

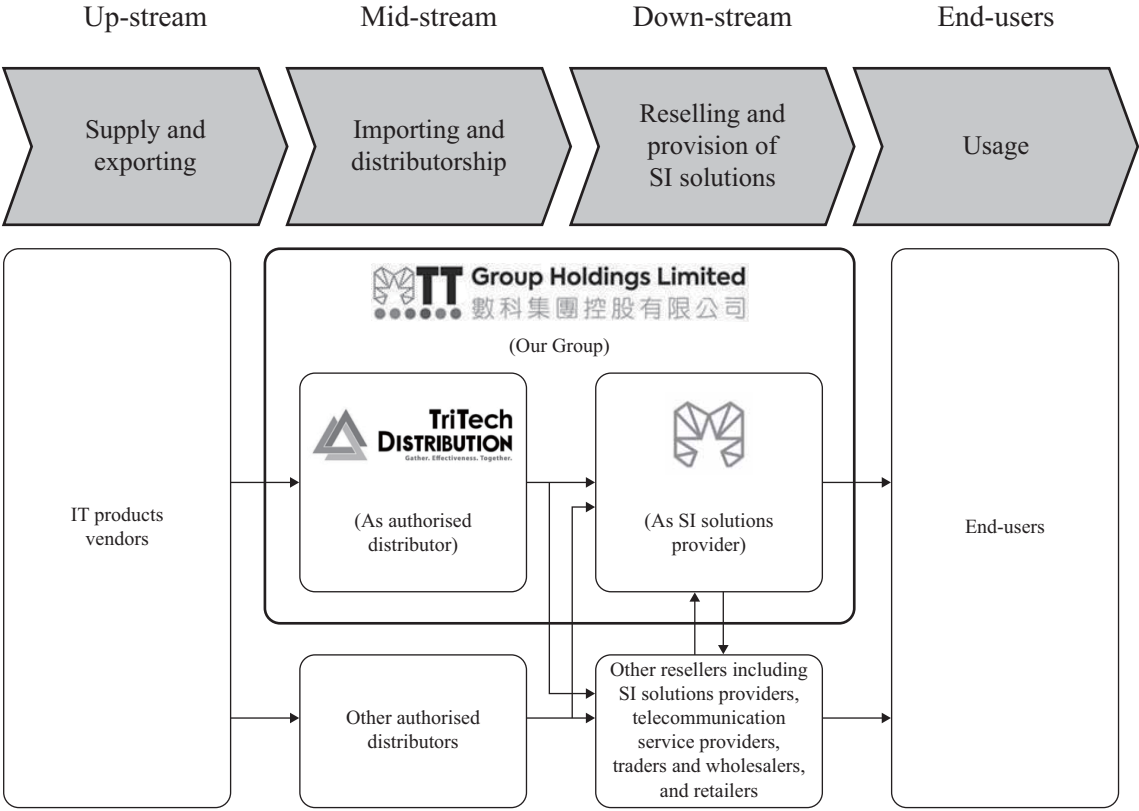


SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this document. You should read the whole document including the appendices hereto, which constitute an integral part of this document, before you decide to invest in the [REDACTED]. There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are summarised in the section headed "Risk Factors" in this document. You should read such section carefully before you decide to invest in the [REDACTED].

OVERVIEW

We are a vertically integrated IT solutions provider established in Hong Kong, primarily engaged in 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 vertically operate in both (i) distribution business as an authorised distributor sourcing IT products from IT products vendors and distributing to down-stream resellers; and (ii) SI solutions business as an SI solutions provider procuring IT products from authorised distributors, integrating into customised SI solutions and reselling 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 vertical operation crossing over both mid-stream as authorised distributor and down-stream as reseller:



SUMMARY

The essential players in the IT industry are IT products vendors, distributors, resellers and end-users. At the up-stream of the value chain, IT products 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 channels and networks, with specific rights and obligations set out in the distribution agreements. At the down-stream of the value chain, resellers are SI solutions providers, telecommunication service providers, traders and 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. We consider our vertically integrated business model to be one of our competitive strengths which distinguishes us from other competitors which are either distributors or resellers. 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 products 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 products 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.

According to the Ipsos Report, there are approximately 2,000 SI solutions providers in the IT industry in Hong Kong and less than ten of which are operating a vertically integrated 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 vertically integrated 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. For further details of our vertically integrated business model, please refer to the section headed "Business — Our business model" in this document.

SUMMARY

CUSTOMERS

As we operate a vertically integrated business model encompassing both distribution and SI solutions businesses, we are engaged by customers from multi-level and thereby enjoy a diverse and extensive customer base. We served over 1,000 customers for each of the three years ended 31 March 2022. Our geographical presence covers customers in Hong Kong, the PRC and Macau. The following table sets forth the breakdown of our revenue by geographical locations for the 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
Total	<u>331,886</u>	<u>100.0</u>	<u>387,437</u>	<u>100.0</u>	<u>631,512</u>	<u>100.0</u>

Our customers are mainly divided into two categories, namely resellers and end-users. Our reseller customers primarily include SI solutions providers, telecommunication companies and 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 utilities, NGOs and SMEs to large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. During the Track Record Period, approximately 52.5%, 57.0% and 69.1% of our total revenue was derived from our reseller customers, whereas our remaining revenue was derived from our end-user customers. For details, please refer to the section headed "Business — Customers" in this document.

