focus our attention and resources on what the market demands and introduce IT products that best suit end-users in our distribution business. For instance, in or around 2014, through Multisoft’s dealings with end-users when providing SI solutions, TriTech came across a PRC IT product vendor specialised in network security and cloud, namely Sangfor, and identified

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a growing market acceptance and demand for Sangfor's products. Having considered the limited choice of Asian-based cyber security products in the then IT products distribution industry in Hong Kong to tackle worldwide cyber security threat, TriTech saw the potential of Sangfor's products in Hong Kong and therefore, started to carry Sangfor's products in our distribution business in 2014 and acted as its strategic authorised distributor in localising its products for application in Hong Kong market since then. On top of Sangfor, TriTech has also obtained authorised distributorship of a number of other brands through the introduction of Multisoft after appropriate evaluation and discussion with the relevant IT product vendors.

On the other hand, as a solutions-driven reseller, we are able to leverage on our technical knowledge on IT products and awareness of the latest IT product trends and technological development gained through direct engagement with IT product vendors in our distribution business. For instance, in or around 2015, through our dealings with IT product vendors in our distribution business, we became aware of the rising market popularity and acceptance of PRC-branded IT products, and the price competitiveness of the IT networking products supplied by Ruijie. Eyeing on such competitive advantages enjoyed by Ruijie's products and its market potential, TriTech obtained the authorised distributorship of Ruijie's products in our distribution business in 2015 and then introduced such products to Multisoft for incorporation into solution offerings in our SI solutions business. Besides, HCI products were also introduced by TriTech to Multisoft and incorporated into our SI solutions offerings. Upon introduction to the technology of HCI, Multisoft sourced HCI products of three different brands, including Sangfor and two other brands which were procured from other distributors in the IT industry. Our Directors believe that such information sharing and exchange has facilitated Multisoft in providing more comprehensive, integrated, up-to-date and customised SI solutions to customers. Having such head start over our peers in the SI solutions industry, we are more sensitive to the latest technological trends and market development and hence more capable of providing quick response to address end-users' evolving demand in the SI solutions business.

With the above benefits in both ends, synergy of such business model encompassing both distribution and SI solutions is not only created through transactions involving both TriTech and Multisoft which usually enjoy higher gross profit margin, but also through information or intelligence sharing and exchange among our Group. As TriTech and Multisoft have different positions in the market, with TriTech occupying the mid-stream and Multisoft occupying the down-stream of the value-chain of the IT industry, TriTech's business model is product-driven and brand sensitive in nature while Multisoft is solution-driven and non-brand sensitive in nature. By having such important differentiation in the same value chain, TriTech and Multisoft create synergy through information and intelligence sharing among our Group, where Multisoft introduces certain brands of IT products to TriTech; and TriTech introduces certain types of IT products (regardless of whether we have authorised distributorship) to Multisoft.

The following table sets forth the amount of revenue generated by our distribution and SI solutions businesses as a result of the synergy between the two business segments including (i) revenue generated from transactions involving both TriTech and Multisoft; (ii) revenue generated from brands introduced by Multisoft to TriTech; and (iii) revenue generated from products introduced by TriTech to Multisoft:

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	<b>FY2019/2020</b> (HK\$' million)	<b>FY2020/2021</b> (HK\$' million)	<b>FY2021/2022</b> (HK\$' million)
(i) Revenue generated from transactions involving both TriTech & Multisoft	22.3	23.3	17.3
(ii) Revenue generated from brands introduced by Multisoft to TriTech <sup>(Note 1)</sup>	65.8	49.1	72.5
(iii) Revenue generated from products introduced by TriTech to Multisoft <sup>(Note 2)</sup>	5.5	5.9	4.1
<b>Total</b>	<b>93.6</b>	<b>78.2</b>	<b>93.9</b>
Total revenue of our Group	331.9	387.4	631.5
<b>Percentage of revenue generated through synergy to the total revenue (%)</b>	<b>28.2%</b>	<b>20.2%</b>	<b>14.9%</b>

*Notes:*

- This excludes sales from TriTech to Multisoft.*
- This only includes the amount of revenue generated from sales of IT products introduced to Multisoft but not distributed by TriTech. The revenue generated from sales of IT products distributed by TriTech, namely HCI products of Sangfor, has been taken into account under "Revenue generated from transactions involving both TriTech & Multisoft".*

Having dual roles in the IT industry, we benefit from the synergy of gaining fast technical knowledge of IT products and the latest IT product trends through our distribution business and fully understanding the end-users' needs in IT products through our SI solutions business. During the Track Record Period, the revenue generated by way of synergy between the two business segments of our Group amounted to approximately HK\$93.6 million, HK\$78.2 million and HK\$93.9 million respectively, representing approximately 28.2%, 20.2% and 14.9% of our total revenue in the corresponding year. Despite fluctuations appearing in the financial results resulting from the synergy between the distribution business and SI solutions business during the Track Record Period, our overall revenue from distribution business and SI solutions business, whether standalone or in aggregate, has shown an upward trend during the Track Record Period. This is due to the fact that our businesses are project based, and therefore the sales of IT products largely depends on the deployment of such in projects of our customers, and hence is of normal business behaviour. In addition, the parallel operation of our distribution business and SI solutions business has diversified our business concentration risk in one particular segment in the value chain of the IT industry, allowing us to develop a more balanced and sustainable business operation model to capture business opportunities in various segments in the value chain of the IT industry.

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Apart from the above quantifiable benefits, we also enjoy other synergistic advantages as an integrated IT solutions provider, including the fact that we are able to synchronise the operations of the two essential players in the value chain, so as to maximise our overall efficiency and cost effectiveness. For example, being a value-added distributor, TriTech has in-depth knowledge on the functionality of IT products and the necessary technical know-how to implement and integrate the IT products into various SI solutions. As such, at the request of Multisoft, TriTech will assist with installing, configuring and integrating the IT products into the IT environment of Multisoft's customers. From time to time, Multisoft's staff will also invite TriTech's staff to assist in business pitching by way of proof of concept to potential customers to demonstrate that the IT products distributed by TriTech are suitable for the intended purpose. On the other hand, as an SI solutions provider, Multisoft has a well-established sales network which serves as a secured sales channel for TriTech in marketing and selling its new IT products to the market, allowing TriTech to effectively market new products to the target audience and further attract other quality IT product vendors to engage TriTech as distributor. As a whole, we believe that the synergy created through the parallel operation of distribution and SI solutions businesses has provided us with a highly competitive advantage in the IT industry.

**We are a value-added distributor with broad and diversified product portfolio of IT products of both internationally renowned brands and new-to-market niche brands to resellers in our distribution business**

We are a value-added distributor with broad and diversified product portfolio of IT products to resellers to meet the diverse needs in the IT products distribution industry. As at the Latest Practicable Date, we were the authorised distributor of 38 IT product vendors, with origins spanning across different countries and regions such as the PRC, the U.S., India, Japan and the European region. The IT products offered in our product portfolio cover a wide range of functions and usages at different price levels. Our broad spectrum of product portfolio attracts customers from various sectors with different needs and preferences while the diversified product origins in our portfolio allows us to easily replace and continue to supply IT products in the event of any trade restriction is imposed on IT products of a particular origin by any other particular country. We attribute our broad and diversified product portfolio of IT products to our value-added services to the IT product vendors, which give us competitive edges over our competitors in the following three ways:

- (i) *We have a broad portfolio of new-to-market niche brands of which we have enjoyed a sizeable market share*

With a view to outperform our competitors which are generally traditional competitors with main focus on supply chain management, we are specialised in providing additional value-added services to IT product vendors in terms of (a) formulation of product localisation strategy (such as identifying target audience, determining the market positioning of their IT products, providing product enhancement advice, devising marketing plans and preparing customised marketing materials); (b) sales enablement; and (c) for and on behalf of the IT product vendors, provision of technical support services to resellers and product training to resellers and end-users to increase overall satisfaction of the downstream players. For further details of our value-added services in distribution business, please refer to the paragraph headed "Workflow of our business – Distribution business" in this section below. The provision of this value-added services is particularly crucial



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in developing and bringing in new-to-market niche brands to the local market given the IT product vendors of such brands are generally not familiar with the Hong Kong market needs and requirements and lack resources to effectively market their products or even maintain their own technical staff in Hong Kong. We have carried 20 new-to-market niche brands in our product portfolio as at the Latest Practicable Date. New-to-market niche brands have been one of the key drivers of our business during the Track Record Period, with revenue generated through the sales of IT products amounting to approximately HK\$99.3 million, HK\$124.3 million and HK\$357.1 million respectively, while at the same time generating an income from implementation services of approximately HK\$10.4 million, HK\$8.2 million and HK\$12.2 million respectively. In aggregate, the total revenue generated by new-to-market niche brands amounted to approximately HK\$109.7 million, HK\$132.6 million and HK\$369.3 million respectively, representing approximately 66.7%, 65.2% and 86.5% of our revenue generated from the distribution business in the corresponding year.

In particular, apart from the PRC new-to-market niche brands such as Sangfor and Ruijie identified by us as elaborated below, we have strategically identified Conversant, a new-to-market niche brand from Singapore that supplies CDN licences for access to its network of servers in the Southeast Asia and we became its sole authorised distributor in Hong Kong in May 2021. Riding on the increasing demand for efficient delivery of dynamic content and videos and with our effective sales and marketing effort, we were able to promote and promptly sell such products to Customer G, Customer F, Customer H, Customer D and Customer L during FY2021/2022, and, as a result, Conversant had achieved significant growth in revenue derived from us of approximately HK\$200.0 million during the year. At the same time, primarily attributable to the sale of CDN licences from Conversant, our total revenue derived from sales of new-to-market niche brands increased by approximately HK\$236.7 million or 178.5% from approximately HK\$132.6 million in FY2020/2021 to approximately HK\$369.3 million in FY2021/2022. This highlights our ability to identify new-to-market niche brands with growth potential and our effective marketing strategies to promote products of such brands to our customers.

We have enjoyed numerous competitive advantages in developing and bringing in new-to-market niche brands to local market, including: (a) abundant business opportunities of new-to-market niche brands given the pricing of the such brands is generally competitive with an aim of gaining acceptance among customers and such brands may offer specialised IT solutions that have yet to be introduced in the local market; (b) our ability to enjoy early-mover advantage of seizing vast business opportunities and growth potential of such new-to-market niche brands at their early stage of growth with limited competition from other distributors in the local market; and (c) our ability to cultivate reliance from the IT product vendors of new-to-market brands to further fend off competition. To the best knowledge of our Directors after reasonable enquiries, certain new-to-market niche brands that we carry have only maintained one to two authorised distributors and our purchases have contributed to the majority of their revenue over the years, signifying IT product vendors' considerable reliance on us. We believe such reliance is mainly due to our continuous effort in product localisation and sales enablement, which has enabled market for the new-to-market niche brands and allowed us to seize the business opportunities before other competitors did.

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*(ii) We strategically identify and focus on PRC brands with market potential*

We place significant focus on PRC brands and strategically seek out such brands for distribution in Hong Kong. Mr. Charlie Ip, our executive director and chairman, together with two staff members from our product team, who have approximately five to eight years of experience in researching on PRC brands and managing distributorship of PRC brands and PRC business dealings, are responsible for identifying PRC brands which have growth potential in the Hong Kong market. As at the Latest Practicable Date, we were the authorised distributor of 10 IT product vendors from the PRC.

We strategically identify and seek PRC brands with specifications comparable to internationally renowned brands in their respective fields at relatively competitive pricing to fill in the market gap. For instance, Sangfor and Ruijie were major market players within the PRC IT industry but lesser known in Hong Kong at the time when we first became their authorised distributor. Through our persistent product localisation and sales enablement effort, some resellers and end-users have switched from using internationally renowned brands of IT products to these PRC brands. As confirmed by Sangfor and Ruijie, with our assistance in brand building in the local market, their IT products were successfully localised. Sangfor further confirmed that its sales value in the Hong Kong market in 2019 was approximately 8.1 times as compared to the same in 2013 (prior to entering into distribution agreement with us). Sangfor was our first, second and second largest supplier respectively for the Track Record Period; while Ruijie was one of our suppliers during the Track Record Period. Both Sangfor and Ruijie considered us as their strategic partner in marketing and localising their products in Hong Kong.

According to the Ipsos Report, there are 30 to 40 IT product distributors in Hong Kong, of which less than ten, including our Company, are active in the IT product distribution industry. Among the active players, only four players (including our Group) are value-added distributors and we carry the highest number of PRC brands of IT products. Our Directors believe that we have gained a reputation for carrying a comprehensive range of PRC brands over the years and have become the go-to distributor for PRC-branded IT products if resellers and end-users are seeking for one. In addition to our research effort, in light of (a) our track record in growing PRC brands; (b) our in-depth understanding of the culture of PRC brands; (c) the technical capability of our staff; and (d) wide sales channel including Multisoft; IT product vendors of some PRC brands have proactively reached out to our Group to discuss the grant of authorised distributorship. Some of our familiar IT product vendors have also referred us to other PRC brands which are searching for a dependable distributor for the Hong Kong market. Given the above, we are able to continue to identify suitable PRC brands to support our continuous business growth and differentiate our Group from our competitors.



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(iii) *We attract internationally renowned brands to achieve optimum brand mix*

Our value-added service approach and business model are also highly received by the internationally renowned brands. Through close interaction and communication with the IT product vendors of internationally renowned brands, we have provided IT product vendors with valuable information and insight into the downstream market which is helpful for their product development and marketing launch. Leveraging on our expertise to assist new-to-market niche brands in local market introduction, we are resourceful and experienced in assisting internationally renowned brands with introducing new-to-market niche products to the local market. Besides, with the parallel operation of both distribution business and SI solutions business in our integrated business model, TriTech has also established a broad sales network. During the Track Record Period, TriTech had distributed IT products to approximately 288, 289 and 356 resellers respectively. Our growing sales network provides confidence to internationally renowned brands in entrusting us with distributing their products. As at the Latest Practicable Date, we carried 18 internationally renowned brands. Our Directors believe that we have achieved an optimum brand mix with balanced development of both internationally renowned brands and new-to-market niche brands, which allows us to offer a wide variety of IT products that suits various solutions from resellers and different requests from end-users. Such healthy mix of brands provides convenience to customers who need not reach out to various distributors for different brands of IT products, thereby increasing customer loyalty to our Group.

Despite the non-exclusive authorised distributorship arrangement, our Directors believe that the IT product vendors have placed reliance on us in distributing and marketing their IT products, in particular for new-to-market niche brands which have heavily relied on our value-added distribution approach to enter into the Hong Kong market. Going forward, we believe the existing IT product vendors will continue to rely on us as value-added distributor to promote and market their products in Hong Kong.

We attribute the growth in our distribution business to the combined effect of these key drivers. Our healthy mix of new-to-market niche brands and internationally renowned brands allowed the fluctuation in sales of new-to-market niche brands (due to the fact that our sales from our distribution business are project based as mentioned above) to be partially offset by the revenue derived from internationally renowned brands, resulting in an overall upward trend in our distribution business during the Track Record Period.

### **We are an SI solutions provider with proven track record of providing comprehensive, integrated, up-to-date and customised SI solutions to end-users**

We began our SI solutions business in 2006 when Multisoft was established as a reseller to provide SI solutions to end-users in Hong Kong. Since then, we have proactively sought opportunities for growth in our SI solutions business and by accumulating our project experience, building customer relationships and reputation in Hong Kong, we have expanded our geographical presence to the PRC and Macau in 2012 and 2013 respectively. With over 15 years of operating history in the SI solutions industry, we have developed a solid track record in providing comprehensive, integrated, up-to-date and customised SI solutions to customers.

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Our SI solutions mainly refer to IT infrastructure solutions service encompassing data communication and systems infrastructure, cyber security and digital transformation. We offer SI solutions to our customers, including (i) assessment, consultation and proposal; (ii) procurement of IT products; (iii) provision of professional services comprising technical implementation and integration, performance testing, user acceptance testing and system rollout; and/or (iv) provision of IT maintenance and support services. As an ongoing support to our customers, our IT maintenance and support services comprise hardware and system maintenance and support, system monitoring and IT outsourcing services. As a solutions-driven reseller, we work closely with our customers to understand their IT needs and are able to customise SI solutions in accordance with their IT needs and specifications.

We take a holistic approach in offering SI solutions to our customers and strive to help our customers in maximising the potential of their IT systems. On top of the customers' specific requests, during the assessment of the customers' existing IT systems and requests, we proactively review the overall infrastructure environment to identify areas of potential risk exposure and limitations unknown to the customers and offer suggestions in terms of design and products to be used to better achieve the intended results. This does not only increase customers' confidence but also strengthens our source of revenue. In our customer-oriented approach, customers can choose to procure IT products and/or services from us on a standalone or an integrated basis, which provides great flexibility to our customers in terms of nature and scope of our SI solutions.

We keep abreast of the latest market developments in the SI solutions industry to ensure that we provide up-to-date solution offerings. In particular, we have seen notable growth in the demand for digital transformation services and therefore deployed effort and resources to develop these services. During the Track Record Period, we were engaged by Tricor to develop a new eIPO mobile application (i.e. the **IPO App**), which serves to streamline the process of making eIPO applications. In addition, we were engaged in projects developing email journaling system, which serves to safeguard against email loss and record complete email communication. Given our diverse range of services, we are capable of designing and delivering comprehensive, integrated, up-to-date and customised SI solutions catering for the unique needs and requirements of customers from different industries.

In addition, we strive to promote IT awareness and create underlying IT needs by introducing to our customers the latest market trends and technology through hosting or co-hosting various marketing events with IT product vendors. We regularly organise live webinars, trade show booths, seminars, exhibitions, workshops, trainings and telemarketing to share and promote information on the latest SI solutions or products available in the market to end-users. In particular, we have hosted our own annual marketing campaign, Solution Day, since 2009 (except for 2019 and 2020 as we were unable to host our Solution Day due to the social movement in Hong Kong in 2019 and the outbreak of the COVID-19 pandemic since the end of 2019 in the PRC and the beginning of 2020 in Hong Kong, which hindered certain PRC suppliers of our Group from physically taking part in the event in Hong Kong. There were also limitations imposed by the Government on the number of participants that could take part in such event). According to the Ipsos Report, Solution Day is an innovative large-scale event bringing together hundreds of IT product vendors, IT architects and end-users in promoting IT awareness and the latest market trends and technology; and has been well received by the market. Furthermore, according to the Ipsos Report, we are the pioneer in the SI

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solutions industry to have consecutively held such large-scale marketing event for ten years. Through introducing new market trends and technology to our customers, we are able to create underlying IT needs among our customers and thereby increase business and sales opportunities. These marketing events not only enhance our market recognition, but also provide an effective platform to gain a better understanding of end-users' needs and preferences and at the same time generate valuable feedback to our IT product vendors and distributors, which in turn facilitates us in providing tailor-made and up-to-date SI solutions to end-users and strengthens our position in being a competitive business partner to our IT product vendors and distributors.

### **We have a broad customer base**

We enjoy a broad customer base mainly due to our business model encompassing both distribution and SI solutions businesses. Our dual roles as both distributor and reseller have attracted customers from different segments of the value chain of the IT industry and enabled us to capture the business opportunities in the whole value chain. We served over 1,000 customers for each of the three years ended 31 March 2022. Our customers are mainly divided into two categories, namely, resellers and end-users. Our reseller customers primarily include SI solutions providers, telecommunication companies, traders and wholesalers who usually procure our IT products for sale or provision of services to end-users while our end-user customers primarily include government, public utility companies, NGOs, SMEs, large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. We consider that having such diverse and extensive customer base allows us to have a stable and steady line of business and also diversified revenue sources.

Apart from our consistent effort in maintaining close and stable business relationships with our existing customers, we have strived to expand our customer base by soliciting new customers. We proactively approach new customers through hosting, co-hosting and joining various marketing events to develop new business opportunities. For details of our marketing events, please refer to the paragraph headed "Sales and marketing" below in this section. We have also been approached by new customers through word-of-mouth and referrals from our established customer base. Our Directors believe that some of our new customers selected us because we have developed and maintained good reputation in the industry and that our customer portfolio includes reputable and leading enterprises and institutions, which in turn may further attract other companies in the same or similar industries as well as their service providers along the relevant industry value chains to engage us.

Given that our customers span across different segments of the value chain and we are not dependent on any single customer for business, we are less susceptible to changing market conditions and fluctuations, giving us greater stability to our business operations and financial performance. Establishing customer base and building up reputation take time and effort. We believe our close and stable business relationships with our customers cannot be easily replicated by our competitors.

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### **Our well-established relationships with IT product vendors, authorised distributors and other service providers have enabled us to maintain our competitiveness in the industry**

Our ability to provide innovative and up-to-date product portfolio and solution offerings to our customers stems from our strong relationships with our suppliers. We have forged strategic and solid relationships with our suppliers, who are mainly divided into three categories, namely, IT product vendors, their authorised distributors and other service providers. With our sterling effort in delivering quality services and generating business growth for our IT product vendors and their authorised distributors, we are able to maintain good and stable relationships with our suppliers and enjoy close collaboration with IT product vendors and therefore obtain a high level of support and resources from them. As at the Latest Practicable Date, our business relationships with our five largest suppliers were up to nine years.

During the Track Record Period, we had received various awards from IT product vendors in recognition of our outstanding sales performance as distributor and high-quality services as reseller. We had been awarded the best distributor prizes and highest growth value-added distributor prizes by various IT product vendors for our distribution business. We had also received numerous recognition for our SI solutions business, such as (i) “Fujitsu Platform Product Partner of the Year” from Fujitsu for two consecutive years since 2019; (ii) “VMware FY18 Partner of the Year — vSAN” from VMware in 2019; (iii) “FY18 The Best New Business Reseller” from Micro Focus in 2019; and (iv) 2020 Partner of the Year Award — Sangfor Best Gold Partner from Sangfor in 2020. We also attained high business partnership rankings, including but not limited to (i) “Gold Cloud Platform”, “Gold Small and Midmarket Cloud Solutions” and “Gold Datacenter” from Microsoft in 2019; (ii) “Premier Solution Provider” from VMware in 2019; (iii) “Business Partner — Gold” from Lenovo for two consecutive years since 2019; and (iv) “Premier Partner” by Barracuda in 2021. We believe such awards and recognition are mainly attributable to our ability to meet certain benchmarks set by the IT product vendors, including service quality and technical capabilities.

Our close relationships with our suppliers and high business partnership rankings have enabled us to obtain more favourable terms and more technical support and opportunities for technical training from our suppliers. In particular, our suppliers provide (i) discount to our cost of procuring IT products under certain incentive programmes; (ii) funding and technical support to us for hosting or co-hosting sales and marketing events; and (iii) training and workshops on the latest technical knowledge of IT products and SI solutions. The level of discount, resources and support provided to us by our suppliers largely depend on the extent of our partnership with them. Leveraging on our well-established relationships with our suppliers and hence the resources and support provided by them, we are able to equip ourselves with the latest technical knowledge on the development of IT products and SI solutions as well as technological trends and thereby provide innovative and up-to-date IT products and SI solutions to meet the ever-changing IT requirements of our customers in a timely and cost-efficient manner.

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### **We have an experienced management team, supported by our dedicated sales team and strong technical team**

We believe that the vision and extensive experience of our management team is fundamental to our success. We have an experienced and stable management team with extensive technical expertise and substantial experience in the IT industry. Our two executive Directors have an average of over 15 years of experience in the IT industry, during which they have built in-depth understanding of the market trend and gained industry insight. Under their leadership and vision, we successfully underwent integration in 2014 to tap into the IT product distribution industry to capture the business opportunities in the whole value chain of the IT industry. Our management team has developed effective strategies to partner with both internationally renowned brands and new-to-market niche brands to offer our customers a broad and diversified product portfolio which we believe has differentiated us from our competitors. For biographical details of our Directors, please refer to the section headed “Directors and senior management” in this prospectus.

Apart from our management team, our success also relies considerably upon our dedicated sales team and strong technical team. As at the Latest Practicable Date, our sales team consisted of 42 staff and was led by one of our Executive Directors, Mr. Chan Tim Cheung, who has over 18 years of experience in the IT industry. Our sales team possesses an understanding of customer needs and is well positioned to provide consultation services to our customers to introduce and advise on the IT products that best suit their requirements. Our technical team cooperates with our sales team in assessing the IT environment of our customers so as to identify and propose the suitable IT products. As at the Latest Practicable Date, our technical team consisted of 44 staff and was led by our Senior Technical Manager with over 20 years of experience in the IT industry. Through the combination of product know-how and technical capabilities possessed by our technical team and deep understanding of market trends and customer needs possessed by our sales team, we have been able to effectively provide IT products and SI solutions to our customers. As at the Latest Practicable Date, our sales and technical team obtained approximately 160 certifications and accreditations by completing the training and workshops given by the IT product vendors and professional or certification organisations.

We believe that the vision and ability of our management team to identify and respond to market trend together with the understanding of customer needs possessed by our sales team and the technical capabilities of our technical team have provided us with a competitive edge to capture the potential market opportunities in the IT industry and contributed to our growth.

### **OUR BUSINESS STRATEGIES**

We intend to further enhance our presence and expand our market share in the IT product distribution industry and SI solutions industry in Hong Kong and fortify our competitive strengths by implementing the following business strategies:

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**Expand our distribution business by (i) enriching our product portfolio; (ii) expanding our service offerings; and (iii) expanding our workforce and enriching the expertise of our sales, product and technical teams**

***(i) Enrich product portfolio for distribution by obtaining more authorised distributorship from IT product vendors***

We believe expansion of our existing product portfolio to accommodate the evolving demand and keep abreast of the IT trend is crucial to our continuous success and sustainability of our distribution business. With an aim to providing our customers with a wider range of choices and broadening our customer base, we plan to further enrich our product portfolio by introducing new brands and new IT products which we consider having promising potential in the IT product distribution industry in Hong Kong in terms of product specifications and pricing. We intend to obtain authorised distributorship of new IT products which fall within our existing product categories in our distribution business, but from other countries, of other qualities and price ranges. For instance, we currently target to introduce a range of hyper-converged infrastructure (“**HCI**”) products and artificial intelligence (“**AI**”) servers.

***(a) HCI products***

HCI is a software-defined IT infrastructure that modernises data centres by integrating computation, storage, networking and virtualisation into one solution that is flexible, scalable and easy to manage. HCI transforms the traditional IT operational model with simple and unified management of resources, resulting in increased IT efficiency, better storage with lower costs and greater ability to scale up and meet specific application needs. This infrastructure will also integrate with cloud and facilitate the establishment of a cloud-ready infrastructure for building private cloud, extending to public cloud and achieving hybrid cloud. According to the Ipsos Report, HCI is an innovative technology that has been introduced to the global market in or around 2014 and has steadily gained traction in the IT industry over the years. In recent years, there has been a notable shift in market preference from discrete hardware-defined infrastructure to the deployment of software-defined HCI products driven by the abovementioned benefits of HCI. The market value of HCI in Asia-Pacific was at approximately US\$2,396.7 million in 2021, with the expectation that the market will continue to grow during the forecast period from 2022 to 2025 at a CAGR of approximately 28.7%. As one of the most mature economies in the Asia Pacific region and a leading global financial centre, HCI’s market value in Hong Kong has also experienced significant growth. According to the Ipsos Report, the market value of HCI in Hong Kong recorded a sharp growth from approximately HK\$316.9 million in 2015 to approximately HK\$1,306.9 million in 2020 at a CAGR of approximately 32.8%. The growth of the market value of HCI was due to the growing number of data centres, rise in demand for data protection and recovery, and the increased adoption of virtual desktop infrastructure in Hong Kong. Due to the abovementioned advantages of HCI, there is an increasing number of organisations that are willing to deploy HCI to increase their operational efficiency and to lower the cost of IT maintenance. Amongst others, financial services institutions, education institutions, governmental institutions, and conglomerates contributed the most to the growth in market value of HCI in Hong Kong over the historical period from 2015 to 2020. As supported by various segments and newly set-up companies, the market value of HCI in Hong Kong has increased exponentially by more than two times over the historical period from 2015 to 2020.



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Furthermore, according to the Ipsos Report, during the forecast period from 2021 to 2024, the market value of HCI in Hong Kong is expected to increase at a CAGR of approximately 29.8%, from approximately HK\$1.7 billion in 2021 to approximately HK\$3.7 billion in 2024. It is expected that HCI will continue to gain popularity in Hong Kong as enterprises are more willing to invest in upgrading IT infrastructure for cloud computing, data security, and virtualisation, especially when their existing IT infrastructure runs out of warranty. In addition, the banking and financial sector is one of the main contributors to the growth in the market value of HCI in Hong Kong during the historical period, and the sector is expected to expand moderately throughout the forecast period. The continued expansion of the banking and financial sector could potentially drive up the spending in IT infrastructure, as well as that of HCI. Besides, the trend of remote working and digital transformation started in 2020 due to the outbreak of the COVID-19 pandemic has encouraged the commercial sector to upgrade IT infrastructure for the increasingly necessary deployment of virtualisation in the future, which is expected to further stimulate the demand for HCI in Hong Kong. In this regard, the market value of HCI in Hong Kong is expected to continue with exponential growth throughout the forecast period. For further details on the market drivers and opportunities of HCI, please refer to the section headed “Industry overview — Competitive analysis of the HCI and AI infrastructure market in Hong Kong — Key drivers and opportunities” in this prospectus. Based on the above, our Directors consider that HCI technology will attract substantial demand in Hong Kong and there is great potential in enriching our product portfolio in relation to HCI.

In response to the growing market demand for HCI in the Hong Kong market, we began to carry and distribute HCI products sourced from a PRC-branded IT product vendor, Sangfor, in 2017. In line with the growth in market value of HCI products in Hong Kong, we had also experienced persistent growth in sales of HCI products during the Track Record Period. We had respectively generated revenue of approximately HK\$8.2 million, HK\$11.2 million and HK\$18.3 million from sales of HCI products in our distribution business during the Track Record Period. The revenue from sales of HCI products in our distribution business had demonstrated an overall upward trend from FY2019/2020 to FY2021/2022. Such trend is supported by the increasing number of orders we received for HCI products, from approximately 64 orders in FY2019/2020 to 94 in FY2020/2021 and 116 in FY2021/2022, signifying a growing demand and momentum for HCI products.

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Moreover, the demand and prominent prospect of HCI products are also reflected in our actual sales of HCI products in FY2021/2022. Our revenue from sales of HCI products increased by HK\$7.1 million or 63.4% from HK\$11.2 million in FY2020/2021 to HK\$18.3 million in FY2021/2022. Such growth has outperformed the forecast of year-on-year growth for 2020 to 2021F and the industry CAGR during the Track Record Period as disclosed in the section headed “Industry overview” in this prospectus. Our Directors believe that the sales of HCI products will continue to increase when the market becomes more familiar with the brands of HCI products which we offer. The gradual growth in revenue from Brand A from FY2019/2020 to FY2020/2021 has proven that it takes time and resources to nurture new brands under the distribution agreements before sales of such products improve. In addition, our Company expects to derive sales revenue from HCI products through a cooperation framework with the Main Contractor in relation to existing CCTV system projects awarded to the Main Contractor by customers such as Government departments, statutory bodies and universities and other future contracts which may be awarded to Main Contractor for the installation, replacement and maintenance of CCTV systems. Under such cooperation framework, our Group will be engaged by the Main Contractor as its subcontractor for a term of three years to, among other things, supply HCI products that are compatible with the CCTV systems for providing video analytics functions and data storage in video surveillance. For further details of the cooperation framework, please refer to the section headed “Summary – Recent development and no material adverse change” in this prospectus. Based on the above and the forecast market value growth of HCI in Hong Kong at a CAGR of approximately 29.8% from 2021 to 2024 according to the Ipsos Report, our Directors are very optimistic about the demand and prospect of HCI products in the Hong Kong market and our sales of HCI products.