SUPPLIERS

All of our IT products are sourced from our suppliers, primarily comprising (i) IT products vendors; (ii) authorised distributors; and (iii) other service providers. IT products 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 market. As at the Latest Practicable Date, we entered into non-exclusive distribution agreements with 38 IT products vendors, with origins spanning across different countries such as the PRC, the U.S., India, Japan and European region. In our vertically integrated 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 IT products vendors. Besides, we also from time to time engage subcontractors to perform certain tasks in our business such as (i) certain labour intensive work with low skill requirement; (ii) certain installation, implementation and maintenance and support work when particular types of qualifications, skills, resource, spare parts or equipment are involved; and (iii) certain specialised expertise that we have not yet possessed.

SUMMARY

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. For details, please refer to the section headed "Business - Suppliers" in this document.

OUR COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths: (i) our unique vertically integrated business model has enabled us to operate business efficiently and differentiate ourselves from our competitors; (ii) 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; (iii) we are a one-stop SI solutions provider with proven track record of providing comprehensive, integrated, up-to-date and customised SI solutions to end-users; (iv) we have a diverse and extensive customer base; (v) our well established relationships with IT products vendors and authorised distributors has enabled us to maintain our competitiveness in the industry; and (vi) we have a visionary and experienced management team, supported by our dedicated sales team and strong technical team. For details, please refer to the section headed "Business - Our competitive strengths" in this document.

OUR BUSINESS STRATEGIES

We intend to further enhance our presence and expand our market share in the IT industry in Hong Kong, the PRC and Macau and fortify our competitive strengths by implementing the following business strategies: (i) expand our distribution business by enriching our product portfolio, expanding our service offerings and expanding our workforce and enriching the expertise of our sales, product and technical teams; (ii) 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; (iii) 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; (iv) upgrade our equipment, software, hardware and ERP systems in support of our business expansion; and (v) strengthen our marketing efforts and improve brand recognition. For details, please refer to the section headed "Business - Our business strategies" in this document.

MARKET AND COMPETITION

In 2019, there were approximately 30 to 40 IT products distributors in the Hong Kong IT products distribution industry, of which less than ten market players were active and only 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 2019. With the exception of the three dominated market players, the remaining market is observed as fragmented. The revenue from our distribution business in FY2020/2021 amounted to approximately HK\$203.5 million, representing a market share of approximately 0.2% in 2020. Competition among distributors in Hong Kong is intensifying. Distributors are also facing competition from IT products vendors that sell directly to traders and 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 with offering value-added services that are able to differentiate themselves from their competitors.

SUMMARY

In 2019, there were approximately 2,000 companies offering SI solutions in the Hong Kong SI solutions industry, 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 products vendors who directly provide similar SI solutions to customers. The SI solutions industry is fragmented, with each of the top five SI solutions providers accounting for less than 3% of the total industry revenue in 2019. The revenue from our SI solutions business in FY2020/2021 amounted to approximately HK\$183.9 million, representing a market share of approximately 0.4% in 2020. Most of the companies which offer SI solutions are small in scale, with only a small number of large companies operating in the SI solutions industry.

SUMMARY FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

	<u>FY2019/2020</u> (HK\$'000)	<u>FY2020/2021</u> (HK\$'000)	<u>FY2021/2022</u> (HK\$'000)
Revenue	331,886	387,437	631,512
Cost of sales and services	<u>(262,725)</u>	<u>(301,181)</u>	<u>(515,447)</u>
Gross profit	69,161	86,256	116,065
Other income	2,176	7,158	190
Other gains and losses	57	322	162
Net (impairment losses) reversal of impairment losses under expected credit loss model	(958)	(2,471)	2,878
Selling and distribution expenses	(23,366)	(25,274)	(29,881)
Administrative expenses	(14,571)	(16,983)	(24,393)
Finance costs	(1,898)	(2,093)	(2,037)
[REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
Profit before taxation	30,601	31,086	57,715
Taxation	<u>(4,492)</u>	<u>(6,310)</u>	<u>(10,457)</u>
Profit for the year	<u><u>26,109</u></u>	<u><u>24,776</u></u>	<u><u>47,258</u></u>

SUMMARY

Our total revenue increased by approximately HK\$55.5 million or 16.7 % from approximately HK\$331.9 million for FY2019/2020 to approximately HK\$387.4 million for FY2020/2021, primarily attributable to the increase in revenue from both our distribution business and SI solutions business. Our total revenue increased by approximately HK\$244.1 million or 63.0% from approximately HK\$387.4 million for FY2020/2021 to approximately HK\$631.5 million for FY2021/2022, primarily attributable to the significant increase in revenue of our distribution business. For details of the total revenue of FY2020/2021 compared to FY2019/2020, and the total revenue of FY2021/2022 compared to FY2020/2021, please refer to the respective section headed “Financial Information — Review of results of operations” in this document.

In line with our revenue, our overall gross profit increased by approximately HK\$17.1 million or 24.7% from HK\$69.2 million for FY2019/2020 to HK\$86.3 million for FY2020/2021. Our overall gross profit increased by approximately HK\$29.8 million or 34.5% from approximately HK\$86.3 million for FY2020/2021 to approximately HK\$116.1 million for FY2021/2022. Our gross profit margin was approximately 20.8%, 22.3% and 18.4% for FY2019/2020, FY2020/2021 and FY2021/2022 respectively. Our gross profit margin decreased from approximately 22.3% for FY2020/2021 to approximately 18.4% for FY2021/2022, primarily attributable to the decrease in gross profit margin of our distribution business. Our profit for the year decreased from approximately HK\$26.1 million for FY2019/2020 to approximately HK\$24.8 million for FY2020/2021, primarily attributable to the [REDACTED] of approximately HK\$[REDACTED] incurred for FY2020/2021. Our profit for the period increased by approximately HK\$22.5 million or 90.7% from approximately HK\$24.8 million for FY2020/2021 to approximately HK\$47.3 million for FY2021/2022, primarily attributable to significant increase in our overall revenue and gross profit.

Revenue, gross profit and gross profit margin by business segment

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by each business for the years indicated:

	FY2019/2020				FY2020/2021				FY2021/2022			
	Revenue		Gross Profit Margin		Revenue		Gross Profit Margin		Revenue		Gross Profit Margin	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Distribution business	164,507	49.6	33,519	20.4	203,544	52.5	44,282	21.8	427,131	67.6	76,246	17.9
SI solutions business												
IT infrastructure solutions services	159,577	48.1	30,902	19.4	172,084	44.4	34,477	20.0	187,673	29.8	29,139	15.5
IT maintenance and support services	7,802	2.3	4,740	60.8	11,809	3.1	7,497	63.5	16,708	2.6	10,680	63.9
Sub-total	167,379	50.4	35,642	21.3	183,893	47.5	41,974	22.8	204,381	32.4	39,819	19.5
Total	331,886	100.0	69,161	20.8	387,437	100.0	86,256	22.3	631,512	100.0	116,065	18.4

SUMMARY

During the Track Record Period, our Group recorded a relatively high gross profit margin for our IT maintenance and support services of approximately 60.8%, 63.5% and 63.9% respectively. To the best knowledge of our Directors, the relatively higher gross profit margin is mainly attributable to the fact that (a) our Group primarily served a high proportion of end-users for our IT maintenance and support services with revenue contribution from end-users amounting to approximately 98.8%, 98.5% and 98.5% during the Track Record Period, respectively. According to the Ipsos Report, the gross profit margin from end-users is generally higher as compared to resellers mainly because (i) end-users in general may not be familiar with the technical work involved and costs associated with the IT maintenance and support services and hence generally have to rely on the knowhow and resources of the IT maintenance and support services provider, thus in general do not receive complete market pricing information and pay a relatively higher price than resellers as a result; and (ii) resellers in the IT industry generally have higher bargaining power on pricing due to their well-established relationship with end-users and therefore their potential value to bring continuous business opportunities to service providers; and (b) our Group's cost component in relation to our IT maintenance and support services primarily included staff cost since (i) our Group offers a comprehensive range of products and hence have the product and technical knowledge to provide the IT maintenance and support services by our own staff without the need to subcontract such services to other SI solutions providers; and (ii) our Group generally does not incur additional material cost as we usually swap spare parts and/or replace the IT products directly with the IT product vendors.

The following table sets forth the breakdown of the revenue, gross profit and gross profit margin by types of products in our distribution business for the years indicated:

	FY2019/2020				FY2020/2021				FY2021/2022			
	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	Gross Profit Margin	Revenue		Gross Profit	Gross Profit Margin
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Data communication and systems infrastructure	81,441	49.5	16,279	20.0	122,321	60.1	29,669	24.3	348,940	81.7	64,499	18.5
Cyber security	82,906	50.4	17,218	20.8	80,899	39.7	14,545	18.0	78,167	18.3	11,743	15.0
Digital transformation	160	0.1	22	13.8	324	0.2	68	21.0	24	0.0*	4	16.7
Total	164,507	100.0	33,519	20.4	203,544	100.0	44,282	21.8	427,131	100.0	76,246	17.9

* The percentage calculated is less than 0.1%.