Furthermore, during the Track Record Period, apart from deriving revenue from the sales of HCI products in our distribution business, we had also derived revenue in the SI solutions business by deploying HCI products in our SI solutions business projects during the Track Record Period. We had generated a revenue of approximately HK\$5.5 million, HK\$5.9 million and HK\$4.1 million respectively during the Track Record Period from these projects, further signifying the growing demand for HCI products.

Having considered the estimated CAGR of approximately 29.8% of the market value of HCI in Hong Kong, we believe that this technological trend represents an opportunity for us to capture market demand and business growth. Leveraging on our HCI product experience, we have seen the highly competitive advantages HCI can bring and at the same time equipped ourselves with the necessary technical expertise and know-how in marketing and selling HCI products. Eyeing on the growth potential of HCI brought by the change of technological cycle in Hong Kong market and with a view to provide greater variety of HCI products in terms of product origin, as at the Latest Practicable Date, in addition to HCI products of Sangfor, we entered into a distribution agreement with Brand A, which is an overseas IT product vendor for the supply of new range of HCI products. Brand A is a leader and pioneer in HCI solutions and its products have been considered to have outperformed its competitors in HCI technology. It was the third largest worldwide IT vendor of HCI products in terms of revenue in the fourth quarter of 2020 according to the International Data Corporation. According to the Ipsos Report, Brand A is the third largest HCI product brand in terms of revenue in Hong Kong in FY2020. It has an international client base across multiple industries and notably its HCI products

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have been deployed by a major property developer in Hong Kong to help drive its digital transformation initiative. Brand A had reported a growth of over 40% in business in ASEAN during the third quarter of its fiscal year of 2020. In addition, as at the Latest Practicable Date, we were also identifying additional brands of HCI products which are well recognised with growth potential in Hong Kong. We have already been in discussion with some additional brands. However, we had not entered into any distribution agreements with these potential brands as at the Latest Practicable Date. The entering into of such distribution agreements will depend on, among other things, the timeframe of the Listing.

Besides, having considered HCI products as the replacement of traditional data-centre infrastructure consisting of separate servers, storage networks and arrays, our Directors believe that HCI products not only attract new customers, but also appeal to existing customers looking for IT infrastructure upgrades. During the Track Record Period, the revenue from the sales of IT products in data communication and systems infrastructure in our distribution business amounted to approximately HK\$81.4 million, HK\$122.3 million and HK\$348.9 million, representing approximately 49.5%, 60.1% and 81.7% of our total revenue in our distribution business respectively. This has demonstrated our strong sales capability in distributing IT products in data communication and systems infrastructure and our established customer base to whom we target to market and sell the new line of HCI products. Riding on the global technological development trend, we see great market potential in the HCI products and are optimistic about the potential returns in introducing a new range of HCI products to our product portfolio.

The HCI products will be sold as standalone products and we also plan to pair the HCI products with a selection of servers of other brands carried by us and offer them as integrated solutions, which will create synergy with our existing products. Based on our track record in selling the relevant products during the Track Record Period, we expect to offer the HCI products that range from approximately HK\$35,000 to HK\$160,000 per product, taking into account, among other things, (i) the model and specifications of the product; (ii) the procurement cost and supply chain cost; (iii) the extent of product customisation required; (iv) the market price of products with comparable functionalities and specifications by other product vendors in the market; (v) the pricing of similar products offered by our competitors. With reference to the expected price range and the revenue and profit margin derived from sales of HCI products during the Track Record Period, our Directors expect that the gross profit margins for HCI products in FY2022/2023 will be consistent with the overall gross profit margin for HCI products which was approximately 16.8% during the Track Record Period.

(b) *AI servers*

AI is a simulation of human intelligence in machines which are programmed to think like humans and mimic their actions. AI works by combining large amount of data with fast, repetitive processing and intelligent algorithms, allowing the software to learn automatically from patterns or features in the data. According to the Ipsos Report, AI has wide application, including fraud analysis, automated threat intelligence and prevention systems, expert shopping advice and product recommendations, freight management and asset management. Given its wide application and benefits, there has been a surging number of enterprises across various industries in Hong Kong implementing AI technology in their business to facilitate operation and achieve higher customer satisfaction. In particular, in banking, finance and insurance sectors, AI technology can greatly improve the availability and consistency of performance of bank product systems and help discover hidden server abnormalities, predict operational disruptions and enhance threat detection and prediction. According to the survey in the consultation report “Reshaping Banking with Artificial Intelligence” published by the Hong Kong Monetary Authority in December 2019, approximately 89% of the banks in Hong Kong currently have plans to adopt AI technology in their business operation. Accordingly, it is expected that there will be growing market preference for optimised and supported cognitive infrastructure platform which supports AI technology.

In view of the above AI technological trend, it is our plan to introduce a range of AI servers to our product portfolio. AI servers involve the emerging technologies of AI computing, AI algorithms and machine learning and are unique purpose-built servers aimed at handling machine learning training and machine learning inference workloads. Compared with the traditional x86-based servers, which are designed to support most workloads in the day-to-day office and business settings, AI servers are specifically designed to handle thousands of operations at once, making it ideal to handle vast quantities of data and perform complicated tasks in AI applications with accuracy and speed. The accelerated computing features in AI servers thus support machine learning, automation and analytics, functions that would be more difficult and challenging for traditional x86-based servers to handle and process. AI servers are mainly targeted at customers engaged in industries such as financial services, fintech or analytical-based companies that require the processing of vast amount of data instantaneously. We believe that the choice between AI servers and traditional x86-based servers depends on the needs of the customers who ultimately determine the best kind of server that would support their IT infrastructure to achieve its expected outcome and cost, and hence AI servers and traditional x86-based servers are not competing in nature. Therefore, the addition of AI servers to our portfolio of products would provide more options to end-users that may be engaged in industries such as financial services, fintech or analytical-based companies that require the processing of vast amount of data instantaneously. With the difference in the desired outcome in mind, the AI servers will not undermine the demand for the other servers offered by us but would increase our competitiveness as a distributor by providing a wider range of products.

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According to the Ipsos Report, the AI infrastructure market in Hong Kong recorded a sharp growth from approximately HK\$2.6 billion in 2015 to approximately HK\$8.4 billion in 2020, at a CAGR of approximately 26.4%. The growth in the market value of AI infrastructure in Hong Kong was due to the increasing adoption of AI technology in Hong Kong, as the development of AI technology requires investment in AI infrastructure such as AI server, AI storage, AI applications and AI system infrastructure software. There is an increasing number of businesses in Hong Kong that started to adopt big data analytics, cloud computing, and machine learning, enabling them to identify lucrative customer segments, make products and services more personalised, and run their operations more efficiently. As companies and institutions from different industries such as financial institutions, logistics companies, retail brands, and enterprises have started to realise the need to store and maintain massive amount of data which is required for training and building their own AI algorithms, many of them have started to invest in AI infrastructures by building on-premises AI servers and purchasing on-cloud AI servers.

With the expected growth in the utilisation of AI technology in Hong Kong, it is expected that the demand for AI servers will continue to increase. According to the Ipsos Report, it is expected that the global AI infrastructure market will grow at a CAGR of approximately 20.6% from 2022 to 2025. In particular, Asia-Pacific is expected to continue to lead the AI infrastructure market and is also likely to be the fastest-growing region, at a CAGR of approximately 29.3% during the forecast period. Further, according to the Ipsos Report, during the forecast period from 2021 to 2024, the market value of AI infrastructure in Hong Kong is expected to increase from approximately HK\$10.5 billion in 2021 to HK\$20.3 billion in 2024, at a CAGR of approximately 24.6%. It is expected that the market value of AI infrastructures in Hong Kong will continue to grow as various organisations and businesses including government, financial intuitions, technology and innovation businesses, travel and logistics firms and retail businesses are adapting to the use of AI. With a majority of retail banks in Hong Kong having already adopted or planned to adopt AI applications in 2019, the total amount of capital expenditure on AI by the retail banking sector in Hong Kong is expected to increase by more than two-thirds throughout the forecast period. As AI is moving towards the adoption stage in Hong Kong, it is becoming more resource-demanding in terms of computing power and storage capacity. Hence, many of these companies are expected to continue to invest in upgrading their AI infrastructure such as AI servers and AI storage to improve their AI performance. For further details on the market drivers and opportunities of AI infrastructure, please refer to the section headed “Industry overview — Competitive analysis of the HCI and AI infrastructure market in Hong Kong — Key drivers and opportunities” in this prospectus.

To capture these growing business opportunities, we have begun offering AI servers to our customers since September 2020. As at the Latest Practicable Date, in addition to four other brands which offer a wide range of IT products including but not limited to AI servers, we entered into agreement with Brand B, which is a PRC IT product vendor of AI servers, for an authorised distributorship of its AI servers, pursuant to which we shall be subject to certain commitments including an annual minimum run-rate order purchase quantity of HK\$5 million for each of the first two years of cooperation and a geographical restriction of product distribution to Hong Kong and Macau. Brand B is a pioneer in AI, deep learning, cloud computing and big data and was described as one of the top six companies in the worldwide



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AI server market in 2020 alongside other overseas internationally renowned brands according to the International Data Corporation. It was the biggest server manufacturer accounting for 43.5% of the market share in the second quarter of 2020 in the PRC and has owned a market share of more than 50% in the AI server market over the years. While Brand B is not a major AI infrastructure product brand in Hong Kong according to the Ipsos Report given its limited local presence, it is a worldwide market leader of AI servers and our Directors believe that there is significant growth potential in sales of AI servers contributed by Brand B through implementing our sales strategies as mentioned below. While we are in the course of preparing product launch and formulating appropriate marketing strategies for these new AI servers, we have started generating revenue from the sales of AI servers due to sturdy demand in the Hong Kong market. By introducing new AI servers of PRC brands and overseas internationally renowned brands to our product portfolio, we believe we will be able to capture the increasing demand for AI servers. Moreover, the series of AI servers is also compatible with a range of HCI products to form integrated HCI solutions. As with HCI products, we have been in discussion with some additional brands of AI servers which we consider to possess growth potential in Hong Kong but we have not entered into distribution agreements with these brands.

Despite the short product history of AI servers in our product portfolio, we see promising market potential in AI servers in Hong Kong. In FY2020/2021 and FY2021/2022, we have generated revenue of approximately HK\$1.6 million and HK\$5.2 million from distribution of AI servers respectively. The increase in revenue generated from distribution of AI servers was primarily due to the sale of Brand B's AI servers to Customer G. Such growth has outperformed the forecasted year-on-year growth for 2020 to 2021F and the industry CAGR during the Track Record Period as disclosed in the section headed "Industry overview" in this prospectus. The gradual growth in revenue from Brand B has proven that it takes time and resources to nurture new brands under the distribution agreements before sales of such products improve. In particular, we obtained the authorised distributorship of Brand B's AI servers in the fourth quarter of 2020 but it was not until July 2021 that we were able to secure and deliver orders for such products of approximately HK\$4.2 million, further showcasing that it requires time and resources to localise and nurture a brand. Our Directors believe that the sales of AI servers will continue to increase when the market becomes more familiar with the brands of AI servers which we offer. Based on our track record in selling the relevant products during the Track Record Period, we expect to offer the AI servers that range from approximately HK\$158,000 to HK\$1.9 million per product, taking into account, among other things, (i) the model and specifications of the product; (ii) the procurement cost and supply chain cost; (iii) the extent of product customisation required; (iv) the market price of products with comparable functionalities and specifications by other products vendors in the market; (v) the pricing of similar products offered by our competitors; and (vi) the number of licence involved. With reference to the expected price range and the revenue and profit margin derived from sales of AI servers during the Track Record Period, our Directors expect that the gross profit margins for AI servers in FY2022/2023 will be consistent with the overall gross profit margin for AI servers during the Track Record Period, which was approximately 15.1%. In addition, our Company expects to derive sales revenue from AI servers through a cooperation framework with the Main Contractor in relation to existing CCTV system projects awarded to the Main Contractor by customers such as Government departments, statutory bodies



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and universities and other future contracts which may be awarded to Main Contractor for the installation, replacement and maintenance of CCTV systems. Under such cooperation framework, our Group will be engaged by the Main Contractor as its subcontractor for a term of three years to, among other things, supply AI servers that are compatible with the CCTV systems for providing video analytics functions and data storage in video surveillance. For further details of the cooperation framework, please refer to the section headed “Summary – Recent development and no material adverse change” in this prospectus.

Based on the above and with reference to the expected growth in market value of AI infrastructure in Hong Kong at a CAGR of approximately 24.6% from 2021 to 2024, our Directors are very optimistic about the demand and prospect of AI servers in the Hong Kong market and our sales of AI servers.

While we have experienced a slower-than industry CAGR growth in sales of HCI products and AI servers in FY2019/2020 and FY2020/2021, after obtaining in the fourth quarter of 2020 the authorised distributorships by entering into distributor agreements with Brand A (a market leader and pioneer of HCI products) and Brand B (a market leader of AI servers), we have experienced sharp growth in sales of such products in FY2021/2022 and expects growth in sales continues in FY2022/2023.

We attribute the lower than industry CAGR growth in sales of HCI products and AI servers during FY2019/2020 and FY2020/2021 to our limited product offerings of HCI products and AI servers during the Track Record Period. According to the Ipsos Report, the HCI market in Hong Kong was concentrated, with over 10 brands of HCI products actively available as at 2021. During the Track Record Period, we only offered two brands of HCI products, with only one brand, Brand A, being an actively available brand and the other brand, Sangfor, not being considered a prominent player in the HCI industry. On the other hand, according to the Ipsos Report, the AI infrastructure market in Hong Kong is relatively fragmented with over 400 brands available as at 2021. This fragmented AI infrastructure market provided us with plenty of opportunities to acquire distributor agreements in respect of AI servers providers. During the Track Record Period, our Group only offered four brands of AI servers, which except for Brand B, offered a wide range of IT products besides AI servers. As noted from the market landscape, although Brand B was not one of the top five market players of AI infrastructure in Hong Kong, it was one of the top six companies in the worldwide AI server market in 2020 and the biggest sever manufacturer accounting for 43.5% of the market share in the second quarter of 2020 in the PRC with a market share of more than 50% in AI server market over the years.

Our Directors believe that enriching the products portfolio by entering into distribution agreements with HCI products and AI servers IT product vendors will significantly enhance our growth in sales of such products. The significant growth in sales of HCI products and AI servers in FY2021/2022 and that the projected sales in FY2022/2023 is expected to outperform the forecasted year-on-year industry growth rate of 27.7% for market value of HCI in Hong Kong and 25.0% for market value of AI infrastructure in Hong Kong from 2020 to 2021F. All these demonstrate that by obtaining more authorised distributorships from HCI products and AI servers IT product vendors, we do have the ability to capture the industry growth in both the HCI and AI server markets.

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### *Strategic collaboration with IT product vendors of HCI products and AI servers*

As mentioned above, there is ample demand for HCI products and AI servers in Hong Kong. To capture the surging demand, we intend to enrich our product portfolio by introducing new brands of HCI products and AI servers including Brand A and Brand B, which are the market leaders in their respective markets and are relatively new brands we obtained authorised distributorship for. To attract these IT market leaders to collaborate with us, we had entered into distribution agreements with minimum purchase commitment with the two IT product vendors of the aforesaid brands HCI products and AI servers. To the best knowledge of our Directors, apart from our Group, Brand A had two other distributors in Hong Kong while Brand B had one other distributor in Hong Kong as at the Latest Practicable Date. With relatively small number of authorised distributors for these market leaders and hence limited competition between authorised distributors in these brands in the Hong Kong market and to seize an early-mover advantage for distributing HCI products and AI servers in Hong Kong, our Directors believe that it is in the best interest of our Group to secure the supply of HCI products and AI servers from these IT product vendors by obtaining authorised distributorship and establishing business relationship with them through satisfying minimum purchase commitment.

Based on our previous experience in successfully nurturing other brands/ IT products, we expect that by obtaining authorised distributorships and putting similar effort and resources to localise and build presence of the two abovementioned brands and other brands of HCI products and AI servers in the Hong Kong market, the growth of sales of such products by our Group will demonstrate a similar pattern as other brands/products which we had successfully nurtured before and the sales of such IT products will gradually improve. Sangfor and Ruijie, which are major market players within the PRC IT industry but lesser known in Hong Kong at the time when we first became their authorised distributor, are proven examples of how we successfully grew, localised and enabled sales for their IT products in Hong Kong market. In fact, at the initial phase after signing of the distribution agreements, in particular for Ruijie, we were required to incur significant upfront cost to meet the minimum purchase commitment under the relevant distribution agreement and acquire certain level of inventories to implement marketing and sales enablement strategies to educate the market, irrespective of whether orders from end-customers have been secured on back-to-back basis. To this end, when we first became an authorised distributor of Ruijie in 2015, we had agreed to a minimum purchase commitment of USD1.0 million for 2016. With a view to capture the uprising demand for data and communication and systems infrastructure products at the material time, we had purchased approximately HK\$4.7 million of such products from Ruijie, irrespective of whether orders from end-customers have been secured on back-to-back basis. Besides, we had proactively partnered with IT product vendors such as Ruijie to launch marketing activities through online and offline channels such as Distribution Channel Party, exhibition, seminars, webinars and workshops and invited the target audience to attend. Through these marketing activities, we educated the target audience on the latest technological development while promoting the brands, highlighting features of the IT products and demonstrating how the IT products could be integrated and utilised in a solution to take advantage of the new technology. We believe that the brands becoming more mature in the Hong Kong market as a result of our marketing effort, Sangfor's sales value in the Hong Kong market in 2019 was approximately 8.1 times as compared to 2013, before we became its authorised distributor, as confirmed by Sangfor. Likewise, Ruijie confirmed that its sales value in Hong Kong market in 2019 was 3 times as compared to 2014. As such, we aim to and firmly believe in our ability to replicate the success of Sangfor and Ruijie on the two abovementioned IT product vendors and other brands of HCI products and AI servers which we collaborate with and may collaborate with in the future.

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Based on our experience to nurture other successful brands of IT products for IT product vendors before, we plan to continue to enrich our product portfolio and partner with market leading brands of HCI products and AI servers which have imposed or are expected to impose a minimum purchase commitment on us. Under these distribution agreements, it is expected that we will be required to deploy upfront cost to acquire certain level of inventories of HCI products and AI servers from IT product vendors before securing the orders from downstream customers and for satisfying the minimum purchase commitment. In such way, like the initial phase of nurturing Sangfor and Ruijie in the Hong Kong market, we would be able to deploy product localisation strategies and sales enablement efforts to educate the market at relatively early stage in the market and provide value-added services to the resellers and end-users, with an aim to enable these market leaders' IT products to expand their market shares in Hong Kong. In addition, maintaining stock inventories would allow us to shorten our delivery lead time, which would generally take up to one month, and be able to meet the ad hoc needs of our customers on urgent basis. We will also offer spare units to our customers for temporary use and swapping service in the event of product defect which requires the IT products to be sent to the IT product vendors for repair or replacement, in order to lower the impact of defective IT products. These value-added services provided by us are appealing to both customers and the IT product vendors. In particular, this strategy will in turn allow us to develop stronger bonds with these market leading but lesser-known-to Hong Kong brands, promoting demands in these products and thus in turn enhance our profitability in these products.

According to the Ipsos Report, it is common for IT product vendors to impose minimum purchase commitment in distribution agreements, primarily because such minimum purchase commitment helps the IT product vendors to achieve their own sales goal and grow their market share in a foreseeable manner. In addition, according to the Ipsos Report, based on the independent interviews with authorised distributors in Hong Kong, it is common for authorised distributors to acquire IT products from IT product vendors before securing the orders from downstream customers. First of all, acquiring IT products from IT product vendors irrespective of whether orders from the end-customers have been secured can help the IT product distributors to establish relationships with the IT product vendors. By acquiring IT products, the IT product distributors demonstrate their capability and confidence to distribute a significant amount of IT products and the financial competence of business operation, which is one of the important factors for IT product vendors to review when they enter a distributor agreement with a new IT products distributor. Secondly, acquiring IT products without having actual orders can speed up IT product distributors' deployment and delivery time of IT products to their downstream customers. The IT product distributors who plan to expand their business and are actively launching business initiatives and promotions usually require to increase their inventory of promoted or top-heated IT products to cater to the increasing demand.

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These business strategies namely (i) expanding our product portfolio, (ii) educating customers on the use of HCI products and AI servers; (iii) maintaining stock inventories for allowing us to shorten our delivery lead time and offer spare units for swapping services; and (iv) conducting of marketing activities, would consume a substantial amount of financial resources of our Group. However, our Group's working capital management is constrained by our trade receivables, trade payables and inventories. Allocation of substantial working capital to fulfil the abovementioned business strategies in expanding our HCI products and AI servers would further hinder our Group's existing business operation and development. For illustrations, in FY2020/2021, our Group recorded negative cash flow from operating activities of approximately HK\$38.3 million, which was mainly due to, inter alia, the decrease in trade and other payables and accrued charges primarily resulted from our substantial payments of trade payables to certain suppliers. Our Group also recorded a negative cash flow from operating activities of approximately HK\$32.5 million in FY2021/2022 mainly due to the increase in trade and other receivables, deposits and prepayments. During FY2021/2022, our Group had allocated substantial resources in promoting and selling a type of data communication product, CDN licences. We had generated a revenue of approximately HK\$244.8 million from the sale of CDN licences for the year but at the same time accumulated trade receivables of approximately HK\$86.0 million and prepayments of approximately HK\$33.5 million as at 31 March 2022, which tightened our overall cash flow. The increase in trade receivables by approximately HK\$45.4 million to approximately HK\$157.8 million as at 31 March 2022 was primarily attributable to the significant increase in revenue in FY2021/2022.

As confirmed by Ipsos, it is not uncommon for large corporation customers such as renowned telecommunication operators to have more bargaining power over their suppliers, and it is not unusual for them to demand a distributor in the value chain, such as our Group, to offer favourable credit terms. On the other hand, suppliers of our distribution business are mostly brand owners who also dictate the payment terms between themselves and us. As a result, the working capital of our Group is already constrained by our trade receivables and trade payables from our existing business operations. As at 31 March 2022, our bank balances and cash amounted to only approximately HK\$17.2 million while our gearing ratio was approximately 104.3%. As such, in order to capture the industry growth of HCI products and AI servers without hindering our Group's existing business operation and development, our Directors consider that it is essential for us to allocate a significant portion of the net proceeds for enriching our product portfolio by obtaining distributor agreements in respect of HCI products and AI server.

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### *Competitive strength in securing new customers*

All in all, our Directors consider that there is substantial demand and growth potential in HCI products and AI servers in Hong Kong market. Our Directors are confident that the key drivers for our financial performance, including having broad portfolio of new-to-market niche brands which we have enjoyed sizeable market share as well as an optimum brand mix of new-to-market niche brands and internationally renowned brands, and the synergy between our distribution business and SI solutions business, will continue to drive and substantiate our financial performance and sustainability, thereby allowing us to capture such demand. In addition, our Group operates an business model in the IT industry of which our Group primarily engaged in the distribution of IT products and provision of SI solutions business. The dual roles as both distributor and reseller in the IT industry has benefitted our Group by allowing us to on-sell IT products to essential players in the whole value chain of the IT industry. Therefore, we are able to achieve product penetration of HCI products and AI servers through two ways, namely distribution and integration into SI solutions. As a distributor, TriTech mainly distributes its IT products to its customers, who are generally resellers. By distributing IT products to resellers, TriTech can leverage on the broad network of its resellers who then on-sell its IT products including HCI products and AI servers to end-users of different industries. On the other hand, as a reseller, Multisoft sells IT products sourced from distributors including TriTech to its downstream customers, who are generally end-users. With over 15 years of operating history, Multisoft has developed a broad spectrum of customers from various sectors and industries, including, among the others, government, education, healthcare, banking and finance, insurance, retail, transportation and logistics during the Track Record Period, all of which are the major industries for HCI products and AI servers. In particular, Multisoft has business relationships with large corporations and enterprises including telecommunication, finance and electricity companies, of which these companies had indicated their interests in investing in HCI products and AI servers. Thus, our Group has a well-diversified and extensive customer base from our distribution and SI solutions businesses which our Directors believe our Group has great opportunities to expand our presence in distributing HCI products and AI servers in Hong Kong. For details of our key drivers, please refer to the paragraph headed “Our competitive strengths” in this section above.

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As aforementioned, our Group's CAGR growth in HCI products and AI servers during the Track Record Period was limited by our product offering and short product history. Our Directors believe that by utilising the net proceeds from the Listing, we would be able to explore and expand new potential brands and diversify our product offerings in both HCI products and AI servers. As for HCI products, our Group is currently authorised to distribute the products of Sangfor and Brand A, of which as mentioned above, Brand A is one of the prominent market players of HCI products in Hong Kong. To the best knowledge of our Directors, Brand A products are priced at mid to high range. As such, our Directors believe the HCI products of Brand A appeal to corporations and enterprises who are seeking for a renowned international brand. As for AI servers, our Group currently offers four different brands, including Brand B, that carry AI servers. As noted above, although Brand B was not one of the top five market players of AI infrastructure in Hong Kong, Brand B was one of the top six companies in the worldwide AI server market in 2020 and the biggest server manufacturer accounting for 43.5% of the market share in the second quarter of 2020 in the PRC with a market share of more than 50% in AI server market over the years. Our Directors believe with our successful track record in localising and penetrating PRC brands in Hong Kong, such as Sangfor and Ruijie, we are well positioned to replicate such success with AI servers of Brand B. In particular, to the best knowledge of our Directors, AI servers of Brand B are priced at low to mid range as compared to other brands which our Directors believe appeal to customers looking for AI servers at competitive pricing.

Riding on the extensive and growing demand of HCI products and AI servers in the Hong Kong market and our growth in revenue derived from such products as mentioned above, we plan on utilising approximately HK\$27.0 million or approximately 39.3% of the net proceeds from the Share Offer to enrich our product portfolio and secure supply of the abovementioned HCI products and AI servers, among which (i) approximately HK\$26.0 million of the net proceeds will be utilised for satisfying the minimum purchase commitments under the distribution agreements with IT product vendors, of which approximately HK\$15.0 million and HK\$7.0 million will be utilised for Brand A and Brand B respectively, and approximately HK\$4.0 million for other potential brands of HCI products and AI servers; and (ii) approximately HK\$1.0 million of the net proceeds will be utilised for sales enablement and conducting marketing activities to promote the new brands and IT products, including but not limited to participating and hosting of exhibitions, workshops, webinars, issuing press release in websites and magazines, traditional and digital marketing such as advertising on social media platforms to raise awareness of the brands and the features of the products. With the net proceeds received from the Share Offer, we will have a larger sum of cash available to satisfy the minimum purchase commitment requirements without imposing significant liquidity pressure on us.



*(ii) Expand our service offerings by launching subscription-based laptop rental services*

As IT products have become essential tools, users especially for corporations generally have to incur huge upfront capital expenditure in purchasing computers, laptops and ancillary software programmes such as antivirus. According to the Ipsos Report, there has been an increasing trend in the IT industry in offering device-as-a-service (“DaaS”) model to customers, whereby various hardware, software and services (such as ongoing technical support and product exchange) are bundled as a licensed package and offered to customers as a periodic subscription service. Under the DaaS model, end-users will enjoy greater flexibility and enhanced support while lowering their upfront cost for purchasing the IT products. It also provides options for corporations to scale up and down their IT needs based on their operating environment and business need, which appeals to corporations utilising contract resources or temporary project teams to quickly and easily added workstations and scale down once the project is completed without idling the devices. In addition, given the frequent introductions and enhancements of new products and services, maintaining an up-to-date IT infrastructure in a company can be costly. Many users and corporations adopting the traditional procurement model may not have additional capital to spend on non-revenue driving activities such as refreshing their IT products, and as a result, their overall productivity and efficiency may be compromised. This subscription-based DaaS model allows companies to keep up with the latest IT development and technology at lower cost. Furthermore, technical support is usually provided to customers during the subscription period. The presence of technical support is particularly appealing to corporations as they may rely on the technical support provided by the DaaS service provider, thereby reducing the amount of resources allocated to internal IT support function. At the same time, service providers will be able to foster long term relationships with customers due to the ongoing interaction during the subscription period and enjoy a steady stream of income from the periodic subscription fee instead of a one time purchase of non-recurring nature.

In addition, the outbreak of the COVID-19 pandemic has acted as a catalyst for work-from-home arrangement which benefits our laptop rental services. Under the COVID-19 pandemic, various social distancing measures including work-from-home arrangement and e-commerce/learning platform have boosted the demand for IT products such as laptops, tablets, VPN services, real-time communication applications etc, and given the measures are taken out within short notice in response to the continuously-changing conditions of the COVID-19 pandemic, significant demand on readily-available laptops with the necessary repairing and technical support services for a certain period of time has been created among corporations and individuals. The generalisation of the IT applications has led to IT products becoming essential tools in everyday lives and is expected to sustain even in the post COVID-19 era, creating growth opportunities for DaaS model, according to the Ipsos Report.

According to a survey result conducted by FastLane, a research and advisory institute, the proportion of employers in Hong Kong offering work-from-home arrangement shot up from only approximately 11% prior to the outbreak of the COVID-19 pandemic to approximately 60% as a result of the pandemic. The virtual working model has been gradually accepted and it is expected that a hybrid model combining more flexible working arrangements between work-from-home and work-from-office would be favoured by employees and adopted by employers. For instance, Twitter announced that it will allow staff to work from home permanently, while Facebook expected that more than half of its personnel are likely to work from home in the next 10 years. Certain other social

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media platform has also given up its office and no longer require its staff to work in office. A majority of employees, especially from the customer service and support segment, are expecting work-from-home policy will be extended during the post-COVID-19 era. Therefore, work-from-home as the new form of working arrangement is expected to remain post-COVID-19 by many employers and employees in Hong Kong and all over the world. With the advent of the work-from-home trend, business technologies such as computer hardware and software have become increasingly crucial and hence, the demand for DaaS, which offers end-users greater flexibility and enhanced support in both hardware and software, is expected to be stimulated by the increasing momentum of the IT hardware and software distribution industry.

Besides, the high awareness about DaaS market is generally driven by the significant adoption of contract-based services and solutions by SMEs, and the escalating need to lower the capital expenditure and operational expenditure by enterprises. On the other hand, with the threats arising from cyber security, DaaS engagement can help to improve reliability by providing regular device refreshes, allowing users to access advanced security protections such as biometric authentication. DaaS engagement also gives organisations integrated security capabilities. For instance, unified endpoint management tools enable organisations to remotely lock the device or remove corporate data when the device is lost or left somewhere insecure. Having considered the above, we believe the trend of the DaaS model will continue to gain momentum in the market and the offering of such to customers will increase our competitiveness within the industry.