SUMMARY

The revenue derived from our distribution business increased by approximately HK\$39.0 million or 23.7% from approximately HK\$164.5 million for FY2019/2020 to approximately HK\$203.5 million for FY2020/2021, primarily attributable to the increase in revenue of approximately HK\$69.7 million or 57.2% for the ten months ended 31 March 2021 as compared to the corresponding period in 2020 which was mainly attributable to the increase in sales to certain telecommunication companies including Customer B and Customer I, and Customer J, offset by the significant decrease in revenue of approximately HK\$30.7 million or 72.1% for the two months ended 31 May 2020 as compared to the corresponding periods in 2019 respectively. The revenue derived from our distribution business increased by approximately HK\$223.6 million or 109.9% from approximately HK\$203.5 million for FY2020/2021 to approximately HK\$427.1 million for FY2021/2022, primarily attributable to the (i) increase in sales of CDN licences; and (ii) the increase in sales to Customer J. For details of the increase in revenue of our distribution business for FY2021/2022 as compared to FY2020/2021, please refer to the section headed "Financial Information – Review of results of operations – FY2021/2022 compared to FY2020/2021" in this document.

The revenue from our SI solutions business increased by approximately HK\$16.5 million or 9.9% from approximately HK\$167.4 million for FY2019/2020 to HK\$183.9 million for FY2020/2021. Such increase was primarily attributable to the increase in sales to Customer F, which involved the setting up of virtual desktop infrastructure and upgrade of existing storage. The revenue from our SI solutions business increased by approximately HK\$20.5 million or 11.1% from approximately HK\$183.9 million for FY2020/2021 to approximately HK\$204.4 million for FY2021/2022. Such increase was primarily attributable to the increase in number of customers of our SI solution business from approximately 996 for FY2020/2021 to approximately 1,146 for FY2021/2022.

Revenue, gross profit and gross profit margin by customer type

Our customers are mainly divided into two categories, namely (i) resellers; and (ii) end-users. The following table sets forth the breakdown of our revenue, gross profit and gross profit margin by customer type for the years indicated:

	FY2019/2020				FY2020/2021				FY2021/2022			
	Revenue		Gross Profit Margin		Revenue		Gross Profit Margin		Revenue		Gross Profit Margin	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Resellers	174,321	52.5	36,401	20.9	220,782	57.0	46,512	21.1	436,540	69.1	77,118	17.7
End-users	157,565	47.5	32,760	20.8	166,655	43.0	39,744	23.8	194,972	30.9	38,947	20.0
Total	331,886	100.0	69,161	20.8	387,437	100.0	86,256	22.3	631,512	100.0	116,065	18.4

SUMMARY

The increase in revenue derived from resellers (i) by approximately HK\$46.5 million or 26.7% from approximately HK\$174.3 million for FY2019/2020 to approximately HK\$220.8 million for FY2020/2021; and (ii) by approximately HK\$215.7 million or 97.7% from approximately HK\$220.8 million for FY2020/2021 to approximately HK\$436.5 million for FY2021/2022, was mainly attributable to the aforementioned reasons for the increase in revenue of our distribution business during FY2021/2022.

The relatively higher gross profit margin of approximately 23.8% from the end-users for FY2020/2021 was mainly due to the increase in number of customers subscribed for our IT maintenance and support services, which generally has a relatively higher gross profit margin. The relatively lower gross profit margin of approximately 20.0% from the end-users for FY2021/2022 was primarily due to the decrease in gross profit margin of our SI solutions business of which we received more orders involving certain internationally renowned brands, which generally have a lower gross profit margin and change of product mix sold.

Cost of sales and services

The following table sets forth a breakdown of our cost of sales and services for the years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
Cost of inventories	238,032	90.6	269,682	89.5	469,780	91.1
Subcontracting fees	12,413	4.7	17,452	5.8	29,375	5.7
Staff costs	12,280	4.7	14,047	4.7	16,292	3.2
Total	262,725	100.0	301,181	100.0	515,447	100.0

Our cost of inventories increased by approximately HK\$31.7 million or 13.3% from approximately HK\$238.0 million for FY2019/2020 to approximately HK\$269.7 million for FY2020/2021, while our cost of inventories increased by approximately HK\$200.1 million or 74.2% from approximately HK\$269.7 million for FY2020/2021 to approximately HK\$469.8 million for FY2021/2022. Such increase was primarily attributable to the corresponding increase in revenue from our distribution business during the same year.

SUMMARY

Summary of selected information from consolidated statements of financial position

	As at 31 March		
	2020 (HK\$'000)	2021 (HK\$'000)	2022 (HK\$'000)
Non-current assets	13,188	16,694	18,448
Current assets	182,079	195,724	251,836
Current liabilities	181,602	178,279	191,763
Net current assets	477	17,445	60,073
Net assets	11,759	30,805	76,958

We recorded net assets of approximately HK\$11.8 million, HK\$30.8 million and HK\$77.0 million as at 31 March 2020, 2021 and 2022 respectively. The increase in net assets as at 31 March 2021 was primarily attributable to the increase in trade and other receivables, deposits and prepayments of approximately HK\$54.2 million, partially offset by the decrease in amount due from a director of approximately HK\$41.2 million. The increase in net assets as at 31 March 2022 was primarily attributable to the increase in trade receivables of approximately HK\$45.4 million and prepayments of approximately HK\$40.8 million, partially offset by the decrease in amount due from a director of approximately HK\$24.4 million and amounts due from related companies of approximately HK\$20.8 million.