Eyeing on the market potential, we intend to expand the service offerings in our distribution business by launching subscription-based laptop rental services. In our role as distributor, we will provide such rental services to resellers, who will place orders to rent from us on back-to-back basis upon receipt of rental requests from end-users. Users of such services will have the option to rent laptops with pre-installed software such as antivirus programme and remote access management programme as a service package or without any pre-installed software. The antivirus programme is a multi-layer defence system which involves a series of software aiming at providing safe and secured use of devices. The first layer is the traditional antivirus programme, which is designed to help detect, prevent and eliminate malware on devices such as laptops and tablets. The second layer of protection is a software which provides web security protection profiles to protect and defend remote users whenever they access the internet. This second layer has an increasing importance in light of the trend of work-anywhere arrangements. As users connect their devices from everywhere (including public WiFi) to gain remote access, users as well as the network of the businesses to which the users are connected are exposed to risks of cyberattacks, in which case traditional network security solutions do not offer effective protection. By doing so, it provides protection from known and unknown threats including phishing, malware and ransomware on the device itself as well as the network of the businesses to which the device is connected. In addition, it has audit capabilities to monitor any misuse of corporate applications or data leakage violations and provide productivity monitoring for remote users.

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Other than antivirus, customers may also subscribe for software through which we could assist in managing the laptops from a central location. Such software programme allows us to install patch upgrades to all laptops to ensure that the operating system of the laptops are up-to-date and not susceptible to viruses and malwares. It also allows us to remotely control the use of any prohibited software and unauthorised storage devices as agreed with the customer in advance and we may be able to notify the customer when certain software and storage devices are attempted to be used in the laptop. Moreover, in circumstances where the laptop is lost or considered being exposed to an unsecured situation, we may also lock the laptop and/or remove all the corporate data where the customer considered appropriate. Furthermore, we may also provide technical support and troubleshooting services via remote access. Furthermore, we also intend to provide 24/7 technical support services under the new centralised service unit to be implemented, whereby we provide round-the-clock service through telephone hotline and emails to answer their enquiries and provide technical assistance. Based on the instructions of the customers, we may also pre-configure the laptops to restrict certain usage in the laptops, such as blocking of programmes and website. As part of our services, we will provide technical support to the users during the subscription period. Such rental services are suitable for customers from all industries, especially for those with limited in-house IT capability and financial resources to keep up with the latest IT development trend as well as those which demand for the latest technology in general while keeping a low upfront cost. The DaaS model can also serve to solve any temporary or short term increase in demand for laptops from customers. Eyeing on the market potential and having considered that the increasing number of market players offering such service in Hong Kong, our Group sourced a relatively small number of laptops from distributor for rent to customers since August 2020 on trial run basis to assess and enhance the necessary operational and logistic arrangements and test the market response. Despite limited marketing activities conducted, we had generated a revenue of approximately HK\$4.4 million from our laptop rental services in FY2021/2022 and the duration of lease were approximately three to twelve months. As confirmed by our Directors, we have received positive feedback from existing customers and continue to receive enquiries from potential customers, and our existing and potential customers subscribe for laptop rental services due to a number of reasons including but not limited to demand on latest technology, temporary usage for specific period of time, and value-added repairing and ongoing technical support services etc. We believe that there is pent-up demands on this subscription-based laptop rental services from different kinds of end-users, and with appropriate marketing plans to promote such services, we are able to capture the growing business opportunities. In view of the above and with a view to offering to a wider customer base, we intend to scale up our current laptop rental services offering a larger quantity of laptops for rent to our customers. To accommodate our demand for such large quantity of laptops at competitive pricing, we intend to purchase laptops directly from IT product vendors.

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Based on our experience in the trial run and with reference to the price of our competitors, we expect to offer various service packages with monthly subscription fee ranging from approximately HK\$300 to HK\$500 per laptop, taking into account, among other things, (i) the model and specifications of laptop; (ii) the rental duration; and (iii) the number of laptops to be rented. Additional fees will be charged on any additional software requested to be installed. Our monthly operating cost primarily consists of (a) the monthly depreciation expenses of each laptop (assuming an useful life of approximately 3.3 years); and (b) the relevant staff cost in relation to the technical support services provided by us. We may also offer an option to our customers to buy out the rented laptops at discounted price after subscription period, the price of which will be determined with reference to various factors including but not limited to the model and specifications of laptop, the prevailing market price of the same and the subscription period.

We believe the expansion of our service offerings in our distribution business by introducing subscription-based laptop rental services will not only generate stable and recurring income for us, but also reinforce our position as a pioneer service provider in the IT industry to timely address the evolving market demand. In providing such services, we will be required to purchase and keep stock of the laptops and software licence from IT product vendors. We will utilise approximately HK\$5.5 million or approximately 8.0% of the net proceeds from the Share Offer to purchase and keep stock of IT products for providing such services.

***(iii) Expand our workforce and enrich the expertise of our sales, product and technical teams***

We believe that our success depends heavily on our ability to hire and cultivate experienced, motivated and well-trained members of our workforce. As such, we intend to continue investing in and expanding our workforce in the distribution business. In particular, as a value-added distributor, if any IT product vendors does not have sufficient resources to establish its presence and provide technical support in Hong Kong, our product team will undergo in-depth product and technical training provided by the IT product vendors to take on the role to provide support services to resellers and end-users in the local market. Having considered our business growth during the Track Record Period and to cope with the abovementioned enrichment of IT product and service offerings while maintaining our high quality service, we intend to recruit one staff for our sales team for promoting and marketing the new IT products and SI solutions, two product specialists (with one specialist delegated to each new IT products range for liaising with IT product vendors on pricing strategies and marketing plans) and three technical staff for providing pre-sale support and technical support and maintenance services to resellers and end-users by the end of the year ending 31 March 2024. The expected monthly salary of the new hires ranges from approximately HK\$25,000 to HK\$52,000.

Accordingly, we will utilise approximately HK\$5.5 million or approximately 8.0% of the net proceeds from the Share Offer to expand our workforce and enrich the expertise of our sales and product teams.

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**Expand our SI solutions business by building up our in-house capability in providing digital transformation services and expanding our workforce in sales and technical teams to increase our project capacity**

***(i) Build up our in-house capability in providing digital transformation services***

We intend to build up our in-house capability in providing digital transformation services. According to the Ipsos Report, it is estimated that the revenue generated by digital transformation market in Hong Kong will grow at a CAGR of approximately 20.6% during the forecast period from 2022 to 2025. Digital transformation has a positive and measurable impact on Hong Kong's economy and has been widely recognised by the organisations in the private sector, in which it is estimated that approximately 80% of the organisations in Hong Kong has kick-started their digital transformation journey. According to the World Digital Competitiveness Ranking published by the Institute for Management Development, Hong Kong ranked as 8th worldwide with a score of 93.7 in 2019, recognising Hong Kong's digital competitiveness in the world, and the ability to adopt and implement digital technologies in both private and public organisations. During the forecast period, the progress of digital transformation is expected to be faster in the post COVID-19 era due to the change in ways how people learn, work, socialise and shop. Enterprises are enthusiastic to increase their operational efficiency and transform existing business process, facilitating a fast digital transformation trend. In mid-2020, the Government launched the Distance Business Programme under the Anti-Epidemic Fund to provide funding support for enterprises to, among the others, adopt information technology solutions with a total funding of nearly HK\$800 million granted and had subsequently allocated an additional funding of HK\$1.0 billion for the continuation of the programme and further enhancement. Further, the Innovative and Technology Commission announced in January 2021 that the funding for Distance Business Programme had been increased from HK\$1.5 billion to HK\$1.9 billion to provide funding support. With the continuous active applications for the Distance Business Programme, the demand and development of digital transformation services in the SI solutions industry will be fostered in the near future.

During the Track Record Period, we had provided digital transformation services to customers to transform their services or business, through replacing non-digital or manual processes with digital process, and optimise their operations by the adoption of digital technologies. Generally, we are engaged to either moderate, revise or formulate additional systems on certain framework of IT products sourced from IT product vendors or design and develop a programme or application from scratch based on customers' specification. During the Track Record Period, our SI solutions business had completed 205 digital transformation contracts and the amount of revenue derived from provision of digital transformation services amounted to approximately HK\$809,000, HK\$2.4 million and HK\$9.8 million respectively. Notably, we were engaged by Tricor in 2020 to develop the eIPO mobile application, which serves to digitalise and streamline the process of making eIPO applications. The eIPO mobile application provides a compact solution to allow users to apply for new IPO shares and complete all payment and registration process and obtain instant updates on the shares allotment result on personal electronic devices. We were responsible for designing the user interface, formulating the registration and application procedure, and developing a secured payment system and customisable features of the eIPO mobile application. Rounds of performance testing, user acceptance testing and ongoing maintenance had also been carried out to ensure the stable operation of the mobile application. In addition, we had also developed an email journaling system



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for a customer. Email journaling refers to the process where a journaling system creates shadow copies of all incoming and outgoing emails while they are in transit and stores them in a mailbox. As the content of the journal mailbox can only be deleted by user with administrative access, unlike email archiving, email journaling which serves to safeguard against email loss and record complete email communications for regulatory compliance and internal management purposes. The email journaling systems runs on its own individual application with a unique user interface, catering the specific needs of the customer. It has a simple and user friendly interface, designed to be easily deployed and used by staff without sophisticated understanding of IT. Subject to the needs of our customer, the email journaling system can be configured to cater for the specific corporate environment and daily operations of the company, such as generating reports on the email inflow and outflow to evaluate the email response rate. We also built a centralised internal data system based on the information contained in the emails to facilitate record keeping and easy file retrieval of our corporate clients given the volume of emails that need to be handled each day. The audit function within the system maintains a record of the identity of the persons logging onto and the searches conducted in the system. Our email journaling system offers flexibility to users, since (i) it is not restricted to any specific email server support system; (ii) there is no pre-determined storage capacity for the system, which can be scaled up and down depending on the customer's needs; and (iii) our Group offers to customise the interface to cater for the customer's preference and needs.

Having sales leads and track record of completing digital transformation projects, we have received requests for tenders and/or quotations from potential customers for providing digital transformation services from time to time. Our Directors believe that our success in obtaining and completing digital transformation contracts is heavily relied on our subcontractors due to the fact that we did not have in-house technical specialist with expertise in coding and algorithm, which is one of the key components of digital transformation services, and therefore had to subcontract certain scope of services to third party service providers in order to provide such services. During the Track Record Period, our subcontracting fees incurred for digital transformation contracts amounted to approximately HK\$343,000, HK\$1.4 million and HK\$2.2 million respectively, representing approximately 42.4%, 58.3% and 22.4% of our revenue derived from provision of digital transformation services in the corresponding year. In September 2021, our Company was engaged by a company, being part of a group of multinational manufacturing companies based in Southeast Asia and headquartered in Hong Kong, to provide a series of digital transformation services for the implementation of electronic business system for a contract sum of approximately HK\$8.0 million (the “**Main Project**”). Subsequently, in June 2022, our Company received confirmed order of approximately HK\$4.4 million from the same customer to provide the digital transformation services for its headquarter in Hong Kong and a factory in Thailand (the “**Additional Order**”, together with the Main Project, the “**Project**”). The relatively lower subcontracting fees in FY2021/2022 was primarily attributable to the delay of the Main Project which consists of two major components, namely (i) the provision of IT products and (ii) the implementation services, of which the provision of IT products was completed in FY2021/2022 in accordance with the project timeline and generated revenue of approximately HK\$4.4 million with no subcontracting fees being incurred since no subcontracting arrangement was required for the provision of IT products, while the implementation services was delayed to FY2022/2023 due to (a) the delay of the user acceptance testing (the “**UAT**”) period during the fourth quarter of FY2021/2022 which was attributable to the delay of implementation services in the PRC and Philippines as requested by the customer and (b) the customer requested for additional variations to the quoted services during the UAT period which



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caused an extension of the UAT period. Accordingly, the implementation services of the Main Project were not completed by FY2021/2022 as scheduled and resulting in the revenue of approximately HK\$3.6 million generated from the implementation services and the related subcontracting fees incurred of approximately HK\$3.0 million to be recognised in FY2022/2023 instead. For illustration purpose, assuming that the revenue of the implementation services of the Main Project was completed in FY2021/2022 as scheduled, our revenue derived from provision of digital transformation services in FY2021/2022 would be approximately HK\$13.4 million and the corresponding subcontracting fees incurred for the year would be approximately HK\$5.2 million, representing approximately 38.8% of the revenue derived from provision of digital transformation services in FY2021/2022. Moreover, in consideration of the urgency of the Main Project, the customer requested us to upgrade its electronic business system by moderating, revising or formulating additional systems by adopting the digital technologies and IT products from internationally renowned brands rather than requesting us to design and develop a programme or application from scratch based on the customers' business specification. This has also led to the relatively lower subcontracting fees attributable to the provision of IT product in this project and hence resulting in lower subcontracting fees for our digital transformation services in FY2021/2022. As the principal scope of the Additional Order is to provide implementation services and setup services for our customer, our Directors expect that we will rely heavily on our subcontractors and will incur high proportion of subcontracting fees to our revenue. Our Company expects to incur subcontracting fees of approximately HK\$3.4 million based on the preliminary quotation provided by our subcontractor, representing approximately 77.3% to our revenue of the Additional Order. As such, taking into account the Project as a whole, the overall revenue of the Project would be approximately HK\$12.4 million and the subcontracting fees would be approximately HK\$6.4 million, representing approximately 51.6% of the revenue of the Project. During the Track Record Period and up to the Latest Practicable Date, save for the Main Project where provision of IT products is required, our Company was generally engaged by customers for designing, formulating, developing and optimising programme or application based on customer's specification which we relied heavily on our subcontractors in providing digital transformation services. Our Directors believe that the subcontracting arrangement has rendered our tender and/or quotations less appealing to our potential customers as (i) our quoted price is not as competitive in light of our subcontracting fees which is beyond our control; (ii) our services are subject to the availability of qualified subcontractors; and (iii) our project management and execution ability is less efficient given the need to coordinate with a third party subcontractor.

Going forward, our Directors believe that it will be beneficial for us to build up our in-house capability in providing digital transformation services as we will have better control over the cost of project as well as the progress and quality of the project, thereby increasing our competitiveness and our chance of obtaining more orders. Having taken into account the expected increase in demand according to the Ipsos Report and our track record of generating sales leads for provision of such services, our Directors believe that there is ample room for growth and development of our digital transformation services.

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In light of the above, we will utilise approximately HK\$9.0 million or approximately 13.1% of the net proceeds from the Share Offer to build up our in-house capability in providing digital transformation services. To achieve this, we plan to hire seven staff with technical expertise in coding and algorithm, who will be responsible for robotic automation programme and application development and one of whom will be responsible for the overall operation of our digital transformation services. We will also acquire hardware and software such as application development tools and application platform.

The following table sets forth the staff to be hired and their aggregate annual salary and expected work experience and qualifications:

<b>Position and number to be hired</b>	<b>Aggregate annual salary (HK\$'000)</b>	<b>Expected work experience and qualifications</b>
Senior project manager/associate IT director — One	800	The manager is expected to have over ten years of experience in sizeable digital transformation projects with hands-on experience in mapping user journey, designing, implementing and launching digital products and applications. The manager is also expected to hold a degree in engineering, computer science, IT, science or other digital-related disciplines, and preferably with certificates in certain software development framework.
System analyst/system architect – Two	1,100	The system analysts/system architects are expected to have a degree in computer science/information technology or equivalent discipline. In addition, they are expected to have a minimum of 5 years of post-qualification development experience, including at least two years at supervisory level.
Front-end developer/back-end developer/junior programmer – Four	1,100	The staff are expected to have approximately three years' experience in front-end/back-end development. The staff is also expected to have completed non-degree tertiary education.

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According to the Ipsos Report, the number of labours working in the information technology sector in Hong Kong is constantly increasing in the recent years. It is estimated to have increased from approximately 85,384 labours in 2015 to approximately 102,724 labours in 2021, at a CAGR of approximately 3.1%. Among the 102,724 labours working in the information technology sector in Hong Kong in 2021, approximately 32,532 are professionals in IT or software development, who generally hold degrees in computer science or equivalent disciplines who are usually familiar with computer languages, systems, and applications. It is estimated that, among the 32,532 IT or software professionals, more than 17,700 of them have ten years of experience or more in the field in Hong Kong as of 2021, and the number is expected to increase in the foreseeable future with the continuously higher demand for this type of labour in the market. Assuming that all of the approximately 2,000 SI solutions providers in Hong Kong provide digital transformation services and hire staff from the talent pool of 32,532 IT or software professionals, there would be on average approximately 16 staff per SI solution provider. As such, it is expected that there is sufficient talent in Hong Kong.

The above estimation of IT or software development professionals available in Hong Kong is based on the assumptions that (i) the majority of IT or software development professionals are computer science and information technology graduates of local institutions; (ii) the majority of IT or software development professionals would stay in the field upon graduation.

Based on the above and our recent hiring experience, our Directors are of the view that there are sufficient talents in the labour market and we do not expect to experience significant difficulties in hiring the intended staff in support of our expansion in digital transformation.

### **Service standard offered by the newly established team compared to our subcontractors**

Our Directors believe that the service standard of our newly established team will be similar to that of our subcontractors. The subcontractors engaged by us during the Track Record Period are SI solutions providers principally engaged in providing software design and development, the scales of operation of which are relatively small. To the best knowledge of our Directors, as at the Latest Practicable Date, our subcontractors have one office in Hong Kong with approximately ten to 30 staff. Members of the subcontractors' project team generally are university or diploma graduates with knowledge in coding and algorithm. Their senior staff generally have approximately five to six years of work experience in coding while the junior staff generally have less than three years. During the Track Record Period, our subcontractors generally allocated approximately two to eight staff, including both senior and junior staff, to our digital transformation projects. Our Directors consider that our team size of seven as described above is comparable to the team size allocated by the subcontractors on our digital transformation projects. In particular, our Directors consider that the expected background of each member of the new team and the team structure are comparable to that of the subcontractors engaged by us during the Track Record Period. We plan to allocate similar level of manpower as our subcontractors to the future projects, subject to the size and complexity of the projects.

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Our Directors believe that such team size is sufficient for meeting the expected demand for digital transformation services from our customers while achieving growth at a healthy and steady rate. Accordingly, on the assumption that we are able to hire a team of staff with the expected work experience and qualifications, our Directors believe that we will be able to deliver digital transformation services the standard of which are comparable to those of our subcontractors.

### **Management supervision and training of the new team**

Our Group has always been heavily involved in every stage of our digital transformation projects and closely monitored the progress of our projects during the Track Record Period. Where a digital transformation project involves subcontracting, we take on the role as the project manager, ensuring that our customer's objectives can be achieved and the project as a whole (including our subcontractor) is on schedule. Specifically, we are responsible for discussing with the customers to understand their needs and goals, planning and designing the program and/or application, liaising with subcontractors to discuss on the execution plan of the project, the design of the product and how the goals of our customer are to be achieved and closely monitoring the status and quality of work of our subcontractors to ensure that the end product meets the customer's expectations and the project is on schedule. At present, the digital transformation projects of our Group are overseen and supervised by a member of our senior management, namely Mr. Tam Yiu Hong, who has over 20 years of experience in the IT industry and is presently a senior technical manager.

Our Directors expect to manage and supervise the new team of staff in a similar manner and workflow. As such, we will be able to manage and supervise the new team based on our experience in managing and supervising our subcontractors.

In terms of training, our Directors expect that the senior project manager/associate IT director will offer training specific to coding and algorithm to the other members of the team. We may also arrange for external training courses to our staff where appropriate. In addition, we may also offer training beyond the scope of coding and algorithm so as to broaden the skillset of the team to provide other SI solutions services.

### **Flexibility in maintaining an in-house team**

Our Directors believe that maintaining an in-house team would lead to greater flexibility in our Group. Firstly, with our own in-house team, we will have greater control over the manpower allocated to each project. This is beneficial to digital transformation projects as customer concept and the scope of work may evolve during the development process, and these changes may increase the workload and the level of complexity. Having an in-house team gives us flexibility to adjust our resources allocated to the projects on hand according to the project status and development without incurring additional subcontracting fees as a result thereto.

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In addition, we will take a flexible and dynamic approach in addressing the demand for digital transformation projects. Based on our Group's experience, we will carefully assess the demand for our digital transformation services, the output of our staff and the number of projects the team may take up on an ongoing basis, and will make adjustment accordingly. In the event that there is a sudden overload of projects, we may adjust our output by engaging subcontractors to take up additional projects. If a steady demand is expected, we may also offer the relevant training to our other SI solutions staff to maximise the utilisation of our staff or utilise our internal resources to hire additional staff with relevant experience.

On the other hand, in the event that the number of projects on hand is limited and there is spare capacity within the team of staff for digital transformation, the team may assist in other SI solutions projects of our Group. Given the background of the team of staff to be hired, our Directors believe that the staff will be able to provide other SI solutions services. Where necessary, we will also offer on-job trainings to the staff to increase their job diversity.

Having considered the potential cost savings to be generated from hiring a team of staff for digital transformation services as per the cost-saving analysis as disclosed in the section headed "Future plans and use of proceeds" in this prospectus, and the approach as elaborated above, our Directors consider that maintaining an in-house team would lead to greater flexibility in our Group.

### **Proven track record to secure new projects**

Although our Group's previous success in obtaining and completing digital transformation contracts heavily relies on our subcontractors, such reliance is limited to the execution of coding and algorithm part of these contracts. As confirmed by our Directors, our Group has always been responsible for customer sourcing and has not taken our subcontractors' track record as our own in order to secure any digital transformation projects. Relying on our own reputation as an established SI solutions provider, our marketing effort and quality of service, we were able to generate a revenue of approximately HK\$809,000, HK\$2.4 million and HK\$9.8 million from provision of digital transformation services during the Track Record Period, despite not having our in-house team to perform the coding and algorithm aspects of certain projects, including developing the eIPO mobile application of Tricor, which serves to digitise and streamline the process of making eIPO applications. In addition, our Group was awarded a tender of an independent statutory body funded by the Government to, among the others, develop their intranet to facilitate internal collaboration, communication and information sharing which supports around 100 users and accessible outside the office. The scope of service includes design of the intranet to meet the specific requests of the customer, installation, testing, migration, training and nursing to ensure the successful implementation and on-going operation of the intranet. As such, our Directors firmly believe that our Group has already developed a solid track record in offering digital transformation services to customers and will be able to secure new projects regardless of having our in-house team or engaging subcontractors for performing part of our digital transformation projects.

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Having considered the structure and expected background and qualifications of the new team of staff, our Directors believe that we will be able to leverage on their experience and expertise in software development/coding and algorithm to our Group's benefit. In particular, the expected cost savings will allow us to offer more competitive quotations to potential customers. Combined with our Group's own experience in digital transformation projects during the Track Record Period, our Directors firmly believe that we will continue to be able to secure new projects after hiring our own team of staff.

***(ii) Expand our workforce in sales and technical teams to increase our project capacity***

We believe our ability to recruit, retain, motivate and develop high-calibre professional staff has always been one of the keys to our continuous success and implementation of future strategies. The number of projects we can undertake largely depends on the number of sales and technical staff in the workforce of our SI solutions business. In order to achieve sustainable growth, we intend to expand our workforce by recruiting and developing well-qualified employees for our sales and technical teams as well as to provide them with necessary training to improve their technical know-how through obtaining various industrial qualifications. We believe that by expanding and enriching our workforce in sales and technical teams, we will be able to undertake more SI solutions projects as the provision of SI solutions itself heavily relies on the manpower capacity and the range of skills and expertise of our sales and technical staff.

According to the Ipsos Report, the expenditure on SI solutions in Hong Kong recorded an overall increase from HK\$32.8 billion in 2015 to HK\$52.8 billion in 2021, at a CAGR of approximately 8.3%. The private sector has been the major contributor to the expenditure on SI solutions in Hong Kong, accounting for a share of over 80% to the total expenditure on SI solutions during the period from 2015 to 2021. Due to the increasing competition under globalisation, the private sector in Hong Kong has pursued the improvement of operational efficiency through the intensive adoption of IT, including cloud and cyber security services, transforming the needs as the demand for the SI solutions in Hong Kong. During the forecast period from 2022 to 2025, the expenditure on SI solutions in Hong Kong is expected to increase from HK\$55.9 billion in 2022 to HK\$67.5 billion in 2025, representing a CAGR of approximately 6.5%. The expenditure on SI solutions is expected to be driven by the increasing adoption of emerging technologies, especially from cloud and big data management.

Having considered the sustained and expected increase in the demand for SI solutions, our Directors believe that we can undertake additional projects from both the private and public sectors on top of our current scale of operation and our current projects on hand if we can expand our workforce in sales and technical teams. In view of the above, we plan on utilising approximately HK\$5.0 million or approximately 7.3% of the net proceeds from the Share Offer to recruit additional two sales staff and three technical staff by the end of the year ending 31 March 2024. The expected monthly salary of the new hires ranges from approximately HK\$25,000 to HK\$60,000.



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### **Establish a new centralised service unit for provision of IT maintenance and support services which provides 24/7 technical support services and detection and response support**

In line with the anticipated business growth brought by our proposed expansion plan, we expect the demand for our IT maintenance and support services will continue to grow with our widened customer base. We intend to establish a new centralised service unit for provision of IT maintenance and support services which serves both our SI solutions and distribution businesses. The new centralised service unit is intended to provide (i) 24/7 technical support services, whereby we provide round-the-clock technical advice and support is provided to customers by answering their enquires and technical issues encountered through telephone hotlines and emails, providing remote helpdesk support and if required, fixing the technical problem on-site by our staff at any desirable time as opposed to the typical technical support services which are generally limited to office hours on weekdays; and (ii) detection and responses services, whereby we monitor, review, test and analyse customers' IT system regularly to detect and identify any security risks and threats, and we will make recommendations to overcome the security loopholes if risks and threats are detected and take rectification or system stabilisation actions if it is under cyber-attack. We will market and sell this range of IT maintenance and support services to both end-users in our SI solutions business and resellers in our distribution business who do not possess this service capability and engage us to provide such services to their customers.

Our Directors believe that technology has shaped the ways people work and removed temporal and spatial boundaries. As IT development advances, people are able to work anytime and anywhere, creating demand for 24/7 technical support services and sparking concern on cyber security. According to Ipsos Report, it is observed that there is an increasing number of organisations operating around the clock due to the internationalisation of business and extended service hours. The demand for 24/7 technical support and monitoring services has, therefore, increased as the customers are expecting an undisrupted and sustainable operation for maximising its profits and enhancing customer satisfaction, demanding more real-time support from their IT solutions providers. In response to this increasing demand, there is an increasing number of IT solutions providers providing 24/7 technical support and monitoring services to quicker respond to end-users' enquiries, offer prompt assistance and minimise possible cyber-threats and breaches. With the consideration that the IT industry in Hong Kong is highly fragmented, the IT solutions providers who can provide 24/7 technical support and monitoring services can, therefore, be able to stand out from the peers in the market. For instance, according to Ipsos Report, at least two of the top five SI solutions services providers in Hong Kong in 2021 as illustrated in the section headed "Industry overview" in this prospectus have explicit illustration of providing managed 24/7 support services for their customers. Given the pent-up demand, we believe these new range of IT maintenance and support services will be well received in the market. With the new centralised service unit for the provision of IT maintenance and support services, we are able to generate a new source of income on recurring basis and create synergy for our IT products and SI solutions. Also, we will be more appealing to IT product vendors who do not have sufficient resources to establish technical support in local market and solidify our position as valued-added distributor to attract new IT product vendors to engage us to be their distributors on a more favourable terms.

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We will utilise approximately HK\$5.3 million or approximately 7.7% of the net proceeds from the Share Offer to (i) hire additional staff with relevant technical skills for providing technical support to our customers and expertise and experience in cyber security; and (ii) purchase the IT products including hardware and software required for offering 24/7 technical support services and detection and response services. We plan to hire six additional staff with relevant technical skills for providing technical support to our customers and expertise and experience in cyber security, one of whom will be responsible for the overall operation of the centralised service unit. Depending on the level of experience and the expected responsibilities, these staff are expected to have monthly salary ranging from approximately HK\$15,000 to HK\$30,000. In addition, we will also acquire necessary hardware and software catering for offering of such services. We will acquire a set of call centre system comprising various hardware and software to facilitate telephone hotline enquiries, a ticketing system software licence which helps to manage and document enquiries and requests from customers, two security related software licences which identify, categorise and analyse incidents to generate reports on security-related incidents and alerts users of abnormal behaviour and indicates potential security issues and provide up-to-date threat data.

### **Upgrade our equipment, software, hardware and ERP systems in support of our business expansion**

We intend to upgrade our existing IT system to enhance our overall operational efficiency and improve project management ability. We plan to invest in a centralised ERP system linking up our operations in various location, which will support our procurement, inventory, sales and logistics in an efficient manner, allowing us to collect and monitor budget management, financial analysis, sales and distribution history, shipping records, inventory management and document management, inventory analysis, and sale and logistics analysis. We believe such ERP system will allow us to better manage our project status and ensure that we are able to deliver our IT products and SI solutions to our customers in a timely manner. Besides, to cope with the expansion plan in our distribution and SI solutions businesses, we plan to acquire hardware, software and ancillary equipment for replacement and addition in light of the expected increase in headcount. Accordingly, we will utilise approximately HK\$3.0 million or approximately 4.4% of the net proceeds from the Share Offer to upgrade our ERP systems equipment, software and hardware.

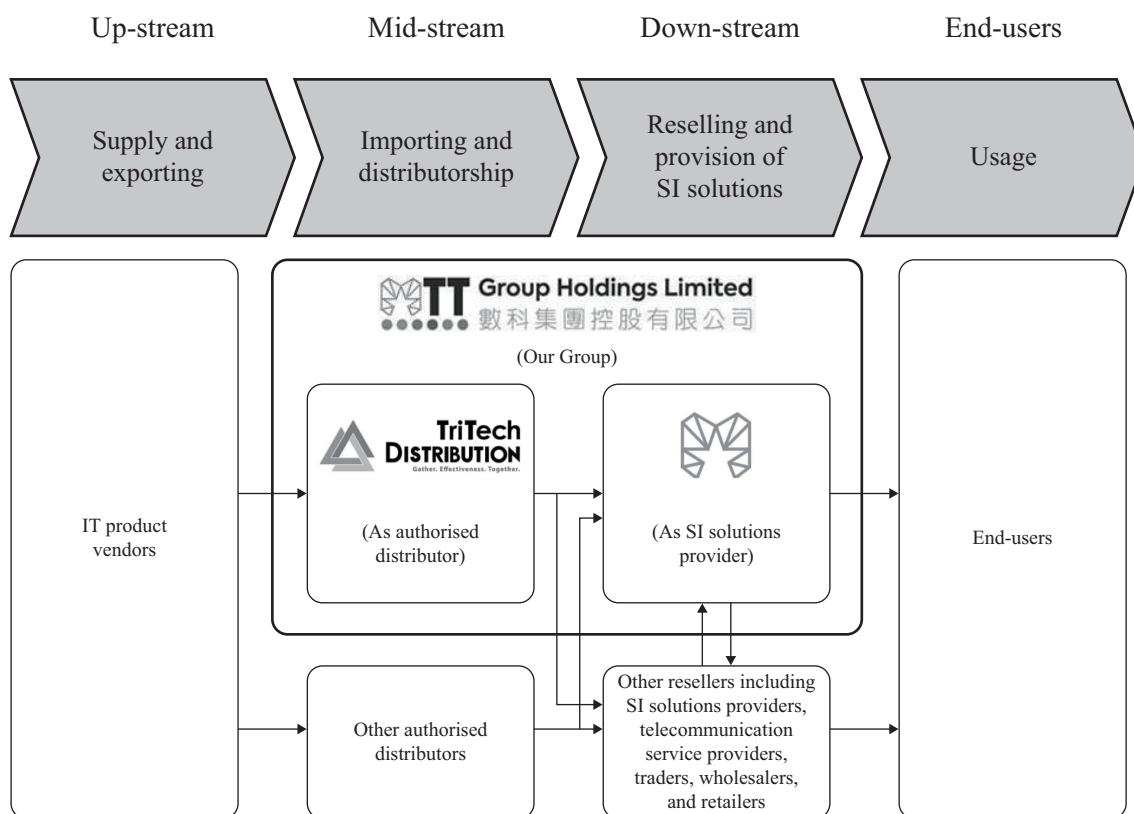
### **Strengthen our marketing efforts and improve brand recognition**

We plan to keep track of the latest trend in the IT industry and adopt those that will be able to improve our product portfolio, solution offerings and service quality. We will continue to leverage on our experience in the industry, range of our IT products, solution offerings and our capacity to further explore potential market opportunities in Hong Kong, the PRC and Macau. We intend to strengthen our business development capacity by enhancing our efforts to maintain close relationships with our customers and expanding our customer base, continue deploying various marketing and promotional strategies such as hosting of marketing events and use of online and social networking platforms and share with them information regarding the latest development of our products and services. Through this approach, we aim to obtain further comprehensive understanding on our existing and potential customers and their respective preferences and needs. With these insights, our Directors believe that we can develop closer relationships with our customers and improve our brand recognition. Accordingly, we will utilise approximately HK\$1.4 million or approximately 2.0% of the net proceeds from the Share Offer to strengthen our marketing efforts and improve brand recognition.