Summary of selected information from consolidated statements of cash flows

	FY2019/2020 (HK\$'000)	FY2020/2021 (HK\$'000)	FY2021/2022 (HK\$'000)
Operating cash flows before movements in working capital	35,968	38,838	62,476
Movements in working capital	14,252	(72,394)	(84,516)
Income tax paid	(41)	(4,706)	(10,442)
Net cash from (used in) operating activities	50,179	(38,262)	(32,482)
Net cash (used in) from investing activities	(63,200)	25,908	40,726
Net cash from financing activities	18,270	11,325	1,460
Cash and cash equivalents at beginning of the year	3,057	8,259	7,376
Cash and cash equivalents at end of the year represented by bank balances and cash	8,259	7,376	17,166

SUMMARY

We recorded net cash used in operating activities of approximately HK\$38.3 million for FY2020/2021, primarily due to profit before taxation of HK\$31.1 million as adjusted by (i) an increase in trade and other receivables, deposits and prepayments of HK\$56.7 million mainly due to (a) an increase in revenue and (b) the sales of approximately HK\$49.8 million to our major customers, namely Customer B and Customer I, in the fourth quarter of FY2020/2021, the accounts receivables of which were within credit terms as at 31 March 2021; and (ii) a decrease in trade and other payables and accrued charges of approximately HK\$24.6 million mainly due to the decrease in trade payables to Kwong Ming Engineering by approximately HK\$38.8 million from approximately HK\$61.0 million as at 31 March 2020 to approximately HK\$22.2 million as at 31 March 2021, primarily due to payments made by the Group and decrease in project needs amid the slow down of smart city infrastructure projects since mid 2019 due to uncertainty brought by the social movement and outbreak of COVID-19. For details of our trade payables to Kwong Ming Engineering, please refer to the section headed "Financial Information — Principal components of our current assets and current liabilities — trade payables" in this document. We further recorded net cash used in operating activities of approximately HK\$32.5 million for FY2021/2022, primarily due to profit before taxation of HK\$57.7 million as adjusted by the combined effect of (i) an increase in contract liabilities of approximately HK\$9.5 million due to an increase in amount of upfront deposits received from customers; and (ii) an increase in trade and other receivables, deposits and prepayments of approximately HK\$84.9 million primarily due to (a) an increase in trade receivables by approximately HK\$45.4 million from approximately HK\$112.4 million as at 31 March 2021 to approximately HK\$157.8 million as at 31 March 2022 which in turn is mainly due to the sales of CDN licences of approximately HK\$83.6 million to our major customers, namely Customer J, Customer N and Supplier A, in February and March 2022, the trade receivables of which were within credit terms as at 31 March 2022; and (b) the increase in prepayments by approximately HK\$40.7 million or 714.0% from approximately HK\$5.7 million as at 31 March 2021 to approximately HK\$46.4 million as at 31 March 2022 mainly due to our prepayments of approximately HK\$33.5 million made to Supplier E to purchase its CDN licences, which was subsequently utilised as at the Latest Practicable Date.

SUMMARY

Going forward, we intend to improve our net operating cash outflows position by closely monitoring the status of our projects our daily bank balance, and actively keeping track of the status of our customer's projects and manage our trade receivables and trade payables. In the event of expected net cash outflow, we will (a) actively follow up with our customers for payment; and (b) utilise our banking facilities to cover any deterioration in our cash flow position. As a measure to monitor our cashflow positions, we periodically review our banking facilities portfolio. We obtained the Facility A of HK\$8.0 million in March 2022, and we expect to be able to draw down HK\$25.0 million under the Facility B of HK\$33.0 million upon satisfying collateral requirements for the Facility B. HK\$8.0 million of the Facility B has already been drawn down as at 31 December 2021. The New Facilities of HK\$33.0 million (comprising the HK\$8.0 million from the Facility A and the amount of HK\$25.0 million to be drawn down under the Facility B) will not be entirely used for improving our liquidity position, as we plan to utilise in full the amount of HK\$25.0 million to be drawn down under the Facility B for repaying in full the borrowings under an existing bank facility and the existing collaterals with such bank will be transferred for satisfying the collateral requirements for the Facility B. For details of the material terms of the New Facilities, please refer to the section headed "Financial Information — Indebtedness — Bank Borrowings" in this document. To strengthen our liquidity position and ensure a sufficient and positive net operating cash outflow position, our Group has employed liquidity management policy in actively managing our trade payables to ensure timely payment to our suppliers and closely monitoring the sufficiency of the working capital as detailed under section headed "Financial Information — Liquidity management" in this document.