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### OUR BUSINESS MODEL

We are an IT solutions provider established in Hong Kong, primarily engaged in the distribution of IT products in Hong Kong and provision of SI solutions in Hong Kong, the PRC and Macau. In the value chain of the IT industry, we operate in (i) distribution business as an authorised distributor sourcing IT products from IT product vendors and distributing to down-stream resellers; and (ii) SI solutions business as an SI solutions provider procuring IT products from authorised distributors, integrating them into customised SI solutions and reselling them to end-users. Due to the distinctiveness of the two segments, we conduct our distribution business and SI solutions business through two different tradenames, namely, TriTech  and Multisoft , respectively. The following diagram illustrates the value chain of the IT industry, with our operation crossing over both mid-stream as authorised distributor and down-stream as reseller:



The essential players in the IT industry are IT product vendors, distributors, resellers and end-users. At the up-stream of the value chain, IT product vendors are manufacturers of IT products comprising hardware, software and auxiliary products (which covers a range of computer and networking parts and accessories such as power supplies, control and adaptor units). They usually engage authorised distributors to sell and distribute their IT products to resellers within a geographical region through the distributors' own distribution channel and network, with specific rights and obligations set forth in the distribution agreements. At the down-stream of the value chain, resellers are SI solutions providers, telecommunication service providers, traders, wholesalers, and retailers, which procure IT products for the purpose of resale to end-users. End-users are consumers of the IT products, which are individuals and corporations from private and public sectors.

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Distributors and resellers are different in their roles, functions and importances along the value chain of the IT industry. The following table summarises the key features and major differences in the roles of distributors and resellers, in particular SI solutions providers, in the IT industry in Hong Kong.

	<b>Distributors</b>	<b>Resellers</b>
<b>Suppliers</b>	Distributors' suppliers are mainly IT product vendors for provision of IT products.	Resellers' suppliers are mainly distributors for provision of IT products, and other resellers for provision of subcontracting services.
<b>Customers</b>	Distributors' customers are mainly resellers who purchase IT products and services for re-sale purpose.	Resellers' customers are mainly end-users who purchase IT products and services for consumption, and other resellers in need of certain subcontracting services.
<b>Role</b>	Distributors act as intermediaries between IT product vendors and resellers as they procure IT products from IT product vendors and distribute to resellers.	Resellers act as intermediaries between distributors and end-users as they procure IT products from distributors and resell to end-users.
<b>Business model</b>	<p>Distributors' model is product-driven in nature as their objective is primarily to market and sell IT products for which they have obtained distribution rights.</p> <p>Depending on the terms of the distribution agreements with IT product vendors, distributors are generally responsible for the overall marketing strategies of the IT products, branding strategies, distribution, channel management and provision of technical support and training in the local region.</p>	<p>Resellers' model is solutions-driven in nature as their objective is to address the IT needs and requirements of the end-users. In particular, SI solutions providers work closely with end-users to understand their IT needs and recommend suitable IT products and SI solutions in accordance with their IT needs and specifications.</p> <p>Depending on the engagement of end-users, SI solutions providers are generally responsible for assessment and consultation of existing and expected IT environment, procurement of IT products, integration of IT products into customised SI solutions, implementation and integration.</p>
<b>Contractual arrangement with IT product vendors</b>	Distribution agreement. IT product vendors and distributors usually enter into distribution agreements, which governs the distribution arrangements and their respective rights and obligations.	Partnership agreement. Some IT product vendors may enter into partnership agreement with resellers, which governs the resale arrangements and their respective rights and obligations.
<b>Procurement arrangement</b>	Distributors usually place orders with IT product vendors upon receipt of purchase orders from resellers on a back-to-back basis, and may also maintain a certain level of stock according to their procurement strategies. Depending on the terms of the distribution agreement, it is common for the IT product vendors to impose minimum purchase commitment on distributors as one of the condition for granting distribution rights to distributors.	Resellers usually place orders with distributors upon receipt of purchase order or confirmation of solutions proposal from end-users on a back-to-back basis. They generally do not purchase IT products directly from IT product vendors and there is no minimum purchase commitment imposed on the resellers by distributors or IT product vendors.

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We operate as both distributor and reseller in our business model. In our distribution business, we in the role of distributor source IT products from IT product vendors and then introduce, market and distribute IT products to our reseller customers. IT product vendors, our suppliers in distribution business, rely on us in localising, selling and distributing their products to resellers in Hong Kong market as they are usually overseas- or PRC-based manufacturers of IT products which are not familiar with the local market. By engaging our Group as their local authorised distributor, they can reduce the administrative burden of dealing with numerous resellers and minimise credit risk, as well as leverage on our knowledge and understanding of the local market and our established distribution channel to sell the IT products in a cost-saving manner. Therefore, resellers generally do not procure from IT product vendors directly, and if a reseller directly approaches the IT product vendors of whom we are the authorised distributor, for orders, the IT product vendors will refer such resellers to us. On the other hand, in our SI solutions business, we in the role of SI solutions provider reach out to end-users to understand their existing and expected IT environment and customise SI solutions according to their IT needs and specifications. Once the solutions proposal is accepted and confirmed, we will procure the relevant IT products from distributors, and integrate into SI solutions and resell to end-users.

Our dual role as both distributor and reseller in the IT industry has not only enabled us to capture business opportunities in the whole value chain of the IT industry, but also benefitted us through close and direct interaction with all essential players, creating synergy between our distribution and SI solutions businesses. In the role of distributor, we are able to leverage on our in-depth understanding of end-users' needs in IT products and awareness of unfulfilled requests and demand of end-users gained through direct interaction with end-users in our SI solutions business, and provide valuable feedback to IT product vendors to localise their IT products for applications in Hong Kong market. On the other hand, in the role of SI solutions provider, we are able to leverage on our technical knowledge on IT products and awareness of the latest IT products trends and technological development gained through direct interaction with IT product vendors in our distribution business, and provide customised SI solutions with latest technology to end-users. This synergy created allows us to add value to our suppliers and customers in both levels of the value chain of the IT industry, and thereby setting us apart from our competitors.

### **OUR PRODUCTS AND SERVICES**

Our products and solutions are primarily classified into three categories, namely data communication and systems infrastructure, cyber security and digital transformation. For our distribution business, we introduce, market and distribute a board spectrum of IT products comprising hardware, software and/or auxiliary products to resellers, whereas for our SI solutions business, we provide comprehensive, integrated, up-to-date and customised SI solutions to end-users based on their IT needs and specifications. Leveraging on our competitive advantages gained from the parallel operation of both distribution and SI solutions businesses and with the continuous efforts of our management, we have achieved a balanced development in both businesses.

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The following table sets forth a breakdown of our revenue from each business for the financial years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Distribution business	164,507	49.6	203,544	52.5	427,131	67.6
SI solutions business						
IT infrastructure						
solutions services	159,577	48.1	172,084	44.4	187,673	29.8
IT maintenance and support services	7,802	2.3	11,809	3.1	16,708	2.6
Sub-total	167,379	50.4	183,893	47.5	204,381	32.4
Total	331,886	100.0	387,437	100.0	631,512	100.0

We have generally enjoyed steady growth in our revenue in recent years. During the Track Record Period, our total revenue increased from approximately HK\$331.9 million in FY2019/2020 to approximately HK\$387.4 million in FY2020/2021, representing an increase of approximately 16.7%. Our total revenue increased from approximately HK\$387.4 million in FY2020/2021 to approximately HK\$631.5 million in FY2021/2022, representing an increase of approximately 63.0%. For details of our financial performance during the Track Record Period, please refer to the section headed “Financial information” in this prospectus.

### Distribution business

We introduce, market and distribute a broad spectrum of IT products comprising hardware, software and/or auxiliary products to resellers in Hong Kong. As at the Latest Practicable Date, we were the non-exclusive authorised distributor of 38 IT product vendors, with origins spanning across different countries and regions such as the PRC, the U.S., India, Japan and European region. We carry a wide variety of brands, such as Sangfor, Rujie, Fujitsu and F-Secure, and covers both internationally renowned brands and new-to-market niche brands. Ancillary to distribution of IT products, we also provide IT implementation services to resellers and end-users, which include installation, configuration and integration of IT products into the end-users’ IT system.

Our IT products can be broadly divided into three categories, namely data communication and systems infrastructure, cyber security and digital transformation. The key products and usages of each category are as follows:



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- Data communication and systems infrastructure:** Data communication products transmit digital data from one point to another through a network. Systems infrastructure products are a range of devices and technologies, applications and systems that form an IT infrastructure, which can be in the form of on-premises in local system infrastructure or via the internet using cloud without installing and maintaining IT infrastructure on-premises. Cloud is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (such as servers, networks, storages and applications) that can be rapidly provisioned and released with minimal effort. In general, our key products include CDN licences, router, switch, wireless access point, server, storage and data protection. In particular to cloud, our key products include infrastructure-as-a-service (“**IaaS**”), platform-as-a-service (“**PaaS**”) and software-as-a-service (“**SaaS**”), which provide an internet-based computing services in which large group of remote servers are networked to allow centralised data storage and there can be online access to computer services or resources.
- Cyber security:** Our key products include achiever, backup, gateway, firewall, security and compliance and protection and response, which serve to safeguard IT systems including hardware, software and information from attack, damage, unauthorised access as well as disruption and misdirection.
- Digital transformation:** Our key products include robotic automation, performance management applications, systems management solutions, modular data, which apply digital technologies to reshape and reorient an organisation around customer experience, business value and constant change.

The following table sets forth the breakdown of the revenue by types of products in our distribution business for the financial years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Data communication and systems infrastructure	81,441	49.5	122,321	60.1	348,940	81.7
Cyber security	82,906	50.4	80,899	39.7	78,167	18.3
Digital transformation	160	0.1	324	0.2	24	0.0 <sup>(Note)</sup>
<b>Total</b>	<b>164,507</b>	<b>100.0</b>	<b>203,544</b>	<b>100.0</b>	<b>427,131</b>	<b>100.0</b>

*Note:* The percentage calculated is less than 0.1%.

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### SI solutions business

Our SI solutions mainly refer to IT infrastructure solutions services and IT maintenance and support services. As a solutions-driven reseller, we work closely with our customers to understand their IT needs and provide comprehensive, integrated, up-to-date and customised SI solutions to them in accordance with their IT needs and specifications.

#### *Provision of IT infrastructure solutions services*

Our IT infrastructure solutions services can be broadly divided into three categories, namely data communication and systems infrastructure, cyber security and digital transformation with details as follows:

- ***Data communication and systems infrastructure:*** In respect of data communication, we design and implement, manage and optimise communication network for transmission of digital data between computers and/or server according to our customers' requirements. In respect of systems infrastructure, based on our analysis and assessment of our customers' objectives, we design, build and implement the IT infrastructure in the form of on-premises in local system infrastructure or via the internet with the application of cloud solutions with IT products sourced from various IT product vendors for our customers and help them manage and optimise the IT infrastructure thereafter. Our cloud solutions primarily includes IaaS, PaaS and SaaS. IaaS offers flexible, on demand infrastructure resources such as computing, storage and network resources to our customers. PaaS presents a cloud-based platform service that allows developers to develop, test, host and maintain applications. SaaS primarily refers to application or product that is run and managed by cloud vendors. We also implement hybrid cloud, which sets up connection between cloud service provider and local system infrastructure. Apart from building an entire IT infrastructure for our customers, we also formulate strategies to integrate various IT products to our customers' existing IT infrastructure or for migration to a new IT infrastructure to tackle our customers' ever-changing needs
- ***Cyber security:*** we provide services to safeguard IT systems including hardware, software and information including computers, servers, mobile devices, networks, programmes and data from attack, damage, unauthorised access as well as disruption and misdirection. Cyber security can be divided into (i) network security, a process of protecting a computer network from unauthorised users and malicious attacks; (ii) application security, a process of identifying, repairing and protecting applications against security vulnerabilities; (iii) endpoint security, a process of protecting endpoints or end-user devices like desktops, laptops and mobile devices, which are the potential points of entry exploited by malicious actors; (iv) data security, a process of protecting digital data, such as those stored in a database or file system from unauthorised users and malicious attacks; and (v) identity management, a system that controls user and system information that is used for authenticating and authorising user identities for access to secure resources; and

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- ***Digital transformation:*** we assist enterprises in transforming their business by designing, planning and building innovative solutions with the latest digital technology in replacement of non-digital or manual processes to streamline the business operation and increase their operational efficiency.

### ***Provision of IT maintenance and support services***

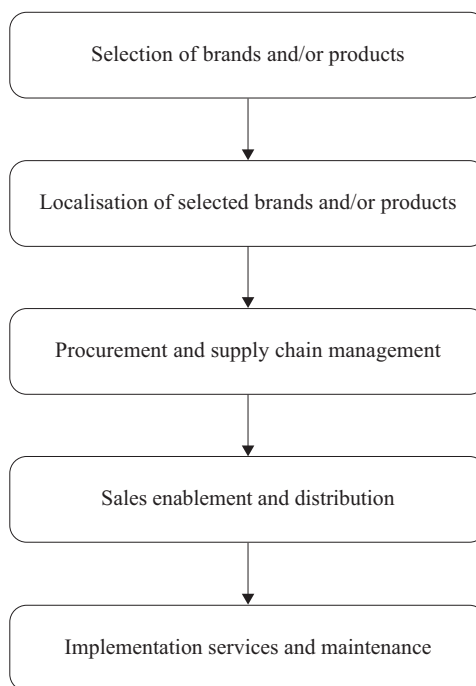
Along the IT infrastructure solutions services, we provide a variety of on-going maintenance and support services to our customers as IT maintenance and support services. During the Track Record Period, our IT maintenance and support services primarily comprised:

- ***Hardware and system maintenance and support services:*** we provide on-site and/or remote hardware and system maintenance and support services and additional warranty services (which is generally for a term of one to three years) beyond the original warranty period (which is generally for a term of one to three years) offered by the IT product vendors, including problem diagnostics, spare parts swapping and/or replacement of IT products, health or operation check after replacement and reconfiguration of system and troubleshooting;
- ***System monitoring services:*** we provide monitoring and alert services over our customers' system, infrastructure, cloud, troubleshoot and promptly fix technical problem to decrease the service down time and/or user impact; and
- ***IT outsourcing services:*** with the support of our backend technical staff, we arrange our technical staff to work for our customers for a fixed period of time to carry out a range of maintenance and support services. Our IT outsourcing services allow our customers to retain control over their IT strategies while benefiting from reduced operating costs and risks without compromising service delivery to end-users and their customers.

### WORKFLOW OF OUR BUSINESS

#### Distribution business

The following diagram illustrates the typical workflow of our distribution business:



#### *Selection of brands and/or products*

We believe that our capabilities of offering a broad spectrum of IT products to resellers as well as introducing new and up-to-date IT products that meet the changing market trend and consumers' demand are vital to our success in the IT products distribution industry. We have placed a strong emphasis on building a broad and diversified product portfolio through careful selection of brands and/or products, which comprises (i) product research and selection; (ii) product portfolio management; and (ii) entering into distribution agreements with IT product vendors.

#### *Product research and selection*

The selection of brands and/or products is one of the crucial competitive factors of IT product distributors. With a view to maintaining a broad, diversified and up-to-date product portfolio, we keep ourselves abreast of the latest IT products trend and technological development through research and close interaction with IT product vendors. We actively attend marketing events hosted by IT product vendors and visit their office to learn about their latest product development. We also explore the profile of new brand and/or product in the international trade fairs and identify brand and/or product we consider with promising potential within the Hong Kong market based on our industry experience in the IT products distribution industry. Given our established reputation within the IT products distribution industry, our current and new IT product vendors may also actively approach to us to introduce their latest IT products. At the same time, through resellers' (including Multisoft's) interaction with end-users, we gain awareness of end-users' product preferences and unfulfilled demand, which provides directions for our product portfolio.

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When selecting a new brand and/or product, we assess it based on various factors, including, among others; (i) brand and/or product reputation; (ii) product availability in Hong Kong; (iii) product origin; (iv) the brand awareness in Hong Kong; (v) market potential; (vi) product competitiveness; and (vii) whether the IT products match with our strategic direction. We consider and select both internationally renowned brands and new-to-market niche brands to cater for different needs of the customers. While we believe there is enduring demand on IT products of internationally renowned brands due to the existing market recognition and goodwill, we also strategically identify new-to-market niche brands in which we see market potentials to provide a broad and diversified choice of IT products. We strategically select IT product vendors with limited or no presence in Hong Kong market who offer products with specifications comparable to internationally renowned brands in their respective fields at relatively competitive pricing, which appeal to cost-conscious customers. By obtaining authorised distributorships from these growing market players, we are able to capture the growth opportunities of their IT products in the local market.

### *Product portfolio management*

We focus on three major categories of IT products, namely data communication and systems infrastructure, cyber security and digital transformation. As at the Latest Practicable Date, we were the authorised distributor of 38 IT product vendors, with origins spanning across different countries and regions such as the PRC, the U.S., India, Japan and the European region. The IT products offered in our product portfolio cover a wide array of functions and usages, and range at different price levels. We actively manage our product portfolio and conduct reviews on a regular basis based on, among others, (i) latest technological trend and market development; (ii) expected growth of particular brand/product; (iii) customers' demand, preference and feedback; (iv) procurement costs; (v) our business relationships with the IT product vendors; and (vi) business relationships between such IT product vendors and other local distributors. We strategically maintain diversified product origins in our portfolio so that we can easily replace and continue to supply IT products with different origins in the event of any trade restrictions is imposed on the IT products of particular origin by any particular country.

### *Entering into distribution agreements with IT product vendors*

Having identified a brand and/or product which we consider with promising potential based on our experience, we will negotiate with the IT product vendors for authorised distribution right. While we generally procure IT products from a majority of IT product vendors by way of purchase orders, we also enter into legally-binding distribution agreements with IT product vendors to set forth contractual obligations between parties. In assessing whether to grant authorised distribution right, IT product vendors generally will take into account various factors, including but not limited to (i) our reseller network; (ii) our reputation in the local market; (iii) technical know-how to understand their IT products and to provide support and services to the local resellers and end-users; and (iv) marketing plans and resources to help expanding their market share. We will negotiate with IT product vendors on the terms of the distributorship, including the type of products, duration of distributorship and territorial restrictions etc. The IT product vendors may require us to commit to certain annual minimum purchase amount as one of the conditions of becoming an authorised distributor.

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As part of the distribution agreement, IT product vendors generally require us to undergo product and technical training provided by them. Some IT product vendors may issue technical certificates confirming that we have the necessary knowledge and skills in providing technical training and support of their IT products to resellers and end-users in the local market. Some IT product vendors may also require our staff to undergo regular training in order to maintain the technical certificates, thereby maintaining our status as authorised distributors.

During the Track Record Period, we were generally granted non-exclusive distribution rights of IT products in Hong Kong. The distribution agreements generally have contractual terms of one year or without fixed terms and remain valid until terminated. Some of the distribution agreements stipulate minimum purchase commitment or sales target for us to achieve. For further details of terms of the distribution agreement, please refer to the paragraph headed “Suppliers — Salient terms of the master agreements with our major IT product vendors” in this section below.

Our Directors believe that entering into the legally binding distribution agreements with IT product vendors, whether exclusive in nature or not, is beneficial to us in consolidating our market position primarily because such arrangements solidify the business relationships, as well as cultivate confidence and mutual co-operation, between us and the IT product vendors, thereby allowing us to secure sufficient supplies of highly demanded products and to maintain a diversified product portfolio.

### *Localisation of selected brands and/or products*

We strive to enable market for the selected brand and/or products by raising brand and product awareness and reputation among target audience, we proactively partner with the IT product vendors to launch various types of marketing activities through online and offline channels, from large scale marketing events such as Distribution Channel Party and exhibition to seminars, webinars and workshops and invite the target audience to attend. These marketing activities serve to educate the target audience on the latest technological development while promoting brands, highlighting features of the IT products and demonstrating how the IT products can be integrated and utilised in a solution to take advantage of the new technology. We focus our marketing efforts on our broad network of resellers who will help to introduce the latest technological development and the IT products to end-users. At the same time, we also engage in marketing activities with resellers targeting end-users to generate interest and sales leads from the end of the value chain.

We also engage in product localisation for new-to-market niche brands that we see potentials in the Hong Kong market. Based on our assessment and understanding of the local market, we assist the IT product vendors of the new-to-market niche brands in identifying target audience, determining the market positioning of their IT products and devising marketing plans and strategies to promote their IT products to penetrate into the local market. Given the IT product vendors of these new-to-market niche brands are overseas-originated and may be new to the Hong Kong market, the standard product features and specifications of their IT products are usually different from the requirements and expectations from the users in Hong Kong market. As part of our localising strategies, we make product enhancement suggestions such as product size, specification and price range to IT product vendors to suit for the local market and IT product vendors may fine-tune or develop their IT products specifically for Hong Kong market. In addition, we design and prepare marketing materials



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aiming at the target audience in the local market. We believe our consistent efforts in marketing and localisation is one of the reasons the IT product vendors consider us a value-added distributor and continue to engage us as their authorised distributors in Hong Kong market.

### *Procurement and supply chain management*

In general, upon receipt of purchase order from our resellers, we will place purchase orders with our IT product vendors according to the agreed requirements and specification. We monitor the shipment and logistics progress of the IT products and update stock arrival status accordingly to meet the delivery time as set forth in the purchase order. Given the lifecycle of IT products is relatively short, we generally do not keep stock of products and place order to IT product vendors on a back-to-back basis. However, where there is bulk purchase discount or the IT product vendors impose minimum purchase quantity per order, we may acquire the relevant IT products in advance of receiving purchase order from our resellers.

We generally require our IT product vendors to deliver IT products to our warehouse before they are being delivered to the relevant resellers. For details of our inventory management, please refer to the paragraph headed “Inventory management” below in this section. Occasionally, resellers may require us to deliver the products to the end-users directly. We will then arrange delivery to the resellers or end-users based on the terms of the purchase orders after checking the content of the delivery. Upon signing off the delivery note by the resellers or end-users, which specified the brand, specifications and quantity of IT products, the delivery is considered completed.

### *Sales enablement and distribution*

Our sales team and product team are responsible for generating business leads from both existing and potential customers and are also responsible for maintaining close business relationships with our IT product vendors and follow up referral leads from them.

In the pre-sale stage, we actively respond to product and product-related technical enquiries from resellers in their projects or to assist them in pitching business. When a potential sales lead is identified, we will discuss with the reseller to understand their expectation on the product’s IT efficiency and performance. Based on our understanding of their requirements, we internally assess whether the products we distribute can fulfil the reseller’s and/or their customers’ needs and propose the IT products best suit their purposes and provide our quotation. Upon request of resellers, we may assist resellers in pitching business by way of proof of concept and/or proof of value to the resellers’ potential customers to demonstrate that the IT products are suitable for the intended purpose.

Once the price of the IT products is agreed with the resellers, we will create sales order for the reseller, who will issue back-to-back order to the end-user and arrange for delivery according to the agreed terms.

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### *IT implementation services and maintenance*

We offer IT implementation services as our turnkey solution for certain of our IT products if the reseller lacks the resources or technical know-how to install an IT product. Under our IT implementation services, we install, configure and integrate IT products into the IT environments of reseller's customers based on the pre-agreed implementation plan. In the event that other technical services such as technical engineering or cabling services are required by the resellers during implementation, we may engage third party service providers to provide such services to fulfil the reseller's and their customers' needs.

The IT products we distribute are attached with warranty provided by IT product vendors. Acting as the local support arm of the IT product vendors, when we receive enquiry via hotline and email, we will report product issue and/or send the defective IT product to the IT product vendors for repair or replacement. To lower the impact of defective IT products on the end-users and thereby increase customer satisfaction, we may also offer spare unit for temporary use or machine swapping service if IT products is collected for repair or replacement.

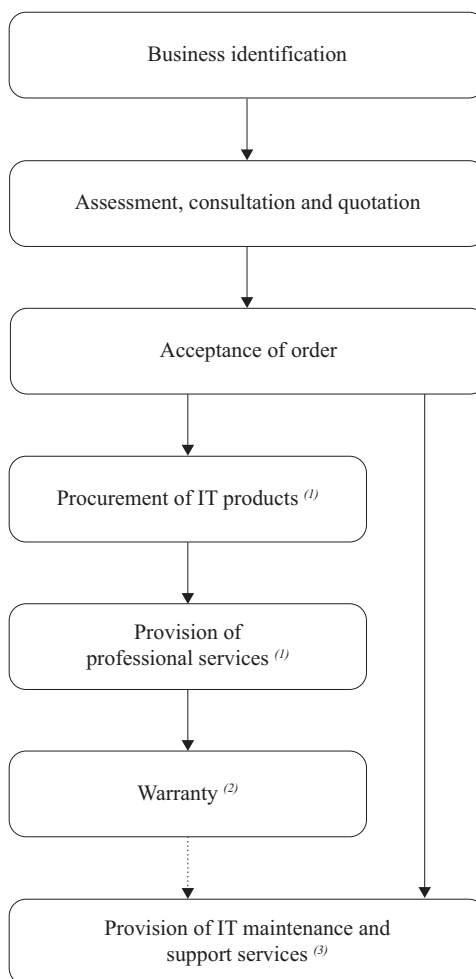
### **SI solutions business**

The following diagram illustrates the typical workflow of our SI solutions business. We offer SI solutions to our customers including (i) assessment, consultation and proposal; (ii) procurement of IT products; (iii) provision of professional services comprising technical implementation and integration, performance testing, user acceptance testing and system rollout; and/or (iv) provision of IT maintenance and support services. In our customer-oriented approach, customers can choose to procure IT products and/or services from us on a standalone or an integrated basis, rendering great flexibility to our customers in terms of nature and scope of our SI solutions. Therefore, customers will engage us to either (i) solely procure IT products; (ii) solely provide professional services (comprising technical implementation and integration, performance testing, user acceptance testing and system rollout); or (iii) procure IT products and provide professional services on an integrated basis. Whether or not a project or a purchase order will involve all the steps in the workflow below largely depends on customers' requirements and types of services provided.

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*Notes:*

1. Depending on the specification of the quotation or purchase order, end-users can engage us to either (i) solely procure IT products; (ii) solely provide professional services; or (iii) procure IT products and provide professional services on an integrated basis.
2. Warranty of IT products are provided by IT product vendors.
3. Depending on the specification of the quotation or purchase order, IT maintenance and support services may not always be provided following provision of IT infrastructure solutions services.

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### ***Business identification***

Our sales leads are identified mainly through (i) marketing activities; (ii) direct engagement; and (iii) referrals. We actively host or co-host with IT product vendors marketing activities through online and offline channels, such as marketing campaigns, Solution Day, live webinars, trade show booths, seminars, exhibitions, workshops, trainings and telemarketing to promote IT awareness and introduce our existing and new customers the latest market trends and technology. Through introducing the latest market trends and technology to our customers, we are able to identify the IT needs of our customers and thereby increase our business and sales opportunities. We also participate in industry-related activities organised by IT product vendors to keep abreast of the latest IT products development or best practices in the industry and strengthen our connection with our customers through face-to-face interaction.

In addition, we receive requests for proposals/quotations through word-of-mouth and referrals from our existing customers. Given we have developed and maintained good reputation in the industry and our customer portfolio includes reputable and leading enterprises and institutions, our Directors believe that it has helped us in further attracting other companies in the same or similar industries to engage us. Our sales team, in collaboration with our technical team, market our SI solutions to and follow up with potential customers proactively.

### ***Assessment, consultation and quotation***

We assess our customers' IT needs and their existing IT environment and provide customised pre-sales consultation and proposal to our customers on suitable SI solutions (inclusive of IT products) that can achieve their requested IT performance and efficiency. In general, our customers may not have the technical knowledge to formulate a clear execution plan to us and may merely specify their objectives and rely on us to design a comprehensive solution. Therefore, we usually assess, investigate and understand the operation of their existing IT system, infrastructure environment, functions, problems encountered, areas which need to be enhanced and customers' requirements on IT performance and efficiency. Based on the assessment, we will explore the suitable SI solutions that can fulfil our customers' requirements including but not limited to, the kind of IT products to be procured, the detailed resource requirements and potential implications of the proposed system. Having performed the technical and solutions feasibility assessment, we will obtain fee quotations from IT product vendors and/or authorised distributors and/or other service providers for the proposed IT products and internally consider our workforce availability as well as capacity and determine whether subcontracting arrangement is needed. We will then prepare quotation or project proposal/tender (for large scale projects) which include the detailed design of the proposed SI solutions (inclusive of the IT products).

As part of our pre-sales consultation, we will discuss our proposed SI solutions with the customers to obtain their feedback and further enhance the design according to their needs. We also highlight the effects and benefits of the proposed system on our customers' business. For projects which are more complex and require more customised services, we may conduct system analysis in greater details. A prototype may be used to demonstrate the SI solutions and to facilitate further discussion with the customer. Where necessary, we may seek assistance from distributors for more detailed product information and technical support. From time to time, we may be required to provide proof of concept and proof of value in relation to the proposed SI solutions.

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If the customer has devised its own improvement plan of IT system, we may still investigate and try to gain an understanding of their existing IT environment and their improvement plan and make suggestions as to how the design could be further enhanced or suggest products which we believe will better achieve the objective of the customer.

### *Acceptance of order*

If our potential customer approves our quotation or project proposal/tender, a legally binding contract will be entered into between our customer and us. For projects that are relatively straightforward, our customers will either sign on the quotation or proposal/tender for confirmation. If the projects are more complex, we will usually go through the scope and requirements of the projects with our customers once more to avoid misunderstanding. We will then come up with a more detailed proposal regarding the SI solutions to be offered and seek our customers' confirmation.

### *Procurement of IT products*

Based on our understanding of the customers' IT needs and requirements, we recommend suitable IT products in our proposed SI solutions. Occasionally, our customers may also request for a specific IT product or brand of IT products to be procured. Depending on the project specification, we may or may not be required to procure IT products for our customers. If we are required to procure IT products for our customers, in general, we will place purchase orders with the authorised distributors of the relevant IT products and other service providers upon receiving confirmation on the quotation or proposal/tender from our customers. We also monitor the shipment and logistic progress. The IT products procured are normally delivered directly to our warehouse by suppliers, which we will check before they are delivered to our customers. We generally engage third party logistics providers for such deliveries. For details of our inventory management, please refer to the paragraph headed "Inventory management" in this section below. Although we are not liable for the product liability incurred from the defects of the IT products supplied by the IT product vendors, we are responsible for ensuring that the IT products sourced conform to the system requirements of our customers.