Key financial ratios

The following table sets forth our key financial ratios for the years indicated:

	<u>FY2019/2020</u>	<u>FY2020/2021</u>	<u>FY2021/2022</u>
Gross profit margin (%)	20.8	22.3	18.4
Net profit margin (%)	7.9	6.4	7.5
Return on assets (%)	13.4	11.7	17.5
Return on equity (%)	222.0	80.4	61.4
Interest coverage (times)	17.1	15.9	29.3
		As at 31 March	
	<u>2020</u>	<u>2021</u>	<u>2022</u>
Current ratio (times)	1.0	1.1	1.3
Quick ratio (times)	0.9	1.0	1.2
Gearing ratio (%)	454.8	247.8	104.3
Net debt to equity (%)	384.5	223.9	82.0

SUMMARY

Our return on equity decreased from approximately 222.0% for FY2019/2020 to approximately 80.4% for FY2020/2021, primarily attributable to the increase in total equity by approximately 162.0% for FY2020/2021 and the decrease in profit by approximately 5.0% for FY2020/2021.

Our gearing ratio decreased from approximately 454.8% as at 31 March 2020 to approximately 247.8% and 104.3% as at 31 March 2021 and 31 March 2022 respectively, primarily attributable to the increase in total equity outweighing the increase in bank borrowings and lease liabilities for the years.

For further details of our financial information, please refer to the section headed "Financial Information" in this document.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]), the [REDACTED] from the [REDACTED] to our Company (after deduction of the [REDACTED] fees and estimated expenses payable by us in relation to the [REDACTED] and the [REDACTED] is not exercised) are estimated to be approximately HK\$[REDACTED]. We currently intend to apply the [REDACTED] from the [REDACTED] in the following manner:

- (i) approximately HK\$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our distribution business including (a) enriching our product portfolio for distribution by obtaining more authorised distributorship from IT products vendors; (b) expanding our service offerings by launching subscription-based laptop rental services; and (c) expanding our workforce and enriching the expertise of our sales, product and technical teams;
- (ii) approximately HK\$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our SI solutions business including (a) building up our in-house capability in providing digital transformation services; and (b) expanding our workforce in sales and technical teams to increase our project capacity;
- (iii) approximately HK\$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for establishing a new centralised service unit for provision of IT maintenance and support services which provides 24/7 technical support and detection and response support services;
- (iv) approximately HK\$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for upgrading our equipment, software, hardware and ERP systems in support of our business expansion;
- (v) approximately HK\$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for strengthening our marketing efforts and improving brand recognition; and
- (vi) approximately HK\$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for general working capital.

SUMMARY

For details, please refer to the section headed "Future plans and use of [REDACTED]" in this document.

DIVIDENDS

We declared the dividends of approximately HK\$20.0 million, HK\$6.0 million and nil during the Track Record Period respectively, which were settled through amount due from a director.

We do not have a dividend policy or any pre-determined dividend distribution ratio. The declaration of dividend is subject to the discretions of our Board. We may distribute dividends by way of cash or by other means that our Board considers appropriate. Any declaration of final dividend is subject to the applicable laws and regulations including the Companies Act and our Articles, which require also the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial conditions, operating requirements, capital requirements, Shareholder's interests, future development requirement and any other conditions that our Board may deem relevant. Any future declarations of dividends may or may not reflect our historical declarations of dividends.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Impact of outbreak of COVID-19 on the IT industry

The outbreak of COVID-19 in or around December 2019 has adverse impact on the global economy and across different industry sectors. In response, countries across the world have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus which has disrupted business operations, supply chains and workforce availability across the world, leading to substantial declines in business activities. Despite these disruptions, the impact of COVID-19 on the IT industry in Hong Kong is believed to be comparatively mild and short-term than that on other sectors. The market promptly recovered subsequently by the second half of 2020. According to the Ipsos Report, amid the impact brought by the outbreak of COVID-19, the market value of the IT products distribution industry and of the SI solutions industry in Hong Kong is only estimated to record a drop at a year-on-year rate of approximately 0.7% and 0.6% between 2019 and 2020 respectively, being significantly lower than other industry sectors such as property, retail, and hospitality and tourism industries which have recorded a drop at a year-on-year rate of approximately 11.1%, 28.7% and 63.0% between 2019 and 2020 respectively. The SI solutions industry in Hong Kong has swiftly recovered since April 2020 as the social distancing and work-from-home practice has hastened the growth in demand of IT needs in the areas of digital transformation, real-time collaboration and communication platform, cloud services and security control. Driven by the downstream demand in the SI solutions industry, the IT products distribution industry in Hong Kong has also gradually recovered since June 2020.

SUMMARY

In general, the outbreak of COVID-19 has impacted on the IT industry in Hong Kong in the following two ways: (i) the mandatory or voluntary social distancing measures implemented by the Government, public organisations and private enterprises to contain the spread of the virus such as work-from-home arrangement, closure of offices and facilities, disruption to or even suspension of normal business operations have deferred the provision of on-site implementation services and thereby delayed the execution and implementation of various IT projects; and (ii) as the outbreak of COVID-19 and the corresponding social distancing measures have reshaped the IT applications in both commercial activities and daily lives causing fundamental changes in the underlying IT needs, commercial organisations have become more conservative in budgeting their IT expenditure and taken more time to observe, analyse and ascertain their IT needs and business performance and hence delayed their spending on IT products.