### *Provision of professional services*

Depending on the types of our IT infrastructure solutions services (comprising data communication and systems infrastructure, cyber security and digital transformation), the scope of professional services provided will vary. In general, our professional services primarily include (i) technical implementation and integration; (ii) performance testing; (iii) user acceptance testing; and (iv) system rollout.

We provide technical implementation and integration to our customers whereby we carry out configuration and customise the IT products procured for and on customers' behalf in accordance with their requirements and specifications. We also formulate and implement data migration, update customers' existing IT systems and perform several tests, including installation test, simulation test, function test and integration test, to ensure compliance with our customers' specifications and proper integration with their existing IT products and/or IT systems. If we are required to develop programmes or application during the provision of digital transformation services, we will conduct system analysis and design, and arrange the modification or writing of programme code. We also conduct unit testing, during which small testable parts of an application will be individually and independently scrutinised to ensure proper operation.

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As user acceptance testing, our customers will test the assembled system to determine whether it can handle the required tasks in their real-world business scenarios according to their requirements and specifications. The user acceptance testing may need to be performed multiple times in order to ensure that the SI solutions provided by us satisfy our customers. Upon completion of the user acceptance testing, our customers will accept by signing off our job sheet for the project. Generally, the accepted IT products and/or SI solutions is formally released upon receipt of final payment.

As system rollout, the accepted system is then formally installed onto our customers' IT system. If required, we may provide training to our customers in respect of the system operation. Depending on the project and subject to negotiation with our customers, we may provide nursing period, the terms of which are determined on a case-by-case basis. Within nursing period, any problems found not owing to our customers' faults or product defects will be rectified by us.

### ***Warranty***

The IT products generally come with warranty offered by IT product vendors, which usually range from one year to three years. In the event that there are any defects with the IT products under the original warranty, the IT product vendors are responsible for the rectification of defects or replacement at their costs. Our Directors confirm that we had not received any request for any material refund and did not have any product liability claims resulting from the sale of defective IT products during the Track Record Period.

### ***Provision of IT maintenance and support services***

We offer a wide range of maintenance and support service to our customers as IT maintenance and support services. Our IT maintenance and support services mainly comprise hardware and system maintenance and support, system monitoring and IT outsourcing services. For the SI solutions provided by us, our customers will generally engage us to provide the on-going IT maintenance and support services under the same or a separate quotation. Occasionally, our customers will also enter into separate quotation with us for providing IT maintenance and support services in relation to third-party IT products.

## **CUSTOMERS**

As we operate a business model encompassing both distribution and SI businesses, we are engaged by customers from different segments of the value chain of the IT industry and thereby enjoy a broad customer base. We served over 1,000 customers for each of the three years ended 31 March 2022. Our customers are mainly divided into two categories, namely resellers and end-users.

### **Resellers**

Resellers primarily include SI solutions providers, telecommunication companies, traders and wholesalers who usually procure our IT products for sale or provision of services to end-users. In our distribution business, resellers generally purchase IT products from us on back-to-back orders upon receipt of orders from end-users, and if the resellers lack the resources or technical know-how to install such IT products procured from us, they will further engage us to provide IT implementation services to end-users. In our SI solutions business, we are engaged by resellers as their subcontractor to provide certain professional services or IT maintenance and support services to end-users.



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### End-users

End-user customers primarily include government, public utility companies, NGOs, SMEs, large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. During the Track Record Period, our Group was engaged in different public sector projects including provision of IT infrastructure solutions services and IT maintenance and support services to various government departments and statutory bodies. We started to take up more public sector projects with higher contract sum in FY2021/2022. In particular, we were awarded a project of supply, installation and configuration of network equipment for a government department with a contract sum of approximately HK\$2.0 million and a project of supply and installation of a new storage system for a statutory body with a contract sum of approximately HK\$1.3 million.

The following table sets forth the breakdown of our revenue by types of customers for the financial years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Resellers	174,321	52.5	220,782	57.0	436,540	69.1
End-users	157,565	47.5	166,655	43.0	194,972	30.9
<b>Total</b>	<b>331,886</b>	<b>100.0</b>	<b>387,437</b>	<b>100.0</b>	<b>631,512</b>	<b>100.0</b>

The following table sets forth the breakdown of our revenue by geographical location of our customers for the financial years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Hong Kong	322,140	97.1	366,923	94.7	605,013	95.8
The PRC	6,605	2.0	14,231	3.7	20,173	3.2
Macau	3,141	0.9	6,283	1.6	6,326	1.0
<b>Total</b>	<b>331,886</b>	<b>100.0</b>	<b>387,437</b>	<b>100.0</b>	<b>631,512</b>	<b>100.0</b>

During the Track Record Period, our revenue was generated primarily from customers located in Hong Kong, which amounted to approximately HK\$322.1 million, HK\$366.9 million and HK\$605.0 million respectively, representing approximately 97.1%, 94.7% and 95.8% of our total revenue in the corresponding year.

### Major customers

During the Track Record Period, our five largest customers in each year during the Track Record Period accounted for approximately 24.5%, 38.3% and 46.4% of our revenue respectively, among which, our largest customer in each year during the Track Record Period accounted for approximately 9.4%, 11.8% and 17.2% for the respective years.

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The following tables set forth the details of our five largest customers in each year during the Track Record Period:

### *FY2019/2020*

Rank	Customer	Role of customer	Principal business activities	Products/ services provided by our Group	Payment method and credit term	Approximate total amount of revenue <i>HK\$'000</i>	Approximate percentage of total revenue %	Calendar year in which our business relationship commenced
1.	Customer A <sup>(Note 1)</sup>	Reseller	A listed company on the Stock Exchange, which principally engaged in the provision of integrated telecommunication and technology solutions	Data communication and systems infrastructure products and cyber security products	30 days by cheque	31,210	9.4	2017
2.	Customer B <sup>(Note 2)</sup>	End-user	A listed company on the Stock Exchange, which is an investor in property and property development, and an investor in and/or operator of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses	IT infrastructure solutions services and IT maintenance and support services	45 days by cheque	17,749	5.3	2016
3.	Customer C <sup>(Note 3)</sup>	Reseller	A listed company on the Stock Exchange, which is a provider of IT infrastructure solutions services and IT maintenance and support services	Data communication and systems infrastructure products and cyber security products	30 days by cheque	12,406	3.8	2014
4.	Customer D <sup>(Note 4)</sup>	Reseller	A listed company on the Stock Exchange, which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses	Data communication and systems infrastructure products and cyber security products	45 days by cheque	10,899	3.3	2014
5.	Customer E <sup>(Note 5)</sup>	Reseller	A listed company on the Stock Exchange, which is principally engaged in the delivery of comprehensive one-stop IT services	Data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services	30 days by cheque	8,941	2.7	2014
						<u>81,205</u>	<u>24.5</u>	

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### FY2020/2021

Rank	Customer	Role of customer	Principal business activities	Products/ services provided by our Group	Payment method and credit term	Approximate total amount of revenue HK\$ '000	Approximate percentage of total revenue %	Calendar year in which our business relationship commenced
1.	Customer D <sup>(Note 4)</sup>	Reseller	A listed company on the Stock Exchange, which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses	Data communication and systems infrastructure products and cyber security products	45 days by cheque	45,588	11.8	2014
2.	Customer F <sup>(Note 6)</sup>	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of telecommunications services data centre services, information and communications technology solutions and broadband services	Data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services	30 days by bank transfer	32,776	8.5	2017
3.	Customer B <sup>(Note 2)</sup>	End-user	A listed company on the Stock Exchange, which is an investor in property and property development, and an investor in and/or operator of roads, commercial aircraft leasing, construction, insurance, hotel and other strategic businesses	IT infrastructure solutions services and IT maintenance and support services	45 days by cheque	29,572	7.6	2016
4.	Customer G <sup>(Note 7)</sup>	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of online loyalty points platform through a mobile application for, among the others, retail, food and beverages, and health and medical industries in the Greater Bay Area, and Singapore including various renowned brands	Data communication and systems infrastructure products	90 days by cheque	28,744	7.4	2020
5.	Customer E <sup>(Note 5)</sup>	Reseller	A listed company on the Stock Exchange, which is principally engaged in the delivery of comprehensive one-stop IT services	Data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services	30 days by cheque	11,577	3.0	2014
						<u>148,257</u>	<u>38.3</u>	

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**FY2021/2022**

Rank	Customer	Role of customer	Principal business activities	Products/ services provided by our Group	Payment method and credit term	Approximate total amount of revenue <i>HK\$'000</i>	Approximate percentage of total revenue %	Calendar year in which our business relationship commenced
1.	Customer L <sup>(Note 8)</sup>	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of cloud technology services	Data communication and systems infrastructure products and cyber security products	30-60 days by cheque	108,406	17.2	2018
2.	Customer G <sup>(Note 7)</sup>	Reseller	A private company incorporated in Hong Kong with issued and paid-up capital of approximately HK\$32.0 million, which is principally engaged in the provision of online loyalty points platform for, among the others, retail, food and beverages, and health and medical industries in the Greater Bay Area, including various renowned brands	Data communication and systems infrastructure products and cyber security products	90 days by cheque	67,385	10.7	2020
3.	Customer H <sup>(Note 9)</sup>	Reseller	A private company incorporated in Hong Kong which is principally engaged in the provision of cyber security and data centre services	Data communication and systems infrastructure products and cyber security products	30-60 days by cheque	64,059	10.1	2018
4.	Customer D <sup>(Note 4)</sup>	Reseller	A listed company on the Stock Exchange, which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses	Data communication and systems infrastructure products and cyber security products	45 days by cheque	30,185	4.8	2014
5.	Customer F <sup>(Note 6)</sup>	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of telecommunications, data centre services, information and communications technology solutions and broadband services	Data communication and systems infrastructure products, cyber security products, IT infrastructure solutions services and IT maintenance and support services	30 days by bank transfer	22,824	3.6	2017
						<u>292,859</u>	<u>46.4</u>	

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*Note:*

1. According to the annual report of Customer A dated 11 November 2021, its revenue and net profit amounted to HK\$11.5 billion and HK\$206.9 million respectively for the year ended 31 August 2021. Customer A has around a market share of 34.1% and 37.0% in the residential broadband services and business broadband services sector in Hong Kong as of 30 June 2021.
2. According to the annual report of Customer B dated 22 October 2021, its revenue and net profit amounted to HK\$68.2 billion and HK\$4.7 billion respectively for the year ended 30 June 2021. Customer B also operates in the Greater Bay Area engaging in property development projects.
3. According to the annual report of Customer C dated 22 July 2021, its revenue and net profit amounted to HK\$1.1 billion and HK\$46.9 million respectively for the year ended 31 March 2021 with around 260 employees.
4. According to the annual report of Customer D dated 31 March 2022, its revenue and net profit amounted to HK\$38.7 billion and HK\$2.9 billion respectively for the year ended 31 December 2021. Customer D has employed over 20,600 staff and provides services not only in Hong Kong, but also the Asia Pacific region and other parts of the world.
5. According to the annual report of Customer E dated 26 April 2022, its revenue and net profit from continuing operations amounted to HK\$2.0 billion and HK\$4.1 million respectively for the year ended 31 December 2021. Customer E has business operations in the Asia Pacific regions, the United States and Europe.
6. According to the website of Customer F, it is one of the largest Wi-Fi services providers in Hong Kong and a leading fixed-line operator that owns extensive infrastructure in Hong Kong and overseas, offering services for both local and overseas markets.
7. To the best knowledge of the Directors, Customer G has an issued and paid up capital of approximately HK\$32.0 million as at 3 November 2020 and has offices in both Hong Kong and the PRC with approximately 40 staff in total as of July 2021. Customer G operates a mobile phone application in the Greater Bay Area and Singapore which is an open loop platform that connects multiple loyalty programs together, allowing customers to convert the loyalty points from third party reward programs into the points on the platform through which rewards can be further redeemed. One of the shareholders of Customer G became acquainted with our Group through the introduction of Mr. Charlie Ip, one of our Controlling Shareholders and executive Director, when the shareholder was involved in the IT industry in the past. Customer G approached us for a turnkey solution for setting up its data centre, including supply of IT products of certain new-to-market niche brands distributed by us. Our Directors confirmed that, save for the ordinary business relationship between our Group and Customer G, neither Customer G nor its ultimate beneficial owners have any other past or present relationship (including, without limitation, business, family, employment, financing or otherwise) with our Company, subsidiaries, shareholders, Directors or senior management, or any of their respective close associates during the Track Record Period up to the Latest Practicable Date.
8. To the best knowledge of the Directors, Customer L principally engaged in the provision of cloud technology services with around 20 employees and an issued and paid up capital of HK\$500,000. Its customers include telecommunication companies, large multinational companies, universities, etc. During the Track Record Period, Customer L also provided our Group specialised work in relation to cloud services. For details, please refer to paragraph headed “Overlapping of customers and suppliers” in this section below.
9. To the best knowledge of the Directors, Customer H principally engaged in the provision of cyber security services and infrastructure integration services with around 10 employees and its major customer includes a hotel management company.

Our Directors have taken steps to seek consents from all of our Group’s five largest customers for the Track Record Period in respect of the disclosure of their identities. However, as at the Latest Practicable Date, our Company has yet been able to obtain any consent from the top five customers. Having that said, as the business profile and background of each top five customer has been disclosed above, along with the disclosure of business relationships, credit terms and transaction amounts with our Group, our Directors believe that the potential investors of our Company have been well informed of the relationships of the key customers with our Group.

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To the best knowledge of our Directors, none of our Directors, chief executives or their respective close associates or our existing Shareholders who own more than 5% of the issued share capital of our Company, has or had any interest in any of our five largest customers in each year during the Track Record Period. During the Track Record Period, we had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties.

### **Salient terms of the sales orders with our major resellers**

During the Track Record Period, the sales orders we entered into with our major resellers for distribution of IT products generally contained the following summarised terms:

- (i) Description of products and services: The sales order generally provides a brief description of the products involved, including the product brand, model number, technical specification, licence duration and/or service scope. Resellers may request for IT implementation services.
- (ii) Payment terms: We provide IT products and/or services on a fixed price basis. Depending on the order size, our business relationship with the specific reseller and credit history, we adopt different payment terms for each order, including but not limited to deposit payment, staged payment in accordance with an agreed schedule, payment on delivery or a credit term of zero to 90 days upon issuance of invoices or delivery.
- (iii) Delivery arrangement: The sales order may specify the delivery destination. For sales of hardware, we are responsible for delivering the products to the resellers or the end-users, as the case may be. For sales of software, we are responsible for sending the electronic licence in the form of passcode and hyperlink or equivalent to the designated email address as agreed by both parties. The IT products shall be delivered within a fixed period of time.
- (iv) Identity of end-users: The resellers may specify the identity and contact details of the end-users of the IT products.
- (v) Returns: We do not accept product returns once the product is sold except for product defect.

### **Salient terms of the quotations or project proposals/tenders with our major end-users**

During the Track Record Period, the salient terms of the quotations or project proposals/tenders for provision of IT infrastructure solutions services are generally summarised below:

- (i) Description of services and products: The quotations generally specify the types of services and/or IT products to be purchased, including the specifications and quantity of products. Depending on the complexity of the services, the quotations may also specify the details of the key tasks and milestones.



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- (ii) Payment and credit terms: We provide our services and/or IT products on a fixed price basis. Depending on the order size, the complexity of the project, the payment terms from distributor on the procurement of IT products and our business relationship with the specific end-user, we adopt different payment terms for each order/project, including but not limited to deposit payment, staged payment in accordance with an agreed schedule, payment on delivery or a credit term of zero to 60 days upon issuance of invoices or delivery.
- (iii) Nursing period: We may provide a nursing period to our customers, the terms of which are determined on a case-by-case basis.
- (iv) Delivery arrangement: The quotations may specify the delivery destination. We are responsible for arranging the delivery of IT products to our customers' specified destination on a specified date or within a fixed period of time, subject to the IT product vendors' delivery.
- (v) Termination: In the case of project proposal, our customers may be entitled to terminate the project if we commit a default with respect to any material term of the proposal by written notice, unless the default is corrected within certain number of days from such notice being issued.

During the Track Record Period, the salient terms of the quotations for provision of IT maintenance and support services are summarised below:

- (i) Description of services: The quotations generally specify the scope of services, including the specification of products for which the service is concerned.
- (ii) Payment terms: We generally charge our IT maintenance and support services at a fixed fee, the total contract sum of which is payable in advance. The normal credit terms is zero to 60 days upon issuance of invoices.

### **Pricing policy**

In our distribution business, we determine our quotations on a case-by-case basis, primarily taking into considerations of (i) the type of IT products required; (ii) procurement cost and supply chain cost; (iii) market price of similar products; (iv) market position of the IT product vendors and/or IT products; and (v) where IT implementation services is required, the estimated staff costs.

In our SI solutions business, we determine our quotations on a case-by-case basis as most of our contracts are project-based and involve a spectrum of specifications and varying level of complexity. For provision of IT infrastructure solutions services, we take into considerations of, among the others, (i) the scope of service; (ii) the estimated time to be spent by various levels of technical staff; (iii) complexity and scale of the project; (iv) procurement cost and supply chain cost; and (v) subcontracting fees (where applicable). For provision of IT maintenance and support services, we determine our quotations based on the estimated time to be spent by our staff. During the Track Record Period, the quotations for each of our contracts in SI solutions varied significantly as the types and complexity of the services provided varied significantly.

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### **Credit policy and payment methods**

Depending on the types of IT products and/or services and taking into account a number of factors including but not limited to order size, complexity of the project, business relationships with and creditworthiness of particular customers, we consider and determine payment terms on a case-by-case basis. Our payment terms may generally include deposit payment, staged payment in accordance with an agreed schedule, payment on delivery or a credit term of zero to 90 days upon issuance of invoices or delivery.

Our invoices are denominated in HK\$, USD, RMB or MOP and are generally settled by our customers by way of cheque or bank transfer. We monitor the settlement status of our trade receivables and will regularly review the credit terms. During the Track Record Period, the average trade receivables turnover days were 63.5 days, 82.9 days and 78.1 days respectively and as at the end of each year during the Track Record Period, our total trade receivables amounted to HK\$63.7 million, HK\$112.4 million and HK\$157.8 million respectively. For details of analysis of our trade receivables, please refer to the section headed “Financial information” in this prospectus.

We had a policy for allowance of bad and doubtful debts, which is based on the evaluation of collectability and ageing analysis of accounts and on management’s judgement including the creditworthiness and/or the past collection history of each customer.

### **Performance securities**

In our SI solutions business, we may be required to provide performance securities in the form of performance bond or contract deposit in respect of certain large-scale contracts we entered into with the Government as security for our due performance and as condition of entering into contracts with the Government respectively. The performance bond is typically released to us upon completion of the project or three months after expiry of the contract and the contract deposit is typically released to us six months after expiry of the contract.

As at the Latest Practicable Date, we have not entered into any contracts under which performance bond and contract deposit are required to be paid but have not been paid by us.

### **Seasonality**

Since our businesses are conducted on project basis, the growth of our revenue for each year will depend on the number and size of contracts or projects that we undertake and complete for the corresponding year. In light of the seasonal patterns in our customers’ procurement cycles, our businesses are subject to seasonality as we recorded higher revenue in the second half (from October to March) than the first half (from April to September) of the year during the Track Record Period, and in particular the first quarter (from April to June) of the year was the low season of our business. Our Directors believe that the historical seasonal fluctuation during the Track Record Period was mainly attributable to the procurement cycle of our customers, which (i) most of the potential projects are still subject to internal approval and yet to be executed in the first quarter and (ii) they usually attempt to utilise the remaining available annual funding for capital expenditure before the financial year ended on 31 December or 31 March. Accordingly, we typically experience seasonal fluctuations in our revenues and result of operations during a year.

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### **Product return and exchange policy**

The IT products we provide in both distribution and SI solutions businesses are covered by warranty offered by the IT product vendors. Depending on the warranty terms offered by the IT product vendors, the warranty period normally lasts for one to three years. In the event that there is any issue with the IT products reported by the distributor and/or end-user during the warranty period, we will contact the IT product vendors or their distributors for repair and/or replacement. To minimise the impact of the product repair and/or replacement on the end-users, we offer spare unit of certain IT products to the end-users for their temporary use and/or swapping as part of our value-added services.

### **SALES AND MARKETING**

Our sales team had 42 staff and our marketing team had 9 staff as at the Latest Practicable Date. Our sales and marketing personnel are responsible for exploring business opportunities, generating sales leads, preparing the project proposals or quotations, building and/or maintaining relationships with our customers and promoting our brand awareness.

In our distribution business, we as authorised distributor proactively partner with the IT product vendors to launch various types of marketing activities through online and offline channels, from large scale marketing events such as Distribution Channel Party and exhibition to seminars, webinars and workshops and invite the target audience to attend. These marketing activities serve to educate the target audience on the latest technological development while promoting brands, highlighting features of the IT products and demonstrating how the IT products can be integrated and utilised in a solution to take advantage of the new technology. We focus our marketing efforts on our broad network of resellers, who will then introduce the latest technological development and the IT products to end-users. At the same time, we also engage in marketing activities with resellers targeting end-users to generate interest and sales leads from the end of the value chain. One of the major annual marketing campaigns for our distribution business is Distribution Channel Party. According to the Ipsos Report, Distribution Channel Party is an innovative large-scale marketing event gathering over hundreds of IT product vendors and resellers in a party to display and release the latest promotion and IT products in the market and award resellers who had performed well in terms of, among other things, purchase amount in the past year. According to the Ipsos Report, we are the pioneer in the Hong Kong IT industry to host such large-scale marketing event which was broadcasted on local free-to-air television channel.

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In our SI solutions business, our marketing campaigns are focused on end-users. We strive to promote IT awareness by introducing to end-users the latest market trends and technology through hosting or co-hosting various marketing events with IT product vendors such as live webinars, trade show booths, seminars, exhibitions, workshops, trainings and telemarketing. In particular, we hosted our own marketing campaign, Solution Day, annually since 2009 (except for 2019 and 2020 as we were unable to host our Solution Day due to the social movement in Hong Kong in 2019 and the outbreak of the COVID-19 pandemic since the end of 2019 in the PRC and the beginning of 2020 in Hong Kong, which hindered certain PRC suppliers of our Group from physically taking part in the event in Hong Kong and limitations imposed by the Government on the number of participants that can take part in such event). According to the Ipsos Report, Solution Day is an innovative large-scale event coordinating hundreds of IT product vendors, IT architects and end-users in promoting IT awareness and the latest market trends and technology, which has been well received by the market. Furthermore, according to the Ipsos Report, we are the pioneer in the SI solutions industry to have consecutively held such large-scale marketing event for ten years. Through introducing new market trends and technology to our customers, we are able to create underlying IT needs among our customers and thereby increase business and sales opportunities. In addition, we participate in industry-related activities organised by IT product vendors to keep abreast of the new IT products development or best practices in the industry and strengthen our connection with IT product vendors and end-users through face-to-face interaction.

### SUPPLIERS

During the Track Record Period and up to the Latest Practicable Date, our suppliers consisted of mainly three categories, namely (i) IT product vendors; (ii) authorised distributors and (iii) other service providers. IT product vendors are overseas-branded or PRC-branded hardware, software and auxiliary product manufacturers who engage distributors to market and distribute their IT products in local markets. In our business model, we as authorised distributor in our distribution business can procure IT products from them directly, whereas we as reseller in our SI solutions business procure IT products from the authorised distributors of the IT product vendors, including from our distribution business. When selecting and evaluating IT product vendors and authorised distributors, we generally consider their (i) product portfolio; (ii) market recognition; (iii) technical capabilities; (iv) local market support; and (v) price and quality of their products and services.

As at the Latest Practicable Date, we entered into non-exclusive distribution agreements with 38 IT product vendors, with origins spanning across different countries and regions such as the PRC, the U.S., India, Japan and the European region. In our operating experience and in line with Ipsos's observation, in assessing whether to grant distribution rights to distributors, IT product vendors generally will take into account various factors of the distributors, including but not limited to (i) annual sales turnover; (ii) resources and capability including operation scale and financial position; (iii) distribution channel and reseller network; (iv) reputation in the local market; (v) technical know-how to understand their IT products and to provide support and services to the local resellers and end-users; and (vi) marketing plans and resources to help expanding their market share. The selection process allows IT product vendors to choose distributors according to their criteria and standard. During the Track Record Period, we were the exclusive distributor of one IT products vendor and the sole distributor of four IT product vendors for respective specific period. The amount of revenue generated from the distribution of IT products in which we were the exclusive or sole distributor amounted to approximately HK\$47.0 million, HK\$1.6 million and HK\$1.5 million during the Track Record Period respectively.

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### **Subcontracting arrangements**

Whilst we have a team of experienced in-house technical staff to carry out the necessary implementation work or technical support services for our distribution business and SI solutions business, we from time to time will subcontract certain work to third-party service providers, such as (i) certain labour-intensive work with low skill requirements; (ii) certain installation, implementation and maintenance and support work when particular types of qualifications, skills, resources, spare parts or equipment are involved; and (iii) certain specialised expertise that we have not yet possessed such as coding and algorithm in digital transformation services. We believe subcontracting allows us to focus on our core business in which we are experienced, minimises our need to employ a large workforce or specialised labour and increase our flexibility and cost effectiveness in managing our resources. We select subcontractors carefully based on their (i) qualification and certification; (ii) track record in respect of their timely performance of subcontracted works; (iii) quality of subcontracted works; and (iv) pricing. Depending on the contractual terms, we may notify or obtain approval from our customers before subcontracting part of our work to them.

We did not enter into any formal or long-term agreement with our subcontractors during the Track Record Period. The terms of our subcontracting arrangement, including (i) the scope of services; (ii) fees; and (iii) payment and credit terms, are determined on a case-by-case basis with reference to the specific requirements of each order or project. Our subcontracting fees amounted to approximately HK\$12.4 million, HK\$17.5 million and HK\$29.4 million for the Track Record Period respectively, representing approximately 4.7%, 5.8% and 5.7% of our cost of sales and services for the corresponding year.

### **Major suppliers**

During the Track Record Period, our cost of sales and services amounted to approximately HK\$262.7 million, HK\$301.2 million and HK\$515.4 million respectively and our five largest suppliers in each year during the Track Record Period accounted for approximately 45.9%, 48.2% and 58.6% of our cost of sales and services respectively, among which the largest supplier in each year during the Track Record Period accounted for approximately 15.3%, 19.6% and 38.8% for the respective years.

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The following tables set forth the details of our five largest suppliers in each year during the Track Record Period:

### *FY2019/2020*

Rank	Supplier	Role in the value chain	Principal business activities	Products/ services procured by our Group	Payment method and credit term	Approximate total amount of cost of sales and services HK\$'000	Approximate percentage of total cost of sales and services %	Calendar year in which our business relationship commenced
1.	Sangfor Technologies (Hong Kong) Limited	IT products vendor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shenzhen Stock Exchange, which is principally engaged in provision of cloud and cyber security products	Data communication and systems infrastructure products, cyber security products and subcontracting services	30 days by cheque	40,326	15.3	2014
2.	Kwong Ming Engineering	Subcontractor	A private company incorporated in Hong Kong, which is principally engaged in the telecommunication engineering and cabling business	Data communication and systems infrastructure products, cyber security products and telecommunication engineering and cabling services	30 days by bank transfer	26,874	10.2	2017
3.	Supplier A	Distributor	A private company incorporated in Hong Kong, which is principally engaged in the distribution of over 80 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	21,252	8.1	2014
4.	Supplier B	Distributor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shanghai Stock Exchange, which is principally engaged in the sale and distribution of over 1,700 brands of IT products	Data communication and systems infrastructure products, cyber security products, digital transformation products and subcontracting services	60 days by bank transfer	17,794	6.8	2013
5.	Supplier C	Distributor	A private company incorporated in Hong Kong and subsidiary of a Taiwan company listed on the Taiwan Stock Exchange, which is principally engaged in the distribution of information, communication, consumer product and semiconductor products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	14,422	5.5	2013
						120,668	45.9	



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### *FY2020/2021*

Rank	Supplier	Role in the value chain	Principal business activities	Products/ services procured by our Group	Payment method and credit term	Approximate total amount of cost of sales and services <i>HK\$'000</i>	Approximate percentage of total cost of sales and services %	Calendar year in which our business relationship commenced
1.	Kwong Ming Engineering	Subcontractor	A private company incorporated in Hong Kong, which is principally engaged in the telecommunication engineering and cabling business	Data communication and systems infrastructure products, cyber security products and telecommunication engineering and cabling services	30 days by bank transfer	59,105	19.6	2017
2.	Sangfor Technologies (Hong Kong) Limited	IT products vendor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shenzhen Stock Exchange, which is principally engaged in the provision of cloud and cyber security products	Data communication and systems infrastructure products, cyber security products and subcontracting services	30 days by cheque	35,774	11.9	2014
3.	Supplier C	Distributor	A private company incorporated in Hong Kong and subsidiary of a Taiwan company listed on the Taiwan Stock Exchange, which is principally engaged in the distribution of information, communication, consumer product and semiconductor products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	19,729	6.6	2013
4.	Supplier A	Distributor	A private company incorporated in Hong Kong, which is principally engaged in the distribution of over 80 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	19,544	6.5	2014
5.	Supplier B	Distributor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shanghai Stock Exchange, which is principally engaged in the sale and distribution of over 1,700 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	10,945	3.6	2013
						<u>145,097</u>	<u>48.2</u>	

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### *FY2021/2022*

Rank	Supplier	Role in the value chain	Principal business activities	Products/ services procured by our Group	Payment method and credit term	Approximate total amount of cost of sales and services <i>HKS'000</i>	Approximate percentage of total cost of sales and services %	Calendar year in which our business relationship commenced
1.	Conversant	IT products vendor	A private company incorporated in Singapore which is principally engaged in the CDN and developing innovative digital media enablement solutions and services for telecommunication service providers, content providers, media broadcasters and enterprises	Data communication and systems infrastructure products	30 days by bank transfer	200,160	38.8	2021
2.	Sangfor Technologies (Hong Kong) Limited	IT products vendor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shenzhen Stock Exchange, which is principally engaged in the provision of cloud and cyber security products	Data communication and systems infrastructure products, cyber security products and subcontracting services	30 days by cheque	51,370	10.0	2014
3.	Supplier B	Distributor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shanghai Stock Exchange, which is principally engaged in the sale and distribution of over 1,700 brands of IT products	Data communication and systems infrastructure products, cyber security products digital transformation products and subcontracting services	60 days by bank transfer	17,884	3.5	2013
4.	Supplier C	Distributor	A private company incorporated in Hong Kong and subsidiary of a Taiwan company listed on the Taiwan Stock Exchange, which is principally engaged in the distribution of information, communication, consumer products and semiconductor products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	17,627	3.4	2013
5.	Supplier A	Distributor	A private company incorporated in Hong Kong, which is principally engaged in the distribution of over 80 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	15,237	2.9	2014
						<u>302,278</u>	<u>58.6</u>	

Our Directors have taken steps to seek consents from all of our Group's five largest suppliers for the Track Record Period in respect of the disclosure of their identities. However, save for Sangfor Technologies (Hong Kong) Limited and Kwong Ming Engineering who had given their consent in relation to the disclosure of their identities and their business relationships with our Group, as at the Latest Practicable Date, our Company has yet been able to obtain any consent from the other top five suppliers. Having that said, as the business profile and background of each top five suppliers has been disclosed above, along with the disclosure of business relationships, credit terms and transaction amounts with our Group, our Directors believe that the potential investors of our Company have been well informed of the relationships of the key suppliers with our Group.

To the best knowledge of our Directors, none of our Directors, chief executive or their respective close associates or our existing Shareholders who own more than 5% of the issued share capital of our Company, has or had any interest in any of our five largest suppliers in each year during the Track Record Period. In addition, our Directors confirm that, we did not experience any material shortage or delay of supply that has significantly affected our business.

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### **Relationship with Kwong Ming Engineering**

Our business relationship with Kwong Ming Engineering, a telecommunication engineering and cabling service provider, had first commenced in 2017 when our Group, together with Kwong Ming Engineering, submitted a quotation to a subsidiary of a listed company on the Stock Exchange and New York Stock Exchange, which is a telecommunications service provider, for a network and system infrastructure project. In 2018, we were first awarded major contracts by Customer D for its fibre optic-based network infrastructure projects. Having considered the size of the projects, technical complexity involved in the projects, our resources at the material times and technical expertise of Kwong Ming Engineering, we engaged Kwong Ming Engineering for the provision of products and services in such projects.

As our business collaboration with Kwong Ming Engineering continued during the Track Record Period, Kwong Ming Engineering became our second largest supplier in FY2019/2020, our largest supplier in FY2020/2021 and our seventh largest supplier in FY2021/2022. As confirmed by Kwong Ming Engineering, our Group's purchases represented no more than approximately 30% of the total revenue of Kwong Ming Engineering in each of FY2019/2020, FY2020/2021 and FY2021/2022.

### ***Background of Kwong Ming Engineering***

Established in Hong Kong in 1992, Kwong Ming Engineering is principally engaged in the telecommunication engineering and cabling business and is generally involved in two types of projects, namely (i) telecommunication infrastructure projects and (ii) IT infrastructure projects. For telecommunication infrastructure projects, Kwong Ming Engineering is usually directly engaged by the telecommunication companies to plan, design, construct and install broadband network or cable/optical fibre network infrastructure to support the accurate and efficient transmission of data. The scope of services provided by Kwong Ming Engineering in telecommunication infrastructure projects primarily include civil engineering work, cabling work, block wiring and customer-premises equipment connection. For IT infrastructure projects (such as our Group's network and system infrastructure projects), Kwong Ming Engineering is usually engaged by an IT solutions provider to handle the required telecommunication engineering and cabling works if the construction of a telecommunication network is required to support the connectivity for the IT infrastructure projects or solutions. The scope of services provided by Kwong Ming Engineering in IT infrastructure projects mainly include fibre and structured cable laying and modification and alteration works as the IT solutions provider usually does not possess such engineering and cabling expertise. As at the Latest Practicable Date, the issued and paid-up capital of Kwong Ming Engineering amounted to HK\$9.1 million. To the best knowledge and belief of our Directors after reasonable enquiries, Kwong Ming Engineering (i) has one office in Hong Kong with approximately 70 staff; and (ii) currently has approximately ten customers, primarily comprising renowned telecommunication companies, recorded a net cash generated from operating activities of approximately HK\$60.0 million for the nine months ended 31 March 2021 and a cash balance of HK\$42.3 million as at 31 March 2021.

To the best knowledge and belief of our Directors after reasonable enquiries, Kwong Ming Engineering was owned by Mr. Wan Tak Yuen (“**Mr. TY Wan**”) and Mr. Wan Cheuk Hin (“**Mr. CH Wan**”) (who are father and son) as at the Latest Practicable Date. Mr. CH Wan and Mr. TY Wan have approximately over 10 years and 40 years of experience in the telecommunication engineering industry respectively. They became acquainted with our Group through the introduction of Mr.

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Charlie Ip, one of our Controlling Shareholders and executive Director, during his engagement of business development activities when he joined an event held by an entrepreneur organisation specifically for young entrepreneurs who are involved in family business and/or are running own business. Our Directors confirmed that each of Kwong Ming Engineering, its ultimate beneficial shareholders and former shareholders since incorporation is Independent Third Party and, save for the ordinary business relationship between our Group and Kwong Ming Engineering, neither Kwong Ming Engineering nor its ultimate beneficial owners have any other past or present relationship (including, without limitation, business, family, employment, financing or otherwise) with our Company, subsidiaries, shareholders, Directors or senior management, or any of their respective close associates during the Track Record Period and up to the Latest Practicable Date. As further confirmed by our Directors, save for the business transactions entered into in the ordinary course of business, no side agreements or arrangements, whether direct or indirect, have been entered into between our Group and Kwong Ming Engineering.

***Reason for engaging Kwong Ming Engineering in our network and system infrastructure projects during the Track Record Period***

During the four years ended 31 March 2022, we collaborated with Kwong Ming Engineering in undertaking 13 sizeable network and system infrastructure projects primarily for telecommunication companies customers and Customer G, where our Group was mainly engaged by our customers to provide a total customised turnkey solution to meet the IT needs and specifications of end-users.

The scope of work of these network and system infrastructure projects mainly comprised IT services, which are discharged by us and are in line with our core business, involving design of the IT infrastructure and system, recommendation and supply of required IT products, technical implementation and integration (including the IT products installation, configuration, data migration and update of existing IT system), performance testing and user acceptance testing and system rollout (including training, system monitoring and nursing). During the technical implementation phase, telecommunication engineering and cabling works were required in order to construct a telecommunication network suitable for the IT infrastructure and solution to support the connectivity in the IT infrastructure projects. Telecommunication engineering and cabling work are highly specialised area of practice and do not form part of our core business. A sizeable network and system infrastructure project generally involves (i) cabling works (including structured cabling, cable labelling, optical fibre termination and splicing); and (ii) modification and alteration works (such as drilling holes, mounting racks and pipes on walls and ceilings for cables and alteration of existing layout of electric power cables). In rendering such services, expertise in cabling works and specific qualifications and licences including but not limited to (i) registered minor works contractors licence and (ii) certificate of registration of electrical worker are required. In addition, highly specialised tools and equipment such as cutting, splicing and jointing of optical fibre cables may also be required to execute such works. Furthermore, depending on the scale of the project and the layout of the site, it may be necessary to deploy general construction equipment such as scaffolding platform to facilitate reaching of high ceiling.

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Our Group, being an IT solutions provider, do not have the necessary licence, registration, equipment and tools, knowledge and technical expertise in carrying out the abovementioned telecommunication engineering and cabling works. Having considered the above, and taking into account the cost and resources that we may require to invest in if we had to render telecommunication engineering and cabling works for the projects (including but not limited to hiring personnel with the relevant expertise and obtaining the necessary licences and accreditations and capital expenditure to purchase the required specialised tools and equipment) on our own, our Directors consider that it would be more cost efficient to engage telecommunication engineering and cabling service providers such as Kwong Ming Engineering for the provision of telecommunication engineering and cabling services in our network and system infrastructure projects.

### ***Reasons for engaging Kwong Ming Engineering in Customer G's projects***

We engaged Kwong Ming Engineering to undertake Customer G's project, which involved the construction and setting up of data centre to support the expansion of their online loyalty points platform in FY2020/2021, and the expansion of Customer G's data centre in FY2021/2022, which to the best knowledge and belief of the Directors, was to facilitate its expansion plan to launch such platform to the Southeast Asia (the "**Customer G's Projects**"). The Customer G's Projects was similar to those of major telecommunication companies in terms of work specifications, IT products required and technicality, which also required telecommunication engineering and cabling works. We also engaged Kwong Ming Engineering to procure IT products from certain IT product vendors nominated by us under the arrangement as disclosed below. The pricing and credit terms of our engagement of Kwong Ming Engineering in respect of Customer G's Projects were also comparable to those in our other projects involving Kwong Ming Engineering during the Track Record Period.

The following are the reasons for our Group to engage Kwong Ming Engineering to procure IT products from certain IT product vendors and provide the necessary telecommunication engineering and cabling services in Customer G's Projects:

#### ***(i) Nature of Customer G's Projects and strong expertise and direct experience of Kwong Ming Engineering***

The establishment of a datacentre in Customer G's Projects was an IT infrastructure project, the nature of which was, from a perspective of expertise required, similar to those network and system infrastructure projects of telecommunication companies. In particular, we were engaged by Customer G to provide turnkey solutions in establishing a data centre to support the operation of its loyalty program. The scope of work of Customer G's Projects mainly comprised designing and preparing the detailed system analysis, site preparation work, installation of hardware and software, implementation of the physical and logical design/architecture, system integration and configuration, conducting various system tests and conducting security tests, assisting in system go live, and provision of system nursing services throughout the nursing period, which covers system maintenance, and security, support and operation services.

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Similar to those network and system infrastructure projects of telecommunication companies, Customer G's Projects also involved installation of hardware products, structured cabling, cable labelling, optical fibre termination and splicing, optical time-domain reflectometer testing and panel patching, installation of cable containment, and modification and alteration works such as drilling holes and mounting racks and pipes on walls and ceilings for cables during the implementation phase. As we lack the required expertise, skills, licence, tools and equipment to perform those complex cabling works, we must rely on service providers to perform such work in order to undertake Customer G's Projects. Considering the complexity of the cabling, modification and alteration works as mentioned above, we engaged Kwong Ming Engineering to provide telecommunication engineering and cabling services and procure IT products in Customer G's Projects mainly due to (a) the proven track record of collaboration with Kwong Ming Engineering in network and system infrastructure projects of telecommunication companies; (b) the credible experience of Kwong Ming Engineering with us such that Kwong Ming Engineering and our Group have developed tacit understanding of each other's work flow and practice; (c) enhanced project efficiency given under this procurement arrangement in Customer G's Projects, Kwong Ming Engineering was responsible for direct procurement, arrangement of delivery of IT products from IT product vendors and scheduling for the necessary telecommunication engineering and cabling work on site and any issue arising from IT products and its work done, while we were responsible for system and product configuration, software installation, system tuning, performance testing, user acceptance testing and system rollout and nursing and rectifying, redoing any modification and alteration works if any issue arising from the software of the relevant project. This streamlined workflow was considered to be more efficient, which was particularly useful in light of the tight execution schedule of Customer G's Projects; (d) the substantial expertise of Kwong Ming Engineering in similar data centre projects; and (e) pursuant to the discussion between Customer G and our Group, Customer G revealed that it intended to set up physical coupon outlets in various retail stores of its partners and/or shopping malls as a part of its phase two expansion, which would require substantial engineering and cabling works within a very short timeframe and our Directors believe that Kwong Ming Engineering would be capable of carrying out the necessary telecommunication engineering and cabling works for this potential project.

**(ii) *Fair business terms maximising our return and facilitating business development***

We elected to engage Kwong Ming Engineering to procure IT products for distribution to Customer G as part of its telecommunication engineering and cabling services for Customer G's Projects, which is an industry acceptable business arrangement between a distributor and its service provider in IT infrastructure projects and is in line with our other projects involving Kwong Ming Engineering. Under this arrangement, we are able to deploy our financial resources effectively to support our business operations and to capture business opportunities rather than exhausting our financial resources to pay the procurement costs of the required IT products from the IT product vendors upfront. We had generally settled the amounts due to Kwong Ming Engineering in Customer G's Projects (including the IT products procurement costs) within the 30-day credit term agreed between Kwong Ming Engineering and our Group. As at the Latest Practicable Date, we had settled all amounts due to Kwong Ming Engineering in Customer G's Projects.



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In the case of Customer G's Projects, although procurement costs of the IT products would be slightly lower (approximately 9.5%) had we directly procured the same products from the same IT product vendors, we were able to shift the slightly higher IT products procurement costs to Customer G and maintain our profit margin. Specifically, we were able to achieve a fairly reasonable gross profit margin of 19.3% in Customer G's Projects, consistent with (i) the gross profit margin of our distribution business during the Track Record Period (ranging from 17.9% to 21.8%); (ii) with our Group's gross profit margin of 21.0% derived from the sales of IT products for similar projects without involving Kwong Ming Engineering during Track Record Period; and (iii) within the range of gross profit margins of our competitors engaging in similar business. We account for the success in shifting the procurement costs to Customer G because our pricing generally takes into account of, among other things, our procurement cost and supply chain cost, market position of the IT product vendors and/or IT products and the anticipated profit margin.

With this commercial arrangement, we were able to maximise our return by deploying our financial resources effectively and to capture business opportunities in this sizable IT infrastructure project without compromising our overall gross profit margin.

Based on the abovementioned reasons, we engaged Kwong Ming Engineering to procure IT products from certain IT product vendors nominated by us and provide the necessary telecommunication engineering and cabling services for Customer G's Projects.

### **Relationship with Conversant**

#### ***Background of Conversant***

Conversant is a private limited company established in February 2002 with headquarter in Singapore, which is principally engaged in the content distribution network ("CDN") and developing innovative digital media enablement solutions and services for telecommunication service providers, content providers, media broadcasters and enterprises in aim to connect the digital world. As at the Latest Practicable Date, Conversant had an issued and paid-up capital of approximately SGD11.9 million and its holding company had an issued and paid-up capital of approximately SGD153.5 million. To the best knowledge and belief of our Directors after reasonable enquiries, Conversant has over 100 staff, with development centres in the UK and Shanghai, and regional offices in the Philippines, Thailand, Indonesia and Hong Kong, and recorded a revenue of approximately SGD43.8 million and net profit of approximately SGD5.0 million for its financial year ended 31 December 2020. According to Ipsos, Conversant is one of the largest CDN provider in the Southeast Asia. It has partnered with various leading telecommunications operators across Southeast Asia and provides CDN services to a number of renowned content media and internet cloud enterprises in the PRC and Southeast Asia. In particular, to the best knowledge of our Directors, Conversant has partnered with a world's leading cloud services provider and one of the largest cloud services provider in the PRC to expand its markets across the Southeast Asia and formed a joint venture with a leading developer and operator of high-performance data centers with facilities strategically located in the primary economic hubs in the PRC whose shares are dual listed on the Stock Exchange and Nasdaq in the United States. In 2021, Conversant has raised a total of approximately US\$21 million in a funding round. The major customers of Conversant include (i) one of the largest digital services providers in Thailand which provides (a) mobile phone services; (b) fixed broadband services; (c) enterprise business services; and (d) high-speed internet services, (ii) an Indonesian multinational telecommunication conglomerate whose cellular operator business reached more than 90% of Indonesia's population; (iii) one of the major telecommunications providers in Philippines which provides telecommunications and digital services including fiber optic, wireless and fixed line network; and (iv) a large-scale and leading integrated intelligent information services operator based in the PRC whose principal business is the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications services such as internet access services, information services and other related services.

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To the best knowledge of our Directors, the representative in the Hong Kong representative office of Conversant became acquainted with our Group through the introduction of Mr. Charlie Ip, one of our Controlling Shareholders and executive Director, when he was involved in the IT products distribution industry in the past. Our Directors confirmed that, save for the ordinary business relationship between our Group and Conversant, neither Conversant nor its ultimate beneficial owners have any other past or present relationship (including, without limitation, business, family, employment, financing or otherwise) with our Company, subsidiaries, shareholders, Directors or senior management, or any of their respective close associates during the Track Record Period and up to the Latest Practicable Date.

### *Business relationship with Conversant*

Our business relationship with Conversant commenced in May 2021 when they formally engaged our Group for an initial term of two years, which shall be automatically renewed until terminated, to market, distribute, and licence to its products to end customers. We primarily acquire CDN licences from Conversant and then distribute to our customers on a subscription basis based on the number of licences our customers desired to utilise with reference to their expected traffic demands of the content delivery to end users. CDN licence is a licence right to gain access to a network of geographically distributed and interconnected servers encompassing various data centres both regionally and internationally, which is built by a CDN provider with the aims to reduce the content travel distance in order to reduce network latency and bandwidth and thereby enables the subscriber of the CDN to deliver dynamic content and videos to the devices of the end users without delay loading time at a relatively low cost.

As agreed between Conversant and our Group, our Group can purchase CDN licence that can support up to 100 million register users for one year, and at least 2 million active CDN users per month. When an end user registers for the service to be provided by CDN licences, the end user becomes a registered CDN user. If the end user uses the service after registration, he/she becomes an active CDN user. Each CDN licence can support one end user. We purchase CDN licences based on the estimated number of active CDN users provided by our customers, which differs from customer to customer and varies from month to month based on the estimated usage of their downstream customers. Accordingly, the number of customers we can provide CDN licence to depends on the number of CDN licences purchased by our customers. In FY2021/2022, we had purchased CDN licences which could support approximately 70.3 million registered CDN users and 59.3 million active CDN users to support the orders from four customers in aggregate. During the Track Record Period, our purchases of CDN licences from Conversant amounted approximately nil, nil and HK\$200.1 million and Conversant become our largest supplier for FY2021/2022. During FY2021/2022, the number of active CDN users per month purchased from Conversant was approximately nil, nil, 1.0 million, 6.4 million, 5.1 million, 8.6 million, 8.3 million, 5.1 million, 7.1 million, 6.1 million, 6.1 million and 5.5 million. Such purchase amount during FY2021/2022 was mainly driven by five of our customers, namely Customer G, Customer F, Customer H, Customer D and Customer L, which engaged us to obtain CDN licence of Conversant. For details of the sales of CDN licences to these customers during FY2021/2022, please refer to the section headed “Financial information – Review of results of operation – FY2021/2022 compared to FY2020/2021” in this prospectus.

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The major terms of the contract entered into between our Group and Conversant (the “**Conversant Contract**”) are as follows:

- (i) **Product description:** We are authorised to sell CDN licences and appliances (the “**Conversant Products**”).
- (ii) **Exclusivity and territory:** We are granted non-exclusive rights to sell the Conversant Products in Hong Kong. Conversant reserves the right to provide the Conversant Products to other customer in Hong Kong and/or to appoint others in all or part of Hong Kong if our purchases to Conversant is less than HK\$3.9 million in the preceding calendar year. While Conversant is not restricted from providing the Conversant Products to other customer(s) and/or appointing other distributors in all or part of Hong Kong, Conversant confirmed that it will not provide the Conversant Products to other customer(s) and/or appoint other distributors in all or part of Hong Kong in a calendar year in the event that our Group’s purchases from Conversant is more than HK\$3.9 million in the preceding calendar year. To the best knowledge and information of our Directors and confirmed by Conversant, Conversant has only engaged our Group to promote and sell the Conversant Products in Hong Kong as at the Latest Practicable Date.
- (iii) **Term:** The Conversant Contract has an initial term of two years commencing from 1 June 2021, which shall be automatically renewed until terminated pursuant to the terms and conditions of the Conversant Contract.
- (iv) **Our major obligations:** We are generally responsible for (i) using our best efforts to promote and sell the Conversant Products within Hong Kong; (ii) providing competent and adequate technical assistance to the customers, explaining in detail to the customers the features and capabilities of the Conversant Products and assisting customers in determining which Conversant Products will best meet their particular needs and desires; (iii) providing marketing plan and system for distributing the Conversant Products and providing a yearly marketing plan to Conversant providing details such as go to market strategy and potential end customers that our Group intend to approach; (iv) conducting our business in a manner that reflects favourably on the Conversant Products and upon Conversant’s good name, goodwill and reputation; and (v) conducting our business in compliance with all applicable laws and regulations in any way related to the Conversant Products or to the performance of our Group’s duty.
- (v) **Major obligations of Conversant:** Conversant is responsible for (i) making available to our Group such technical information relating to the Conversant Products; and (ii) making training and other technical services available to our personnel in relation to the Conversant Products.
- (vi) **Pricing:** The pricing of the Conversant Products is based on the price list provided by Conversant at the relevant time of placing order, with certain percentage of discount at Conversant’s discretion.

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- (vii) Payment and credit terms: Full payment shall be due on the date of Conversant's invoice. For details of the credit term policy, please refer to the paragraph headed "Suppliers – Relationship with Conversant – Prepayment arrangement with Conversant" in this section below.
- (viii) Termination: Either party may terminate the Conversant Contract with prior written notice of forty five days prior to the expiration of the term. If a party breaches the Conversant Contract by materially failing to perform its obligation thereunder, the non-breaching party may serve written notice on the breaching party requesting the breach to be cured within thirty days. If the breach is not cured within that period, the Conversant Contract shall terminate upon the expiry of the thirty days' cure period.
- (ix) Intellectual property rights: All intellectual property rights in relation to the Conversant Products are owned by Conversant.

The major terms of the contracts entered into between our Group and each of Customer G, Customer F, Customer H, Customer D and Customer L are as follows:

- (i) Description of products and services: The sales order generally provides a brief description of the CDN licences involved, including the model number, technical specification and licence scope, and the number of CDN licences purchased.
- (ii) Payment terms: We provide the CDN licences on a fixed price basis. We generally grant each of Customer G, Customer F, Customer H, Customer D and Customer L a credit term of 30 to 90 days upon issuance of invoices.
- (iii) Delivery arrangement: The CDN licences are delivered to the customer when we make the CDN licences available to the customer or any agent of the customer.

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To the best knowledge and belief of our Directors, the increase in sales of CDN licences in FY2021/2022 was due to (i) the general increase in demand for efficient delivery of dynamic content and videos across long-haul networks by reducing latency and bandwidth and enhance the overall end users' experience, especially under the backdrop of the COVID-19 pandemic; and (ii) the growing penetration of smartphones and tablets across the globe whereby consumers have greater accessibility and demand for media and video streaming services. To the best knowledge and belief of our Directors and as confirmed by Ipsos, the outbreak of the COVID-19 pandemic has changed the personal and business lifestyle of the general public and has speeded up the rate of digital transformation. Video content and streaming have become ever more important as it removes the boundaries of travel restrictions, allowing end users to gain access to various media and content without physically leaving their home. As countries around the world continues to impose social distancing measures such as quarantine and lockdown, the mode of operation of different industries had adapted to the changing consumer behaviour and needs. For instance, students have experienced difficulties in travelling to school within the region or internationally, and this has driven education providers to seek alternative means to teach remotely. With remote teaching becoming a global trend, an increasing number of education providers across the world has begun to offer education courses online by way of video and media streaming, which in turn generate substantial demand for high-speed network. As a result of the above, we had generated a revenue of approximately HK\$244.8 million and gross profit of approximately HK\$44.7 million in FY2021/2022 from the sales of CDN licences, and it is expected that CDN will continue to play an essential role in the IT industry going forward. As at the Latest Practicable Date, we have received confirmed orders of CDN licences of approximately HK\$57.0 million, which are expected to be recognised in FY2022/2023.

As confirmed by Conversant, its Hong Kong representative office is mainly responsible for marketing its products in Hong Kong and managing sizeable contracts/projects from across the world, and as at the Latest Practicable Date, Conversant has only engaged our Group to promote and sell its CDN licences in Hong Kong. As further confirmed by Conversant, it does not directly engage with downstream customers in order to reduce its administrative burden of dealing with numerous customers within the region and, in particular, managing credit terms granted to numerous customers. In addition, Conversant chose to engage us as (i) we have a broad customer base and have previously collaborated with telecommunication companies in projects such as network and system infrastructure projects; (ii) our experienced management team and the technical capabilities of our staff allow us to effectively promote Conversant's products to downstream customers; and (iii) our Group is able to accommodate the credit term policy of Conversant. For details of the credit term policy, please refer to the paragraph headed "Suppliers – Relationship with Conversant – Prepayment arrangement with Conversant" in this section below. Accordingly, Conversant considers us as its strategic partner to develop business with. Save for the business transactions entered into in the ordinary course of business, no side agreements or arrangements, whether direct or indirect, have been entered into between our Group and Conversant. Other than Conversant, we also distribute one other brand of CDN licences as at the Latest Practicable Date.

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### *Prepayment arrangement with Conversant*

We accommodated the credit term policy of Conversant by agreement to the prepayment arrangement. As confirmed by Conversant, it is the internal policy and standard term of Conversant to request for prepayment from its customers such as our Group before Conversant allocates bandwidth to us to ensure that our Group would commit to placing orders for CDN licences. We purchased CDN licences based on our customers' estimated number of CDN licences required (i.e. number of active CDN users).

Prior to negotiating the details of credit terms with Conversant, we had already on a preliminary basis secured sizeable orders from Customer L, Customer G and Customer F, all of whom are existing customers with stable business relationship with us and the orders value of which would exceed the prepayment amount. In addition, throughout the engagement, we intend to follow the same arrangement of placing order to Conversant based on its customer's estimated number of CDN licences required for their orders. Subject to actual utilisation of CDN licences by the customer (i.e. number of active CDN users), the prepayment will be substantially, if not completely, utilised for purchasing CDN licences to fulfil the orders of our customer, and the cash conversion cycle is estimated to be approximately 60 to 120 days. In addition, as confirmed by Conversant, it is the internal policy and standard term of Conversant to request for prepayment from its customers such as our Group before they allocate bandwidth to us to ensure that we would commit to placing orders for CDN licences.

Having considered the above and our liquidity level and other financial commitments at the time, our Directors considered that it would be beneficial to us to accommodate Conversant's credit term so as to secure the CDN licences for the orders.

The following sets forth the chronology of event leading to the prepayment arrangement with Conversant as confirmed by our Directors:

<b>Time</b>	<b>Event</b>
November 2020	Customer L approached our Group to discuss a potential business opportunity for a solution to facilitate smooth content delivery to Southeast Asian countries. During the discussion, we explained the use of CDN to reduce network latency and could be a viable solution. Customer L provided details of its technical requirements to us to facilitate our further discussion with appropriate suppliers.



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December 2020 to April 2021

Mr. Charlie Ip approached the Hong Kong sales representative of Conversant, whom Mr. Charlie Ip knew from when the representative was involved in the IT products distribution industry in the past and has kept in contact for potential business collaborations, to discuss about the potential orders of Customer L including the technical requirements of Customer L. During the discussions, we obtained a basic understanding of the pricing and specifications of Conversant's products, and explored the possibility of distributing Conversant's CDN licences in Hong Kong.

January 2021

Customer F approached our Group for a solution to facilitate smooth content delivery to the Southeast Asian market. We explained the benefits of using CDN to Customer F. Customer F considered CDN a viable solution to its problem and provided details of its technical requirements to us to facilitate further discussion with appropriate suppliers.

March to April 2021

Customer G also approached our Group for a solution to support their respective expansion plan to the Southeast Asian market. We explained the benefits of using CDN to Customer G. Customer G considered CDN a viable solution to its problem and provided details of its technical requirements to us to facilitate further discussion with appropriate suppliers.

We had further discussions with Customer L, Customer G and Customer F regarding the CDN licences of Conversant. Customer L, Customer G and Customer F had on a preliminary basis agreed to place order to us for Conversant's CDN licences.

Mr. Charlie Ip had further meetings and/or discussions with Conversant, during which Conversant requested for prepayment, which is the standard payment terms of Conversant. Having considered the factors as elaborated in the paragraph headed "Supplier — Relationship with Conversant — Prepayment arrangement with Conversant — Reasons for committing financial resources to the business arrangement with Conversant" in this section below, our Group considered that the sale of CDN licences is a promising business opportunity and that the prepayment arrangement will not have a material adverse impact on our liquidity to support our existing operations.

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May 2021	We entered into an agreement with Conversant, pursuant to which Conversant engaged our Group to market, distribute and licence its products to customers.
Mid-May 2021 to August 2021	We provided quotations to Customer L Customer G and Customer F, and formally secured confirmed orders from Customer L, Customer G and Customer F for provision of CDN licences of Conversant. Accordingly, the prepayments to be made to Conversant could be utilised for purchasing CDN licences for the relevant orders within a short period of time. We could also estimate the cash conversion cycle based on the credit terms granted to the relevant customers.

### *Reasons for committing financial resources to the business arrangement with Conversant*

In deciding whether to undertake new business opportunities such as to distribute new IT products which require a significant amount of prepayment, we undergo generally the same process as with any other business opportunities, whereby our Directors, our technical team and our product team will consider, among the others, (i) the latest technological trend and market development; (ii) the market potential and competitiveness of the product; (iii) expected demand of products; (iv) target customers; (v) our previous experience in carrying similar products; (vi) product availability in Hong Kong; and (vii) procurement cost, payment arrangement and expected profit. Where prepayment arrangement is required by suppliers, our finance team will conduct a stress test on our liquidity level to assess whether the prepayment will have a material adverse impact on our liquidity to support our existing business operation. Generally, our finance team will take into account various factors including but not limited to (i) the amount and/or percentage of prepayment involved; (ii) indicative and confirmed orders received at the time; (iii) expected revenue to be derived from such orders; (iv) the liquidity level of our Group at the time (including cash and banking facilities available); (v) expected duration of cash conversion cycle (i.e. the estimated duration between prepayment and the expected payment from customers); (vi) our trade and non-trade receivables and trade payables; and (vii) our other financial commitments. If our Directors consider that there is promising potential in the IT product with a high certainty of success (e.g. with orders secured), and our liquidity and business operation can sustain the stress imposed by the prepayment arrangement, our Directors will approve the business opportunity which require a significant amount of prepayment.

In deciding whether to commit internal resources to the new business arrangement Conversant, our Directors had considered the following factors:

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- (i) *The product is demand initiated by our existing supplier/customers with minimal marketing efforts and costs*

Our Group was approached by Customer L, Customer F and Customer G to provide a solution to facilitate smooth content delivery in late 2020 and early 2021. Customer L, Customer F and Customer G have developed substantial business relationship with our Group with both Customer F and Customer G being our Group's top five customers during the Track Record Period and Customer L being one of our suppliers since 2018. In addition, these top five supplier/customers are either large scale IT solution and cloud technology service providers or online loyalty points platform which have in-depth knowledge of the IT industry and products. To the best knowledge of our Directors, Customer L is principally engaged in the provision of cloud technology services which involve building cloud architecture and/or infrastructure for customers including telecommunication companies, large multinational companies, universities, etc. The major customers of Customer L include (i) a multinational technology and entertainment conglomerate headquartered in Shenzhen and one of the highest grossing multimedia companies in the world based on revenue; (ii) a U.S. multinational cloud computing and virtualisation technology company that provides server, application and desktop virtualisation, networking, software as a service, and cloud computing technologies; (iii) a leading residential broadband services and business broadband services provider in Hong Kong; and (iv) a large-scale and leading integrated intelligent information services operator based in the PRC whose principal business is the provision of fundamental telecommunications businesses including comprehensive wireline communications services, mobile communications services, value-added telecommunications services such as internet access services, information services and other related services. The services provided by Customer L generally include (i) setting up cloud infrastructure; (ii) cloud operations; and (iii) cloud security and related supporting services involving contract sum generally ranging from US\$1 million to US\$5 million. According to the Ipsos Report, there are several market players in the cloud services industry in Hong Kong which are able to provide similar services and Customer L is one of the leading services provider for the said cloud architecture and/or infrastructure and related services in Hong Kong. Indeed, it was them who approached our Group for such a technology solution. As a result, we have incurred minimal efforts and costs in educating and marketing CDN licences products of Conversant to Customer L and Customer G and Customer F for securing sizeable orders for CDN licences from them.

- (ii) *Seize business opportunities from a focused clientele brought by a surge in demand for CDN as a result of the outbreak of the COVID-19 pandemic*

Our Directors had noticed a general increase in demand for efficient delivery of dynamic content, videos and livestreaming under the backdrop of the outbreak of the COVID-19 pandemic. The growing penetration of smartphone and tablets further surged the demand of increase accessibility of contents, videos and livestreaming. Our Directors believe that CDN offers an efficient solution to enhance the overall end users' experience in enjoying dynamic content, video and livestreaming and therefore captured the business opportunities and engaged in distribution of CDN licences.