Impact of outbreak of COVID-19 on our Group

Based on the current situation of the outbreak of COVID-19, our Directors assessed its impact on the business operation and financial performance of our Group as follows:

- (i) **Business operation:** Due to the outbreak of COVID-19 and the implementation of corresponding social distancing measures by the Government, public organisations and private enterprises resulting in deferring the provision of on-site implementation services, we have experienced a slight delay in approximately 70 orders during the Track Record Period. The delayed orders amounted to approximately 3.7% of the Group's total revenue for FY2020/2021. Our customers and we had constantly communicated with each other regarding the potential delay in advance and both parties had expressed understanding for the delay due to the outbreak of the COVID-19, which was beyond both parties' control. As at 31 March 2021, we had completed all of the relevant orders. Despite the aforesaid delays, we are able to discharge our obligations under all existing contracts. Notwithstanding tougher social distancing measures being imposed by the Government with the appearance of the highly transmissible Omicron Variant in the fourth quarter of FY2021/2022, our Group had not experienced any delay in order and there was no material adverse impact on our business operations during the period. As such, our Directors are of the view that the impact to the long-term relationship with our customers due to the aforesaid delays are not significant.

As to the supply of IT products, during the Track Record Period and up to the Latest Practicable Date, the supply chain of IT products from our major suppliers in Hong Kong, the PRC and overseas has remained normal and we have not experienced any material disruption which had affected our operations.

SUMMARY

- (ii) **Financial performance:** During the first and second waves of COVID-19 pandemic in Hong Kong in the first and second quarters of 2020, our revenue in our SI solutions business and distribution business decreased by approximately HK\$18.9 million or 58.4% in March 2020 and approximately HK\$30.7 million or 72.1% in April and May 2020, as compared to the corresponding periods in 2019 respectively. In particular, the significant decrease in revenue from our distribution business was primarily due to the combined effect of (i) the negative impact brought by the outbreak of COVID-19 on our business; and (ii) the impact of the significant contracts of Customer D and hence the higher revenue recorded for the two months ended 31 May 2019, which has affected our seasonality (where our Group generally records a lower revenue in the first quarter (from April to June) of the fiscal year due to seasonal patterns in our customers' procurement cycle) and distorted the period-on-period comparison on the revenue for the two months ended 31 May 2019 and 2020.

In line with the industry, our business performance had basically resumed to normal since June 2020 due to the lesser impact of COVID-19 and the new IT needs stimulated by the measures and alternative work arrangements under the pandemic. In particular, we recorded an increase in revenue from both our distribution business and SI solutions business for the ten months ended 31 March 2021 respectively as compared to the corresponding period in FY2019/2020 respectively which in turn contributed to a substantial increase in revenue in both distribution business and SI solutions business in FY2020/2021. The revenue from our distribution business and our SI solutions business increased by approximately HK\$39.0 million or 23.7% from approximately HK\$164.5 million for FY2019/2020 to approximately HK\$203.5 million for FY2020/2021 and approximately HK\$16.5 million or 9.9% from approximately HK\$167.4 million for FY2019/2020 to HK\$183.9 million for FY2020/2021, respectively. For details of the reasons for substantial increase in revenue, please refer to the section headed "Financial Information – Review of results of operations – FY2020/2021 compared to FY2019/2020 – Revenue". Further, the spread of Omicron variant during the fifth wave of COVID-19 pandemic in Hong Kong in the fourth quarter of FY2021/2022 did not have any material adverse impact on our financial performance.

In view of the above and having considered our seasonality and our financial performance in FY2020/2021 and FY2021/2022, our Directors are optimistic about the sustainable growth of the IT industry and expect our Group to achieve a growth in revenue and net profit (excluding [REDACTED]), and the one-off government subsidy received under the Employment Support Scheme of approximately HK\$[REDACTED] during FY2020/2021) for FY2022/2023 as compared to FY2021/2022. For details, please refer to the sections headed "Business — Seasonality", "Financial Information — Review of result of operations — FY2021/2022 compared to FY2020/2021" and "Financial Information — Review of the results of operations — FY2020/2021 compared to FY2019/2020" in this document.

SUMMARY

As a result, our Directors consider that the outbreak of COVID-19 does not have any material adverse impact on our Group's operation and financial performance during the Track Record Period and up to the Latest Practicable Date.