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The business outlook of CDN is susceptible to the development of the COVID-19 pandemic. In addition, because of the nature of CDN product, our Directors believe that the target customers of CDN is relatively narrower, being mainly telecommunication and IT companies, and social media companies.

*(iii) Relatively low financial risk and making business decision cautiously*

Sales to existing major customers/suppliers is always relatively safer. As at the Latest Practicable Date, approximately 99.9% of our trade receivables as at 31 March 2022 in relation to the provision of CDN licences has been settled.

As abovementioned, the CDN product was demand initiated by our existing supplier/customers. Even prior to us entering into the supply agreement with Conversant, we had on a preliminary basis secured sizeable orders, the value of which would sufficiently cover the prepayment amount. Furthermore, as confirmed by Conversant, any unutilised prepayments for purchase of CDN licences are refundable to our Group in the event that the supply agreement is not renewed upon its expiry of the two-year term.

Moreover, the CDN product also has a quick cash conversion cycle. We estimate that the cash conversion cycle of orders (being the duration between prepayment and expected payment from customers) based on the credit term offered by us to our customers is approximately 60 to 120 days, assuming our customers would settle their payments on time.

In addition to a quick cash conversion cycle, distribution of CDN licences also brought us a strong financial performance. In FY2021/2022, we had derived revenue of approximately HK\$244.8 million from the sales of CDN licences and incurred cost of sales of approximately HK\$200.2 million, resulting in a gross profit margin of approximately 18.2% during such period.

Given the arrangement with Conversant involves a prepayment arrangement, we had also conducted a stress test on our liquidity level as described above. Having considered our liquidity level as at 30 April 2021 in respect of (i) the bank balance and cash, (ii) the unutilised banking facilities, (iii) the net balance of trade receivables and trade payables, and (iv) our other commitments available at the time, our financial resources as at 30 April 2021 would be sufficient to purchase approximately 10 times the amount of our purchase from Conversant in the first month of transaction, which amounted to approximately HK\$11.3 million. Based on the results of the stress test, our Directors considered we were able to afford the prepayment while remaining financially viable taking into account, the quick cash conversion cycle, the preliminary sizable orders of Customer L, Customer G and Customer F at the time, the refundable nature of the prepayment, the amount of cash and banking facilities, trade and non-trade receivables, and payables and other commitments of our Company at that time.

Based on the above factors, our Directors considered that the new business arrangement with Conversant would only consume minimal education and marketing costs and subject our Group to relatively low financial risks. On other hand, this new business arrangement would allow us to seize the business opportunities brought by the COVID-19 pandemic with high degree of certainty of success. This is evident by our Group's strong revenue of approximately HK\$244.8 million and our Group's gross profit generated by the sales of CDN licences in FY2021/2022 of approximately HK\$44.7 million.

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### *Reasons for not committing the same amount of resources in implementing our Expansion Plans*

Our Expansion Plans, further details of which are set forth in the section headed “Future plans and use of proceeds” in this prospectus, includes (i) committing to minimum purchase commitments in the course of obtaining more authorised distributorship from IT product vendors; (ii) purchasing of laptops and software licences; (iii) hiring additional employees; (iv) purchasing equipment, software, hardware and ERP systems; and (v) marketing costs, involve substantial consumption of resources with no guarantee of success. Our Directors had considered that the Expansion Plans contain relatively higher risk when compared to the new business arrangement with Conversant based on the following:

- (i) *It takes time to educate and promote HCI products and AI servers to customers who may not be our existing top five supplier/customers with no guarantee of success*

Target customers of the Expansion Plans, particularly with respect to HCI products and AI servers, include a wide variety of sectors such as government, education, healthcare, banking, insurance, financial services and trading and logistics. Unlike the distribution of CDN licences to Customer L and Customer F and Customer G, it takes time and resources for us to educate and promote HCI products and AI servers among these target customers who are not likely our top five customers/suppliers. For example, it is expected that significant period of time is required to effectively introduce and educate potential customers on the benefits and application of HCI products and AI servers. Since this is not a demand initiated by our major customers and thus we will not be able to secure sizeable orders prior to entering of supply agreements, the risk profile associated with implementing the Expansion Plans is very different with the new business arrangement with Conversant.

Having said, the Expansion Plans, if successfully implemented, will allow us to increase our revenue and diversify our sources of revenue and customers base, which will be beneficial to our Group in the long run. Our Directors are highly optimistic about the demand and prospect of HCI products and AI servers in light of the expected growth in market value of HCI and AI infrastructure in Hong Kong from 2021 to 2024 at a CAGR of 29.8% and 24.6%, respectively. As confirmed by Ipsos, this projection is not susceptible to the development of COVID 19.

- (ii) *Relatively higher financial risks*

Our Directors consider that the cash conversion cycles of the Expansion Plans are generally longer than the new business opportunity with Conversant. In particular for HCI products and AI servers, we will be required to deploy upfront cost to meet the minimum purchase commitment under the relevant distribution agreements and to acquire certain level of inventories of HCI products and AI servers to implement marketing and sales enablement strategies to educate the market irrespective of whether orders from downstream customers are secured. Given the cash conversion cycle duration heavily depends on when the products can be sold, purchasing IT products as inventory before securing orders from customers increases the duration of cash conversion cycle and creates greater uncertainty as to when the financial resources allocated can be realised. Similarly, other business strategies of the Expansion Plans,

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such as the hiring additional staff for both the distribution business and SI solutions business involve investing financial resources before securing sufficient orders to cover the cost. The cash conversion cycles for such strategies are also expected to be relatively longer. Committing substantial financial resources to the Expansion Plans based on our current financial status will place substantial stress on our financial conditions given sizeable customers' orders have not been secured.

Based on the above factors, even though the Expansion Plans are beneficial and essential to the growth and financial performance of our Group in long run, our Directors consider that it would be most beneficial to us to (i) seize the immediate and promising business opportunity arising from CDN by allocating resources to begin our business relationship with Conversant; and (ii) implement the Expansion Plans by utilising net proceeds from the Share Offer.

### **Salient terms of the master agreements with our major IT product vendors**

In our distribution business, as at the Latest Practicable Date, we had entered into legally binding distribution agreements with 38 IT product vendors. The salient terms of the distribution agreements we entered into with our major IT product vendors generally contained the following summarised terms:

- (i) **Product description:** There is usually a general description of the type or brand of products which we are authorised to sell.
- (ii) **Exclusivity and territory:** During the Track Record Period, we were generally granted non-exclusive distribution rights of products in a predetermined geographical location.
- (iii) **Term:** The term is generally one year from the date of execution of the agreement and shall be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement.
- (iv) **Minimum purchase obligations:** IT product vendors may require us to place purchase orders for their products of not less than a certain purchase amount annually. The annual minimum purchase obligations or sales targets on our Group ranged from approximately HK\$1.2 million to HK\$32.8 million for a certain period of time during the Track Record Period. Depending on the negotiation of the terms of the distribution agreements, the IT product vendors may lower the level of discount granted or terminate the distribution agreements if we fail to fulfill the relevant obligation or target. During the Track Record Period and up to the Latest Practicable Date, we were able to meet the minimum purchase obligation or sales target set by the IT product vendors.



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- (v) Our major obligations: We are generally responsible for (i) using our best or reasonable commercial efforts to promote, market and sell the products and/or services of the IT products vendor; (ii) providing customer service such as training and technical support to the customers of the products and/or services; (iii) providing marketing business plan, sales report and/or forecast periodically to the IT products vendor; (iv) maintaining a prescribed number of staffs who have obtained technical certification from the relevant IT products vendor; (v) maintaining record of the products and/or services sold for a certain period of time; and (vi) using reasonable effort to protect the intellectual property rights of the IT product vendors.
- (vi) Major obligations of IT product vendors: IT product vendors are generally responsible for (i) supplying products and/or services which comply with the product specifications; and (ii) providing us with information of the products, support and training to enable us to discharge our duties.
- (vii) Pricing: The pricing of the products is based on the price list of the IT product vendors at the relevant time of placing order, with certain percentage of pre-agreed discount.
- (viii) Payment and credit terms: We are generally required to make full payment within 30 to 60 days from the date of issue of invoice.
- (ix) Termination: Either party may terminate the relevant agreement with prior written notice of one to three months subject to certain circumstances.
- (x) Intellectual property rights: All intellectual property rights in relation to the products and/or services sold are owned by the IT product vendors.

In our SI solutions business, as at the Latest Practicable Date, we had entered into partnership agreements with certain IT product vendors. The salient terms of the partnership agreements we entered into with IT product vendors generally contained the following summarised terms:

- (i) Right to resell: We are generally granted non-exclusive, non-transferable and revocable rights to market and resell a specific range of products to end-users.
- (ii) Types of products: There is usually a general description of the type of products which we are authorised to sell.
- (iii) Territory: We are generally restricted to reselling products to end-users within the authorised region.
- (iv) Term: The term is generally one year from the date of execution of the agreement, some of which shall be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement.
- (v) Intellectual property rights: All intellectual property rights in relation to the products are owned and retained by the relevant vendors.

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- (vi) Termination and renewal: Either party of the partnership agreements is entitled to terminate the agreements by serving written notice. Either party may also terminate the agreement if the other party, among others, (a) commits a material breach of the agreement and fail to remedy the breach within a certain period of time; (b) terminates or suspends its business; (c) is unable to pay its debts due and payable; (d) is adjudicated insolvent or goes into liquidation.
- (vii) Indemnification and limitation of liability: We will indemnify, defend and hold harmless the IT product vendors for any damages, disruptions, losses, claims and liabilities arising out of or relating to our breach or non-performance, or claims of infringement of third party rights including intellectual property rights.
- (viii) Confidentiality: The IT product vendors and we shall keep all confidential information received in connection to the relevant agreement confidential using the same protections applied to our own information of like importance.

Our Directors believe there will be no difficulty for us to renew these distribution agreements and partnership agreements upon expiry. Our Directors also confirmed that, during the Track Record Period and up to the Latest Practicable Date, there had not been any material breach of, early termination of or failure to renew any of the distribution agreements and partnership agreements.

### **Incentive programmes**

Some IT product vendors have implemented incentive programmes to reward distributors and resellers upon meeting a pre-determined performance targets on certain models and types of products. In particular, IT product vendors may have their own business partnership program for resellers, with hierarchy of partnership based on various criteria. These criteria generally include (i) maintaining certain number of staff who have attended training provided by the IT product vendors; (ii) maintaining certain number of staff with product, technology and/or sales and marketing specific certificates issued by the relevant IT product vendors to demonstrate technical or sales competency; (iii) meeting of annual sales target for the relevant level of partnership ranking; and (iv) engaging in certain marketing activities set by the IT product vendors. The requirements increase with the level of partnership ranking, where higher level of partnership ranking requires maintaining of a greater number of staff with certificates in various aspects, meeting of a higher level of annual sales target and engaging in more marketing activities. In our SI solutions business, we have been generally able to fulfill the requirements set by the IT product vendors and had attained high business partnership rankings during the Track Record Period, including, among others, (i) “Gold Cloud Platform”, “Gold Small and Midmarket Cloud Solutions” and “Gold Datacenter” by Microsoft for 2019; (ii) “Premier Solution Provider” by VMWare for 2019; (iii) “Business Partner - Gold” by Lenovo for two consecutive years since 2019; and (iv) “Premier Partner” by Barracuda for 2021. Similarly, some distributors have also implemented incentive programmes to reward resellers upon meeting certain performance target. These programmes vary with different IT product vendors and distributors from time to time based on the then market conditions and their sales and marketing strategies to encourage purchases.

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Upon fulfilling certain targets, discounts may be directly granted to us or our cost of procuring IT products from the IT product vendors or distributors may be reduced by cash incentive depending on the programme. During the Track Record Period, we recognised cash incentives of approximately HK\$1.0 million, HK\$1.5 million and HK\$1.4 million respectively.

### OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, an aggregate of 53 customers and/or their related companies were also our suppliers (the “**Customer(s)–Supplier(s)**”).

The following table sets forth the percentage of revenue and purchases from the Customers — Suppliers and the gross profit margin during the Track Record Period:

	FY2019/2020	FY2020/2021	FY2021/2022
<b>Sales to Customers – Suppliers</b>			
• Revenue (HK\$’000)	85,142	114,495	202,992
• Percentage to our total revenue	25.7%	29.6%	32.1%
• Gross profit margin	23.2%	21.4%	17.9%
<b>Cost of sales and services from Customers – Suppliers</b>			
• Cost of sales and services (HK\$’000)	35,435	30,403	34,829
• Percentage to our cost of sales and services	13.5%	10.1%	6.8%

During the Track Record Period, our revenue and cost of sales and services from Customers – Suppliers were primarily attributable to Customer D, Customer A, Customer E, Customer F, Customer I, Customer J, Customer L and Supplier A.

Customer L has been one of our suppliers since 2018 and we engaged Customer L mainly for the provision of specialised work in relation to cloud technology services. At the same time, Customer L has also been our customer since 2018 and purchased data communication and systems infrastructure and cyber security products (including but not limited to CDN licences, switch, endpoint security and firewall products) from us. In particular, to the best knowledge and belief of our Directors, Customer L obtained CDN licences of approximately HK\$ 106.6 million from our Group during FY2021/2022 to facilitate the needs of its customer in the education industry to support their online video education courses and accordingly became our largest customer in FY2021/2022.

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The table below sets forth the amount of our revenue and costs of sales and services attributable to each of Customer L, Customer D, Customer A, Customer E, Customer F, Customer I, Customer J and Supplier A during the Track Record Period:

	<u>FY2019/2020</u> (HK\$'000)	<u>FY2020/2021</u> (HK\$'000)	<u>FY2021/2022</u> (HK\$'000)
<b>Customer L</b> <sup>(Note 1)</sup>			
Amount of revenue involved as a customer	3,045	843	108,405
Amount of our Group's costs of sales and services involved as a supplier	7,189	112	—
<b>Customer D</b> <sup>(Note 2)</sup>			
Amount of revenue involved as a customer	10,899	45,588	30,185
Amount of our Group's costs of sales and services involved as a supplier	49	8	25
<b>Customer A</b> <sup>(Note 3)</sup>			
Amount of revenue involved as a customer	31,202	2,424	3,837
Amount of our Group's costs of sales and services involved as a supplier	85	81	61
<b>Customer E</b> <sup>(Note 4)</sup>			
Amount of revenue involved as a customer	8,934	11,577	5,749
Amount of our Group's costs of sales and services involved as a supplier	44	1	57
<b>Customer F</b> <sup>(Note 5)</sup>			
Amount of revenue involved as a customer	2,043	32,776	22,834
Amount of our Group's costs of sales and services involved as a supplier	—	16	—
<b>Customer I</b> <sup>(Note 6)</sup>			
Amount of revenue involved as a customer	6,599	11	552
Amount of our Group's costs of sales and services involved as a supplier	34	—	—
<b>Customer J</b> <sup>(Note 7)</sup>			
Amount of revenue involved as a customer	7,186	3,192	2,759
Amount of our Group's costs of sales and services involved as a supplier	254	—	—
<b>Supplier A</b> <sup>(Note 8)</sup>			
Amount of revenue involved as a customer	—	622	25
Amount of our Group's costs of sales and services involved as a supplier	21,252	19,115	15,287

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*Notes:*

1. Customer L is a private company incorporated in Hong Kong which is principally engaged in the provision of cloud technology services.
2. Customer D is a listed company on the Stock Exchange, which holds interests in telecommunication, media, IT solutions, property development and investment and other business, and was one of our five largest customers in FY2019/2020, FY2020/2021 and FY2021/2022. During the Track Record Period, Customer D mainly purchased data and communication and systems infrastructure and cyber security products (including but not limited to WiFi equipment and switch) from us, and we purchased small amounts of computer tablets and software license from Customer D.
3. Customer A is a listed company on the Stock Exchange which is principally engaged in the provision of integrated telecommunication and technology solution, and was one of our five largest customers in FY2019/2020. During the Track Record Period, Customer A purchased data communication and systems infrastructure and cyber security products (including but not limited to HCI, endpoint security and firewall products) from us, and we engaged Customer A primarily for the provision of ethernet and broadband services.
4. Customer E is a listed company on the Stock Exchange, which is principally engaged in the delivery of comprehensive one-stop IT services, and was one of our five largest customers in FY2019/2020 and FY2020/2021. During the Track Record Period, Customer E purchased data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services from us, and we purchased licences for operating system products and web application vulnerability services from Customer E.
5. Customer F is a private company incorporated in Hong Kong which is principally engaged in the provision of telecommunications services, data centre services, information and communications technology solutions and broadband services, and was one of our five largest customers in FY2020/2021 and FY2021/2022. During the Track Record Period, Customer F purchased data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services from us, and we engaged Customer F primarily for the provision of broadband services.
6. Customer I is a private company incorporated in Hong Kong which is principally engaged in the provision of IT consultations, deployments and customer services. During the Track Record Period, Customer I mainly purchased data communication and systems infrastructure products and cyber security products from us, and we engaged Customer I for the provision of subcontracting services.
7. Customer J is a subsidiary of a listed company on the Stock Exchange which is principally engaged in the provision of telecommunications services. During the Track Record Period, Customer J mainly purchased data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services from us, and we engaged Customer J for the provision of subcontracting services.
8. Supplier A is a private company incorporated in Hong Kong which is principally engaged in the distribution of IT products of over 80 brands, and was one of our five largest suppliers in FY2019/2020, FY2020/2021 and FY2021/2022. During the Track Record Period, Supplier A purchased licences for operating system products from us, and we purchased data communication and systems infrastructure and cyber security products (including but not limited to switch, server desktop, firewall and antivirus) from Supplier A.

Without taking into account the revenue and cost of sales and services from Customer D, Customer A, Customer E, Customer F, Customer I, Customer J, Customer L and Supplier A, our revenue from Customers-Suppliers would only represent approximately 3.9%, 3.7% and 4.5% of our total revenue during the Track Record Period respectively, and our cost of sales and services from Customers-Suppliers would only represent approximately 2.5%, 3.7% and 3.8% of our total cost of sales and services for the corresponding year respectively.

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For the Customers-Suppliers, we sold to and also purchased from Customers-Suppliers mainly due to the following reasons:

- (i) For certain Customers-Suppliers, which are mainly IT-related companies and telecommunication companies, we sold IT products to them in our distribution business or we provided SI solutions to them in our SI solutions business as they had difficulty in providing certain specialised solutions in-house. On the other hand, we required subcontracting services from these Customers-Suppliers for reasons disclosed in the paragraph headed “Suppliers – Subcontracting arrangement” above in this section; and
- (ii) Certain Customers-Suppliers are different entities but belong to the same group and therefore we categorise them as our Customers-Suppliers.

Our Directors confirmed that negotiations of the salient terms of our sales and purchase from these parties were conducted separately. As a result, the sales and purchases in question were neither inter-connected with nor inter-conditional upon each other. The terms of transactions with the overlapping customers and suppliers were similar to those with our other customers and suppliers, which our Directors considered to be normal commercial terms.

To the best knowledge and belief of our Directors, all of our Customers-Suppliers are Independent Third Parties. None of our Directors, chief executive or their respective close associates or our existing Shareholders who own more than 5% of the issued capital of our Company, has or had any interest in any of our Customers-Suppliers during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, none of our suppliers were also our customers during the Track Record Period.

### **IMPACT OF THE TRADE WAR ON OUR BUSINESS**

A trade war has been initiated between the U.S. and the PRC, and certain products and services originated from the U.S. or the PRC are or will be subject to new tariff or trade restrictions. As Our IT products sourced for our distribution and SI solutions businesses were originated from various countries, including the U.S. and the PRC, these duties may have an adverse impact on our Group’s business operation and financial results. Although our imports of IT products from the U.S. or the PRC has not been affected by the tariffs, nor by the changes in U.S. export control regulations affecting U.S. origin products for exports and reexports to Hong Kong, and transfers within Hong Kong, and that the trade and technology war between the PRC and the U.S. did not lead to material adverse impact on our business as at the Latest Practicable Date, we cannot accurately predict whether any tariffs, quota fees or trade restrictions will be imposed on our supplies in the future and we cannot assure you our supplies of IT products imported from the U.S. or the PRC in the future will remain unaffected. For details of such risks, please refer to the section headed “Risk factors — Risks relating to our business and operations — Our supply of IT products originated from the U.S. or the PRC may be subject to high tariff rates or trade restrictions under the trade and technology war between the PRC and the U.S., which could adversely affect our revenue, profitability and results of operations” in this prospectus.



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### INVENTORY MANAGEMENT

We generally place orders with our suppliers upon confirmation of orders from our customers on a back-to-back basis. Given that the lifecycle of IT products is relatively short, we aim to keep a minimal level of inventories so to minimise our risk exposure to obsolete stock and reduce working capital requirements. Besides, this gives us the flexibility to sell the latest technologies and solutions to our customers and negotiate the price with our suppliers each time an order is placed. Occasionally, due to the nature of our distribution business, we may procure certain IT products in advance of receiving orders from customers in order to meet the minimum order quantity as stipulated in the distribution agreements or to be entitled to bulk purchase discounts.

In addition, we keep a minimal level of inventories as demonstration equipment for our customers so they could have a trial of the effectiveness and efficiency of our IT products under their existing IT infrastructure system before placing orders to us and spare units for prompt replacement of various models of our IT products for our maintenance and support services purposes.

Our inventory management process adopts a first-in-first-out policy. Slow-moving inventories were identified by our management based on aging analysis and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by our management by considering the latest selling prices and current market conditions. Allowance is recognised if the net realisable value is estimated to be below the cost. During the Track Record Period, write-down of inventories amounted to approximately HK\$0.9 million, HK\$1.1 million and HK\$0.7 million respectively. Besides, during the Track Record Period, our average inventory turnover days were approximately 23.3 days, 16.9 days and 9.1 days respectively. For details of our inventory policy, please refer to the section headed “Financial information — Principal components of our current assets and current liabilities” in this prospectus.

### QUALITY CONTROL

Due to the nature of the IT products, we generally rely on our suppliers’ quality control. Upon arrival of the IT products at our warehouse, our technical team will check the IT products against the specifications as set forth in our relevant purchase orders placed. Upon discovery of any products being different from the specifications we have placed orders for or any apparent defects, we will immediately contact the relevant supplier and reach a mutually agreed mechanism for return or exchange of the products concerned.

In our SI solutions business, if we are engaged to provide IT infrastructure solutions services on integrated basis, our technical team will monitor the progress of the project in all respects to ensure that it satisfies our customers’ requirements and can be delivered to our customers within the agreed timeframe. Our technical team will have regular meetings with our project managers to report project progress and whenever issues or problems arise, they will report immediately to the project managers.

As at the Latest Practicable Date, our technical team consisted of 44 staff, who had been accredited with technical-specific qualifications and/or obtained undergraduate and/or postgraduate degrees in IT or computer science.

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### AWARDS, RECOGNITION AND QUALIFICATIONS

The following table sets forth the major awards and recognition we received during the Track Record Period:

<b>Year of issue</b>	<b>Award/Recognition/Qualification</b>	<b>Awarding entity</b>
<b>2021</b>	FY21 Premier Partner	Barracuda
	PC Partner — Gold	Lenovo
	Elite Coverage Business Award FY20	Aruba
	2020 Partner of the Year Award — Sangfor Best Gold Partner	Sangfor
<b>2020</b>	Fujitsu Platform Product Partner of the Year 2019	Fujitsu
	2020 Business Partner — Gold	Lenovo
	Kaspersky Outstanding Partner 2020	Kaspersky
	Partner Award 2020H1 Best Growth Propartner	Veeam
	ERB Manpower Developer Award Scheme — Manpower Developer 2020 — 2022	Employees Retraining Board
<b>2019</b>	Gold Cloud Platform	Microsoft
	Gold Small and Midmarket Cloud Solutions	Microsoft
	Gold Datacenter	Microsoft
	Partner Persistence Award 2018	Pure Storage
	Fujitsu Platform Product Partner of the Year FY2018	Fujitsu
	ETERNUS Storage Growth Partner of the Year FY2018	Fujitsu

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<b>Year of issue</b>	<b>Award/Recognition/Qualification</b>	<b>Awarding entity</b>
	Premier Solution Provider	VMware
FY19	Outstanding Marketing Award	VMware
FY19	Partner of the Year	VMware
	Caring Company 5 Year Plus Award: Years of Award 2013-2019	The Hong Kong Council of Social Service
FY19	Award Coverage Business	Aruba
2019	Business Partner — Gold	Lenovo
	The 10th Hong Kong Outstanding Corporate Citizenship Logo: Enterprise Category	Hong Kong Productivity Council
FY18	The Best New Business Reseller	Micro Focus
FY18	The Highest Growth VAD	Micro Focus
2019	Happy Company	Promoting Happiness Index Foundation
	The 10th Hong Kong Outstanding Corporate Citizenship Logo	Hong Kong Productivity Council
2019	Bright Future SME's Youth Creative Entrepreneurship Award	The Hong Kong General Chamber of Small and Medium Business
	Ruijie Cloud Loyalty Partner Award 2019	Ruijie
2019	Best Distributor	Sangfor
	Touching CSR Award 2018 (Assessment based in International Guideline ISO 26000 clause 6)	The Association of Distinguished Corporation

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Year of issue	Award/Recognition/Qualification	Awarding entity
2018	Touching CSR Award (Reference to ISO 26000 clause 6) 2017	The Association of Distinguished Corporation
	Cisco FY18H1 Fast Starter Award — Cloud	Cisco
	ERB Manpower Developer Award Scheme — Manpower Developer 2018-2020	Employees Retraining Board
	Best Business Developer of the Year 2017	Fujitsu
	Best Partner (Fujitsu Platform Product) FY2017	Fujitsu
	5 Years Plus Caring Company — Years of Award 2013-2018	The Hong Kong Council of Social Service
	FY18 Top VAR Award	Microsoft
	ELITE Partner 2018-2019	Pure Storage
	Certificate of Appreciation 2018	Society for the Prevention of Cruelty to Animals
	Propartner Gold Reseller	Veeam
	VMware FY18 Partner of the Year — vSAN	VMware
	Best Distributor	Sangfor
	Premier Partner 2017/18 Distributor	Micro Focus
Meritorious Family-Friendly Employers	Family Council and Home Affairs Bureau	

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We acknowledge our responsibility on environmental protection and social responsibilities and are committed to comply with the environmental, social and governance reporting requirements upon Listing pursuant to Rule 13.91 of the Listing Rules.

In terms of our governance on environmental, social and climate-related (“ESG”) issues, we have formulated and adopted our ESG policy in accordance with the Listing Rules, which sets forth, among others (i) the governance structure of our Group with respect to ESG related matters; (ii) the Board’s oversight of ESG issues; (iii) material ESG issues management; and (iv) ESG related target progress review.

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### Governance and management

Our Board has the overall responsibility for evaluating and determining our ESG related risks and establishing, adopting and reviewing our ESG vision, policy and target. Principal duties and responsibilities include among others:

- Keeping abreast of emerging market and international trends regarding ESG-related issues which may potentially impact business operations;
- Supervising the establishment of communication methods between our Company and major stakeholders;
- Building clear criteria and basis to identify potential ESG related issues and formulate appropriate measures to address material issues; and
- Implementing policies to improve, maintain and rectify ESG performance against goals and targets.

To facilitate an effective and independent evaluation of ESG-related risks, our Group has also engaged the services of a third-party adviser (the “**ESG Adviser**”) to assist our Group in evaluating ESG-related risks, reviewing existing strategy, targets and policies, and conducting materiality assessment. Our Board is well informed about the results of the assessment conducted by our ESG Adviser.

Pursuant to our ESG Policy, Mr. Charlie Ip in the capacity as our chief executive officer, will assist our Board to monitor the assessment process of ESG issues and monitor and coordinate ESG matters from different departments. Our chief executive officer will support our Board in (i) implementing the agreed ESG policy, targets and strategies; (ii) conducting materiality assessments of environmental-related, social-related and climate-related risks; and (iii) collecting ESG data from various parties. Our Board will review the overall ESG performance of our Group on an annual basis through the formulation of our annual ESG report.

Our Board understands that ESG issues are a collective effort of different departments. Therefore, authority has been delegated to the management of our various departments (including human resources, administration and operations) to manage general ESG affairs under the oversight of our chief executive officer. Management of the relevant departments will assist in implementing the goals and targets set by our Board (including reduction of carbon emissions, enhancing resource conservation and advocating environmental protection), guide the development of ESG related matters, communicate with stakeholders and assess ESG related risks. Management of the relevant departments implementing the ESG policy may also propose to make amendments to the existing ESG policy based on latest ESG related developments. The new or modified internal policy will be reviewed and approved by our Board. The effectiveness of the ESG-related implementation tasks will be evaluated by our chief executive officer and our Board through timely updates received from management of our various departments.

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### **Actual and potential impact**

We have also taken into account quantitative information that reflects our management on environmental, social and climate risks. During the Track Record Period, our Group's expenses in relation to ESG matters material to our Group amounted to approximately HK\$522,000, HK\$533,000 and HK\$850,000, respectively. Such expenses primarily comprised electricity and motor vehicle expenses, group medical expenses and expenses on employees' compensation insurance. We estimate our expenses in relation to ESG matters material to our Group for the year ending 31 March 2023 and 2024 will amount to approximately HK\$695,000 and HK\$725,000, respectively. Such expenses will mainly comprise expected electricity and motor vehicle expenses, group medical expenses, expenses on employees' compensation insurance and expenses for engaging external ESG consultation services.

Under the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, we as a seller of certain regulated electrical equipment such as monitors, scanners and printers, are required to arrange free removal service for our consumers to dispose of the same class of equipment abandoned by the consumers in accordance with the removal service plan endorsed by Environment Protection Department. During the Track Record Period, we have provided such removal service to our consumers but no expenses were incurred as such removal service were conducted by recycling service providers free of charge.

During the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with the statutory requirements under the Producer Responsibility Scheme and were not subject to any major environment claims, lawsuits, penalties or disciplinary actions. For details of the regulatory requirements, please refer to the section headed "Regulatory overview" in this prospectus.

### **Measures to identify, assess and manage ESG related risks**

We intend to adopt various strategies and measures to identify, assess and manage ESG related risks, including but not limited to:

- Reviewing and referencing MSCI's ESG Industry Materiality Map and the Sustainability Accounting Standards Board's Materiality Map to identify ESG issues material to our Group;
- Reviewing and assessing ESG reports of similar companies in the IT industry to ensure relevant ESG related risks are identified on a timely basis;
- Discussing with management from time to time to ensure material ESG related issues are addressed and reported;
- Establishing communication channels and discussing with key stakeholders on an ongoing basis to understand ESG related concerns and monitor how our environmental, social and climate-related performance has impacted key stakeholders; and



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- Engaging professional advisers to advise on compliance with ESG matters.

We have identified the following material ESG issues and their potential impacts.

<b>Material ESG issues</b>	<b>Potential Risks, Opportunities and Impacts</b>
Energy management	Ineffective energy management may potentially lead to excessive energy usage, which leads to increased operational cost due to unnecessary usage of energy.
Opportunities for clean technology	Selecting clean technology such as energy efficient equipment in our business operations may reduce long term costs and potentially build positive brand image for our Group with respect to environmental awareness.
Impact of climate change	Climate change may lead to risks like more frequent extreme weather conditions. Such risks may lead to potential injuries to employees and increase in insurance premiums.
Human capital development	Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities may put our Group at risk of higher turnover rates and less competent workforce. Strong human capital development and the provision of competitive benefit packages may improve employee retention and productivity.
Privacy & data security	Ineffective privacy and data protection policies may put our Group at risk of data leakages and privacy breaches, potentially, leading to increased costs in addressing regulatory actions, involving litigations and potential fines, while also potentially tarnishing our reputation.

Our Group has also adopted measures to manage ESG risks, including (i) arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees and increase in insurance premiums, (ii) requiring employees to sign a non-disclosure agreement to mitigate privacy and data security risks; and (iii) reviewing and accounting for emissions and resource consumptions.

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### Metric and Targets on Environmental, Social and Climate-related Risks

We have taken into account the quantitative information that reflect our management of ESG risks, which include air pollutant emissions, greenhouse gas emissions and energy consumption. During the Track Record Period, the intensity of our Group's air pollutant emissions, greenhouse gas emissions and energy consumption were either stable or with a decreasing trend due to the implementation of our strategies to improve resource consumption, details of which are described in the section below. We aimed to (i) minimize the intensity of our emissions and resource consumption; and (ii) keep track of environmental performance in order to minimize the environmental impact of our business operations.

As an IT solutions provider, our Group is not involved in any manufacturing activities. Therefore, no significant water pollutants were emitted from our business operations. Notwithstanding the minimal air pollutant emissions, greenhouse gas emissions and energy consumption of our Group, we are committed to reducing emissions and energy consumption by enhancing environmental awareness among our employees. Performance and targets will be reviewed on an annual basis to ensure they remain appropriate to the performance of our peers in the IT industry.

Our Group's air pollutant emissions, greenhouse gas emissions and energy consumption during the Track Record Period are as follows:

<b>Air pollutant emissions</b>	<b>FY2019/2020</b>	<b>FY2020/2021</b>	<b>FY2021/2022</b>
Nitrogen Oxides (NOx) (kg)	1.34	1.36	1.36
Sulphur Oxides (SOx) (kg)	0.01	0.01	0.01
Particulate Matter (PM) (kg)	0.10	0.10	0.10
Intensity of NOx (kg/million HK\$ revenue)	0.0039	0.0034	0.0022
Intensity of SOx (kg/million HK\$ revenue)	0.0000	0.0000	0.0000
Intensity of PM (kg/million HK\$ revenue)	0.0003	0.0003	0.0002
 <b>Greenhouse gas emissions</b>	 <b>FY2019/2020</b>	 <b>FY2020/2021</b>	 <b>FY2021/2022</b>
Greenhouse gas emissions (tonnes CO <sub>2</sub> equivalent)	54	41	54
Scope 1 direct emissions (tonnes CO <sub>2</sub> equivalent) <sup>Note 1</sup>	2	2	2
Scope 2 indirect emissions (tonnes CO <sub>2</sub> equivalent) <sup>Note 2</sup>	52	39	52
Intensity of greenhouse gas emissions (tonnes CO <sub>2</sub> equivalent/ million HK\$ revenue)	0.16	0.10	0.09

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*Note:*

- (1) Scope 1 direct emissions include greenhouse gas emissions from the use of vehicles.
- (2) Scope 2 indirect emissions include greenhouse gas emissions from the use of purchased electricity.

<b>Energy consumption</b>	<b>FY2019/2020</b>	<b>FY2020/2021</b>	<b>FY2021/2022</b>
Energy consumption (MWh)	148	114	148
Direct consumption (MWh)	7	7	7
Indirect consumption (MWh)	141	107	141
Intensity of energy consumption (MWh/million HK\$ revenue)	0.43	0.28	0.23

In the foreseeable future, our expenses regarding ESG issues are estimated to increase along with our overall business development, however, the proportion of such expenses against our total revenue is estimated to trend downwards.

### *Benchmark against peers in the IT industry*

We have conducted a review on the ESG performance of our peers in the IT industry with respect to greenhouse gas emissions and energy consumption. In FY2021/2022, our greenhouse gas emissions and energy consumption from an absolute and per employee perspective is within peer range and lower than peer average. Despite our above average performance, we will continue to reference the best practice of our peers and review our environmental performance on a regular basis to ensure we are in line with peer performance.

### **Strategies to improve resource consumption**

Our Group aims to operate our business with maximum resource efficiency by minimising water, electricity and paper consumption and reducing air pollutants and greenhouse emissions.

We conduct regular water pipe leak testing to avoid potential water wastage. Water pressure is set to the lowest possible level to lower water flow and achieve water conservation purpose. To promote water conservation and prevent unnecessary water consumption, our office has put up water saving postages and reminders at workplace to remind employees to turn off the faucet completely after use.

To reduce overall energy consumption, we have also adopted the usage of energy-saving light bulbs. In addition, we ensure lighting and electronic appliances such as air-conditioners, computers and printers are switched off when not in use.

The “3Rs” principle (being reduce, reuse and recycle) is implemented thoroughly in paper usage. We have also promoted a paperless working environment, promoted the use of double-sided printing and encouraged the recycling of wastepaper to enable resources conservation.

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Our Group continuously seek to reduce our air pollutant emissions and greenhouse gas emissions. Video conference or virtual meetings are adopted to replace unnecessary business trips and physical meetings. For business trips that cannot be avoided, our Group will choose direct and non-stop flight to the destination to minimise emissions from taking multiple flights. Our employees are also encouraged to adopt low-carbon lifestyle by taking public transport and using carpooling services.

### **Diversity and inclusion**

We have also identified potential reputational risks from workforce management which may increase operational cost from an employee attraction and retention perspective. We value diversity, equity and inclusion and are developing the relevant policies.

Our Group believes a diverse and inclusive workforce makes us and the society stronger and more harmonious. We are committed to promoting greater work opportunities for women. We recognize the working contributions of women, who accounted for approximately 35% of our workforce. We aim to progressively increase the level of female workforce participation and build a more gender-balanced organisation. To achieve this goal, we have set up a lactation room for breastfeeding employees and provided flexible remote working arrangements to better support working mothers in our Group.

We are also committed to having diverse workforce which would bring different viewpoints and perspectives to our Group. During our recruitment process, personal information is redacted from resumes to eliminate unconscious bias. Opportunities are open to all qualified candidates and our recruitment is not affected by a potential candidate's nationality, ethnicity, gender and other personal factors. Flexible leave arrangement are also offered for employees to celebrate festivals occasions that are most meaningful to them.

### **Impact of trends and policies relating to ESG on our Group**

#### ***Social trends***

In light of the outbreak of COVID-19, our Group has established a work from home policy. As a result of remote working arrangements, our employees may transfer and access data and documents through personal network and devices that are less secure than the well managed networks and devices from our offices, resulting in risks to data security and personal data privacy. To mitigate personal data privacy and data security risks, our employees are required to sign non-disclosure agreements.

Please refer to the section headed "Risk factors – Risks relating to our business and operations – Leakage or misappropriation of know-how, confidential information and trade secrets from unauthorised copying, use or disclosure could have an adverse impact on our reputation and business operations" in this prospectus for further details of such risk.

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### *Regulations*

In light of evolving standards of regulatory requirements in relation to ESG, we anticipate new regulatory requirements in relation to ESG matters will increase our operational and compliance costs. To mitigate such risks, we have adopted an ESG governance structure to handle updated regulatory requirements and conducted an internal assessment to quantify expenses in relation to ESG matters material to our Group. For further details, please refer to the paragraphs headed “Governance and management” and “Actual and potential impact” in this section above.

Please also refer to the section headed “Risk factors – Risk relating to conducting business in Hong Kong, the PRC and Macau – Our results of operations and financial conditions are highly susceptible to changes in the political, economics and social conditions and laws and regulations in Hong Kong” in this prospectus for further details of such risk.

### **HEALTH AND WORK SAFETY**

We are required to comply with various occupational health and safety laws and regulations in Hong Kong. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the safety laws and regulations in all material respects.

We have taken measures to promote occupational health awareness and safety at workplace. We have implemented internal training programmes and a workplace health and safety memorandum, through which we educate and remind our employees of the importance of and the correct practices for health and safety in the workplace. Our human resources and administration team has designated personnel to record and keep track of any injuries of our employees that have occurred in our workplace, to ensure insurance claims and treatments are effectively pursued to protect our employees and us. During the Track Record Period, we had not experienced any significant workplace accident.

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### EMPLOYEES

As at the Latest Practicable Date, we had 133 full-time employees. A breakdown of our employees by function and geographical locations as at the Latest Practicable Date is set forth below:

	<b>As at the Latest Practicable Date</b>
Hong Kong	
Management	5
Sales	42
Marketing	9
Technical	44
Product	10
Finance and account	10
Human resources and administration	10
The PRC	
Technical	3
Macau <sup>(Note)</sup>	
Sales	—
	<hr/>
<b>Total</b>	<b>133</b>
	<hr/> <hr/>

*Note:* During the Track Record Period, Multisoft Macau had one full-time employee, who had resigned from the position in October 2020. As confirmed by our Directors, we are in the process of recruiting a new sales staff for replacement.

### Recruitment and remuneration

We recruit our employees based on factors including work experience, education background, qualifications and certifications possessed and vacancy. We generally recruit from the open market and enter into employment contracts with our employees.

The remuneration package for our employees generally includes salary, commission and/or discretionary bonus. We regularly review the performance of our employees and make reference to such performance reviews in our salary review and promotional appraisal in order to attract and retain talented employees.



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For the Track Record Period, we incurred staff costs (including directors' emoluments) of approximately HK\$39.5 million, HK\$45.0 million and HK\$56.6 million respectively, which accounted for approximately 11.9%, 11.6% and 8.9% of our revenue for the corresponding year respectively.

### **Employee training**

We recognise that having qualified and competent employees are crucial to our continued success. We organise internal training programmes as well as send employees to external training courses to assist our employees in achieving better quality and higher safety standards.

Our in-house training programmes include orientation programmes for new employees to familiarise them with the general working environment and work culture and also on-the-job training for all employees to enhance their awareness of the latest industry developments. We also sponsor our employees to attend external trainings offered by our IT product vendors and distributors in order to keep them abreast of the latest development in the IT industry.

We did not experience any material dispute with our employees or disruption to our operations due to labour disputes during the Track Record Period. There is no labour union established by our employees.

### **INSURANCE**

We maintained insurance coverage in relation to our business that our Directors consider is adequate for business of our size and generally in line with our industry norm. We provide medical insurance coverage and maintain employees' compensation insurance in compliance with applicable laws in Hong Kong for our employees in Hong Kong. Social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions are paid pursuant to the PRC laws and regulations in respect of our employees in the PRC. For our employee in Macau, we had participated in and contributed in the social security fund as required under Law no. 4/2010, Social Security System. We have also maintained and paid employees' compensation insurance premium in compliance with the applicable laws in Macau for our employee in Macau.

During the Track Record Period and up to the Latest Practicable Date, we maintain insurance coverage against, including among others, (i) business interruption; (ii) damage of properties; and (iii) public liabilities. Our Directors are of the view that we have obtained adequate insurance coverage for the operation of our business and such insurance coverage is in line with the industry norm. Our Directors believe that there is no material risk in connection with our business operation which is not covered by the abovementioned insurance. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

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### MARKET AND COMPETITION

#### IT products distribution industry

In 2021, there were approximately 30 to 40 IT product distributors in Hong Kong, of which less than ten market players, including our Company, were active in the IT products distribution industry. The IT products distribution industry is consolidated, with three market players dominated the market, which in aggregate is estimated to hold no less than approximately 60% of the market share in terms of revenue in 2021. With the exception of the three dominated market players, the remaining market is observed as fragmented. The revenue from our distribution business in FY2021/2022 amounted to approximately HK\$427.1 million, representing a market share of approximately 0.4% in 2021. According to the Ipsos Report, top players in the IT products distribution market in Hong Kong generally distribute products of renowned brands such as PC system products by Acer, Hewlett Packard Enterprise, Lenovo and network security software by Juniper Network, H3C, Ciena. Comparing with these top players, we offer a broad and diversified product portfolio of IT products of both internationally renowned brands and new-to-market niche brands to suit different market demand. Considering the nature of the market is fragmented and in terms of our revenue from distribution business, our Company ranks beyond the top 10 market players in the IT products distribution market in Hong Kong which include the said three dominant market players. For details, please refer to the section headed “Industry overview — Competitive analysis of the IT industry in Hong Kong — Competitive landscape of the IT products distribution industry”.

Competition among distributors in Hong Kong is intensifying. Distributors are also facing competition from IT product vendors that sell directly to traders, wholesalers, retailers and end-users. Distributors mainly position themselves by having divergent focus in terms of different brands, product types and/or IT solutions. Besides, some of the distributors in the industry are extending their operations by offering value-added services that are able to differentiate themselves from their competitors. Our Directors believe that, with our dual roles as both product-driven distributor selling and distributing IT products to resellers; and solutions-driven reseller providing SI solutions to end-users, our business model differentiate from the traditional SI model or traditional distribution model engaged by most of the market players in the IT industry in Hong Kong and enables us to capture business opportunities in the whole value chain of the IT industry, thereby distinguishing us from other competitors. For details of our competitive strengths of our business model, please refer to the paragraph headed “Our competitive strengths - Our business model has enabled us to operate our business efficiently and differentiate ourselves from our competitors” in this section above.

#### SI solutions industry

In 2021, there were approximately 2,000 companies offering SI solutions in Hong Kong, characterising the industry as highly competitive and fragmented. An SI solutions provider not only competes with other local industry players but also competes with the international SI solutions providers located in Hong Kong as well as IT product vendors who directly provide similar SI solutions services to customers. The SI solutions industry is fragmented, with four of the top five SI solutions providers accounting for less than 3% of the total industry revenue in 2021. The revenue from our SI solutions business in FY2021/2022 amounted to approximately HK\$204.4 million, representing a market share of approximately 0.4% in 2021. Most of the companies which offer SI solutions services are small in scale, with only a small number of large companies operating in the SI solutions industry.

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### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered three trademarks in Hong Kong, two trademarks in PRC and one trademark in Macau and three domain names which are material to our business operation. For details, please refer to the section headed “Statutory and general information — Further information about our business — 8. Intellectual property rights of our Group” in Appendix IV to this prospectus. Save for the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions.

During the Track Record Period, there had not been any pending or threatened claims against our Group, nor has any claim been made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties. As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by us.

### PROPERTIES

The following table sets forth the address and function of our leased properties in Hong Kong and the PRC as at the Latest Practicable Date:

Location	Address	Gross floor area	Monthly rental	Function	Lease/tenancy period
Hong Kong	19/F Kin Sang Commercial Centre, 49 King Yip Street, Kwun Tong, Kowloon	6,309 sq. ft.	HK\$145,107	Office	From 15 August 2020 to 14 September 2022 <i>(Note)</i>
Hong Kong	30/F., Gravity, No. 29 Hing Yip Street, Kwun Tong, Kowloon	4,420 sq. ft.	HK\$120,000	Office	From 15 August 2019 to 14 September 2022 <i>(Note)</i>
Hong Kong	8/F, Kwok Kee Group Centre, 107 How Ming Street, Kwun Tong, Kowloon	8,581 sq. ft.	HK\$102,972	Office	From 1 August 2022 to 31 July 2025 <i>(Note)</i>
Hong Kong	6/F, Kwok Kee Group Centre, 107 How Ming Street, Kwun Tong, Kowloon	8,581 sq. ft.	HK\$102,972	Office	From 1 August 2022 to 31 July 2025 <i>(Note)</i>
Hong Kong	Flat 2, 1/F, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon	2,558 sq. ft.	HK\$28,138	Warehouse	From 15 February 2021 to 14 February 2024

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Location	Address	Gross floor area	Monthly rental	Function	Lease/tenancy period
The PRC	D18, 36/F, Block A, Electronic Technology Building, No. 2070 Shennan Middle Road, Futian District, Shenzhen*	10 sq. m.	RMB4,000	Office	From 11 August 2021 to 30 September 2022

*Note:* Considering that the lease agreements of office premises of our Group in Hong Kong will be expired in September 2022 and our Expansion Plans, on 25 July 2022, our Group entered into lease agreements for a term of three years and with option of renewal with an Independent Third Party to lease two office premises for the expansion of office premises in Hong Kong.

### LICENCE AND PERMITS

Save for (i) business registration certificates; (ii) obtaining the relevant license applications during the import or export of certain IT products which are classified as strategic commodities in accordance with the Strategic Trade Controls Branch of the Trade and Industry Department; (iii) obtaining certain approvals from the Director-General of Trade and Industry for the re-export, resale, transfer or disposal of such products where the circumstances require; and (iv) the statutory requirements under Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, our Directors confirmed that our Hong Kong subsidiaries are not required to obtain any major industry-specific qualification, license or permit for our operation in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, we have obtained all the material approval, permits, licences and certificates that are required for conducting our business in Hong Kong, the PRC and Macau which are material to our operations.

### LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

#### Claims settled, pending or threatened against our Group

Our Directors confirmed that no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

#### Legal compliance

Our Directors confirmed that, saved as disclosed below, we had complied with all applicable laws and regulations which are material to our operations in Hong Kong, the PRC and Macau, being the jurisdictions in which we operate in all material respects during the Track Record Period and up to the Latest Practicable Date.

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Particulars of non-compliance	Reason for the non-compliance	Legal consequences and maximum potential penalty	Remedial actions taken and current status as at the Latest Practicable Date	Measures adopted by our Group to prevent recurrence of the non-compliance
<p>During the Track Record Period, TriTech and Multisoft (i) failed to file notification by an employer of an employee who commences to be employed (the “<b>Form IR56E</b>”) pursuant to section 52(4) of the IRO for all new hires who are likely to be chargeable to individual tax within three months after the commencement of the new employment, involving 122 employees; and (ii) failed to file notification by an employer of an employee who is about to cease to be employed (the “<b>Form IR56F</b>”) pursuant to section 52(5) of the IRO for the cessation of employment of employees no later than one month before the date of cessation involving 116 employees.</p>	<p>The relevant human resources and administration staff responsible for filings to the IRD (i) was unaware of the obligation of TriTech and Multisoft as an employer to file Form IR56E for new employment; and (ii) had mistakenly believed that the filing of Form IR56F once a year would be sufficient to satisfy our notification obligation as an employer for cessation of employment. Such obligation and mistaken belief were only discovered during the preparation of the Listing.</p> <p>These incidents were not willful but were due to misunderstanding of the relevant regulatory requirement possessed by the relevant human resources and administration staff. Our Directors had no direct or willful involvement in the breach nor willfully defaulted in its compliance.</p> <p>Despite our failure to file Form IR56E and failure to file Form IR56F within the prescribed time limit to the IRD for the Track Record Period, Form IR56B in relation to each of our employee was filed annually, which contained, among other things, the identity, employment period and salary of such employees during each of the YOAs, allowing the IRD to be fully informed of our employment affairs and to compute the tax payable by us and such employees respectively. Our Directors confirmed that we have not received any notice from the IRD in relation to our failure to submit Form IR56E and late filing of Form IR56F during the Track Record Period up to the Latest Practicable Date.</p>	<p>Section 80(1) of the IRO states that any person who without reasonable excuse fails to comply with the requirement under section 52(4) or (5) of the IRO commits an offence and is liable on conviction a level 3 fine at HK\$10,000 and the court may order the person convicted within a time specified in the order to do the act which he has failed to do.</p>	<p>In October 2020, our tax representative called the IRD assessor in respect of TriTech and Multisoft’s filings of Form IR56E and IR56F, who verbally confirmed that it is not required to submit the overdue Forms IR56E and IR56F for employees who commenced or ceased employment, provided that the relevant information had already been disclosed in Form IR56B submitted by TriTech and Multisoft. As confirmed by our Directors, TriTech and Multisoft had duly disclosed and filed Form IR56B for all employees during the Track Record Period.</p> <p>Based on the tax representative’s verbal confirmation with the IRD and its practical experience, our Directors are of the view that (i) the IRD would normally treat the cases leniently and the chance of the IRD imposing penalty under section 80(1) of the IRO is low; and (ii) the fact that the IRD has not imposed penalty for such non-compliance within a reasonable time indicates that the IRD has no intention to penalise us. Therefore, our Directors are of the view that such non-compliances will not have a material impact on our business operation and the legal risk of us being subject to any penalty as a result by the IRD is remote.</p>	<p>With effect from 1 September 2020, the human resources and administration team have begun to maintain a register for the commencement and resignation of employment of all employees to ensure that Forms IR56E and IR56F are filed to the IRD when appropriate. Our chief financial officer, Mr. Chu Kwok On will conduct monthly review of the register and the relevant filing.</p> <p>In addition, our chief financial officer will provide training sessions on the latest IRO requirements to our staff in the human resources and administration team from time to time to ensure that they understand the latest IRO requirements.</p> <p>We have filed Forms IR56E and IR56F for our employees who commenced or ceased employment since 1 September 2020. In addition, TriTech and Multisoft also adopted the updated human resources and payment management policies and procedures manual to enable our human resources staff to comply with required policies and procedures.</p>

Particulars of non-compliance	Reason for the non-compliance	Legal consequences and maximum potential penalty	Remedial actions taken and current status as at the Latest Practicable Date	Measures adopted by our Group to prevent recurrence of the non-compliance
<p>TriTech and Multisoft failed to file their respective profits tax return for the YOA 2018/19 within the prescribed time limit pursuant to section 51(1) of the IRO.</p>	<p>The non-compliance was due to (i) unintentional and inadvertent oversight of the relevant finance and account staff who had overlooked the due date of the filing of profits tax return; and (ii) lack of qualified and experienced staff for preparing the management accounts in a timely manner for auditing and tax filing purposes at the material time.</p>	<p>Having taken into account the advice of our tax representative, under section 51(1) of the IRO, an assessor may give notice in writing to any person requiring him within a reasonable time stated in such notice to furnish any return.</p> <p>Any entity failing to submit its profits tax return within the stipulated time may be subject to penal action under sections 80(2), 80(5) or 82A of the IRO.</p> <p>Under section 80(2) of the IRO, the IRD may prosecute a taxpayer if it considers that it failed to comply with the requirement to furnish a return in time without reasonable excuse. Under section 80(2) of the IRO, the maximum penalty upon conviction is the imposition of a fine at level 3 (HK\$10,000) and a further fine of treble the amount of the tax undercharged.</p> <p>In lieu of prosecution under section 80(2) of the IRO, the IRD may impose an administrative penalty under section 80(5) of the IRO by way of a compound penalty ranging from HK\$1,200 to HK\$10,000, or section 82A of the IRO by way of an assessment of additional tax as a penalty, not exceeding treble the amount of tax which has been undercharged or would have been undercharged.</p>	<p>In respect of YOA 2018/19, compound penalty offer of HK\$3,000 was imposed on each of TriTech and Multisoft by the IRD in July 2020 for failure to file profits tax return within the prescribed time limit, which was when TriTech and Multisoft realised their failures.</p> <p>In October 2020, our tax representative liaised with the IRD in relation to, among the others, filing of profits tax return for YOA 2018/19 and settle the submission of the outstanding profits tax returns of TriTech and Multisoft for the YOA 2018/19. Our tax representative subsequently filed the relevant profits tax returns together with the supporting documents and the duly signed compound penalty notices to the IRD on 23 October 2020.</p> <p>Despite the fact that Multisoft had subsequently filed the duly signed compound notice to the IRD, the offer of compound penalty had lapsed by the time of filing. In December 2021, the IRD confirmed the compound penalty offer of HK\$3,000 for Multisoft, which was settled before due date. In respect of TriTech, in January 2021, the IRD confirmed the compound penalty offer of HK\$3,000, which was duly settled before the due date.</p> <p>In respect of Multisoft and TriTech, having taken into account the advice of our tax representative, given that the IRD had confirmed the compound penalty, which had been duly settled by Multisoft and TriTech, the chance of the IRD assessing additional tax under section 82A of the IRO is remote.</p>	<p>We have formulated and adopted internal control measures, which include procedures for tax filing, recording and payment to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Legal proceedings and legal compliance — Internal control measures to prevent the recurrence of non-compliances" below in this section.</p>
<p>Based on the advice of the tax representative, if section 82A of the IRO is invoked by the IRD, the maximum amount of additional tax that may be imposed on TriTech and Multisoft is estimated to be approximately HK\$1.3 million in aggregate for the late filing of profits tax returns for the YOA 2018/19.</p>				



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Particulars of non-compliance	Reason for the non-compliance	Legal consequences and maximum potential penalty	Remedial actions taken and current status as at the Latest Practicable Date	Measures adopted by our Group to prevent recurrence of the non-compliance
<p>Multisoft failed to make full payment of its estimated profits tax for YOA 2018/19 within the stipulated due date on 21 February 2020 and 15 April 2020.</p>	<p>The non-compliance was due to (i) unintentional and inadvertent oversight of the relevant finance and account staff who overlooked the due date of tax payable; and (ii) lack of proper system and control to keep track of our compliance status.</p> <p>For YOA 2018/19, Multisoft applied in February 2020 for payment of tax by instalment before the due date of the tax demand notes, which was pursuant to relief measure in light of the outbreak of the COVID-19 pandemic. Since then, Multisoft had been liaising with the IRD regarding the application and had made part payments pursuant to its proposed instalment payment. In June 2020, Multisoft was notified by the IRD that its application was not approved due to insufficient supporting documents provided and demanded Multisoft for settlement of the tax payable.</p>	<p>Having taken into account the advice of our tax representative, we may be subject to 5% and 10% surcharge under sections 71(5) and 71(5A) of the IRO respectively.</p>	<p>Multisoft had fully settled the outstanding tax demanded under the estimated assessment in September 2020. As at the Latest Practicable Date, Multisoft had not received any notice of surcharge for late payment of tax. Based on the advice of our tax representative and given that we have already made full settlement of tax payment, our Directors consider that the chance of the IRD taking any further action against us would be remote.</p>	<p>We have formulated and adopted internal control measures, which include procedures for tax filing, recording and payment to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Legal proceedings and legal compliance — Internal control measures to prevent the recurrence of non-compliances" below in this section.</p>

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### **Internal control measures to prevent the recurrence of non-compliances**

In order to ensure the ongoing compliance with the relevant regulatory requirements, we have engaged an independent internal control consultant consultancy firm (the “**Internal Control Consultant**”) to perform internal control reviews and have implemented or will implement the following measures recommended by the Internal Control Consultant:

- (i) we have, since October 2020, engaged an international accounting firm as our tax representative for preparing and submitting profits tax return on behalf of our Group, who will be required to return a copy of the submitted tax returns to our Group for record keeping;
- (ii) our Directors shall attend training session in which they are given an overview on the applicable laws and regulations in Hong Kong. Various trainings shall be provided by external legal adviser and/or other appropriate accredited institution, to reinforce our Directors’ awareness of the applicable laws and regulations;
- (iii) our management team will ensure our finance and account team is equipped with personnel having sufficient experience and knowledge on tax issue, tax filing and tax computation and where necessary, advice will be sought from external adviser from time to time to ensure that our finance and account team are aware of the regulatory development and changes;
- (iv) we have appointed our chief financial officer, Mr. Chu Kwok On, on 14 September 2020, to oversee the financial operations and to supervise our account and finance team. The management accounts and financial information prepared by our accounting staff will be reviewed by our chief financial officer before approval by our Directors;
- (v) we will continue to engage the internal control consultant after the Listing to review the adequacy and effectiveness of our internal control system, including areas of financial compliance; and
- (vi) our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations.

### **Indemnity given by our Controlling Shareholder**

Our Controlling Shareholder, Mr. Charlie Ip, as the indemnifier, entered into the Deed of Indemnity whereby Mr. Charlie Ip has agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of non-compliance of the legal and/or regulation requirements as disclosed in the paragraph headed “Legal proceedings and legal compliance” in this prospectus. Further details of the Deed of Indemnity are set forth in the section headed “Statutory and general information — Other information — 14. Tax and other indemnity” in Appendix IV to this prospectus.

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### **View of our Directors and the Sole Sponsor**

After due consideration, our Directors are of the view that the enhanced internal control measures as set forth above are adequate and effective.

Our Directors consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules or the suitability of Listing of our Company under Rule 8.04 of the Listing Rules. In arriving at their view, our Directors have taken into consideration of the followings:

- (i) the non-compliance incidents were not wilful and principally due to inadequate understanding of the relevant regulatory requirement possessed by and inadvertent omission of the relevant members of staff and lack of qualified and experienced personnel at the material time. It did not involve intentional misconduct, fraud or dishonesty on the part of our Directors;
- (ii) our Directors have primarily focused their attention on the commercial aspects and strategic expansion of our Group. Our Directors nevertheless took proactive measures and delegated such duties to our staff to handle human resources and tax matters and therefore relied on the relevant staff to handle the Form IR56E and IR56F and other tax matters of our Group, reasonable expecting they would handle the matters in time;
- (iii) upon discovery of the late filing of the returns, our Directors had taken prompt actions to rectify the situation by settling the compound penalties and filing the relevant tax returns; and
- (iv) our Directors have taken actions to prevent the recurrence of non-compliances to the extent practicable, including but not limited to the engagement of an international accounting firm as our tax representative, hiring of chief financial officer and strengthening our internal control system immediately after being informed of the non-compliance incidents.

The Sole Sponsor, after considering the above and having reviewed the internal control measures adopted by our Group, concurs with the view of our Directors that (i) the various internal control measures adopted by us are adequate and effective; (ii) our Directors have the standard of integrity and competence commensurate with positions as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules; and (iii) the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

### **INTERNAL CONTROL AND RISK MANAGEMENT**

Our Directors recognise that corporate governance and risk management are crucial to the development and success of our business. We have adopted risk management measures and corporate governance measures in various aspects of our business operations such as financial reporting, legal compliance, information system, premises safety and human resources management.

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### **Internal control**

In preparation for the Listing, our Company has engaged Internal Control Consultant, an independent consulting firm, to assist us in reviewing our internal control system. The scope of work of the review was discussed with and agreed by us and the Sole Sponsor. The first review of the Company's internal control system was conducted in August 2020. The review covers corporate level controls and operational level controls such as revenue management process, expenditure, inventory, human resources and payroll, cash, fixed assets, insurance, tax and customs, intellectual property management and litigation and claims. The control review described above was conducted based on information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

During the period from Late August 2020 to October 2020, we took remedial actions in response to the findings and recommendations from the Internal Control Consultant. The Internal Control Consultant also performed a follow-up review (the "**Follow-up Review**") in October 2020 to review the status of the management actions taken by our Company to address the findings of the internal control review.

We have adopted and implemented a series of internal control policies and procedures to meet our specific business needs and to minimise our risk exposure. The written policies and procedures are designed to ensure effective and efficient operations, reliable financial reporting and compliance with related laws and regulations. Based on the result of the Follow-up Review, our Directors confirmed that the corresponding remedial actions have been implemented according to suggestions of the Internal Control Consultant. Our management will continuously monitor and improve the procedures to ensure that effective operation of our internal control measures is in line with the growth of our business and good corporate governance practice.

### **Corporate governance**

In terms of corporate governance, we, among others, (i) have appointed three independent non-executive Directors to ensure the effective exercise of independent judgement on its decision-making process and provide independent advice to our Board; (ii) have established the audit committee to review our financial reporting system, risk management and internal control system; (iii) have provided and will continue to provide, our Directors and senior management with training and development programmes on applicable legal and regulatory requirements from time to time; and (iv) have appointed Innovax Capital as our compliance adviser in compliance with the applicable Listing Rules.