Nevertheless, in the unlikely and extreme event that we have to reduce or suspend part of our business operations for a prolonged period of time due to the impact of COVID-19, our Directors estimate that our existing bank balances and cash of approximately HK\$17.2 million and our current assets and liabilities as at 31 March 2022 are sufficient to maintain our Group's financial viability for at least 13 months, based on the key assumptions that (i) we will not generate any revenue due to the suspension of business in the worst case scenario; (ii) we will not dismiss any of our staff; (iii) at our Directors' best estimate, cash payments for selling and distribution expenses and administrative expenses in the aggregate amount of approximately HK\$4.8 million per month will be paid to maintain our operations; (iv) all trade and other receivables, deposits and prepayments and contract assets will be received when they fall due, which is in line with our Group's prudent estimate of settlement of trade receivables based on historical settlement pattern; (v) all trade and other payables and accrued charges, contract liabilities, tax payables and lease liabilities will be paid as and when they fall due; (vi) all amounts due from a related company will be received; (vii) all amounts due to a related party will be repaid; (viii) the pledged bank deposits will be discharged; (ix) assuming an [REDACTED] of HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED]), the [REDACTED]% [REDACTED] of the [REDACTED] of approximately HK\$[REDACTED] will be received upon the [REDACTED]; (x) there will be no further internal or external financing from the Controlling Shareholders and/or financial institutions; and (xi) no further dividend will be declared and paid.

Recent Development and no material adverse change

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Company continued to deliver strong financial performance amid business uncertainty in a COVID-19 environment. Our Group has been actively exploring business opportunities with existing and potential customers, resulting in strong financial performance of our Group for FY2021/2022. The need to undergo digital transformation is expected to continue to drive up demand for IT products such as HCI products and AI servers and SI solutions services such as digital transformation services.

The provision of CDN licences has continued to provide a strong driving force for our growth in revenue. To further capture the demand for efficient delivery of dynamic content and videos, subsequent to the Trade Record Period and as at the Latest Practicable Date, we have entered into a distribution agreement with one of the major CDN suppliers from the PRC to become their non-exclusive distributor in Hong Kong.

SUMMARY

Furthermore, in May 2022, our Group has entered into a non-legally binding MOU with the Main Contractor to establish a cooperative framework between our Group and the Main Contractor in relation to the Major Contract awarded to the Main Contractor by a listed company on the Stock Exchange which principally engaged in railway operation in Hong Kong. Pursuant to the MOU, our Group will be engaged by the Main Contractor as its subcontractor to (i) advise, design and implement IT infrastructure for video surveillance and video-data analysis, network security and back-up storage for the CCTV systems installed for the Major Contract; (ii) provide digital transformation services for the CCTV systems installed for the Major Contract by transforming them from traditional analogue systems to digital systems; and (iii) supply data communication and systems infrastructure, cyber security, digital transformation products and AI servers and HCI products that are compatible with the CCTV systems to introduce video-based analytics to big data AI processing, video analytics application, network security and digital back-up storage to the CCTV systems installed for the Major Contract. The expected contract sum of the abovementioned subcontract arrangement is approximately HK\$100 million for a contract term of three years. The definitive agreement is expected to be entered into by our Group and the Main Contractor in or around August 2022.

Our Directors confirm that save for the above and the estimated non-recurring [REDACTED] as disclosed in the paragraph headed "[REDACTED]" in this section, since 31 March 2022 and up to the date of this document, (i) there was no material adverse change in the market conditions and the industry and the regulatory environment in which we operate that affects our financial or operating position materially and adversely; (ii) there was no material adverse change in our businesses, trading, profitability, financial positions and prospects; and (iii) no event had occurred that would affect the information shown in the Accountants' Report in Appendix I to this document materially and adversely.

[REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are approximately HK\$[REDACTED] (including (i) [REDACTED]-related expenses of approximately HK\$[REDACTED] and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED] which consist of (a) fees and expenses of legal advisors and accountants of approximately HK\$[REDACTED] and (b) other fees and expenses of approximately HK\$[REDACTED], based on the mid-point of the [REDACTED] of HK\$[REDACTED] per [REDACTED] and assuming no [REDACTED] will be exercised), which are estimated to be approximately [REDACTED]% of the gross [REDACTED] from the [REDACTED], of which approximately HK\$[REDACTED] and HK\$[REDACTED] have been charged to our profit or loss for FY2020/2021 and FY2021/2022 respectively, approximately HK\$[REDACTED] is expected to be charged to our profit or loss for the year ending 31 March 2023, approximately HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED] and the remaining amount of approximately HK\$[REDACTED] will be borne by the [REDACTED]. [REDACTED] incurred for engagement of legal advisors, accountants and other professional parties in connection with the [REDACTED] and the [REDACTED] relating to the [REDACTED] are to be borne by our Company as all professional services rendered in connection with the [REDACTED] are for our Company's benefit and interests to be brought by its [REDACTED] status. Therefore, our Directors are of the view that the abovementioned fees and expenses are ordinarily incurred for the [REDACTED] and are not unusually high.

SUMMARY

OUR CONTROLLING SHAREHOLDERS AND [REDACTED]

Immediately following the completion of the [REDACTED] (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] and any options which may be granted under the [REDACTED]), Ip Group and IPW Group will directly respectively hold [REDACTED] and [REDACTED] of our issued Shares. Ip Group and IPW Group are legally and beneficially wholly-owned by Mr. Charlie Ip. Hence, Ip Group, IPW Group and Mr. Charlie Ip will be a group of Controlling Shareholders under the Listing Rules. As at the Latest Practicable Date, none of our Controlling Shareholders has any interest in a business apart from our business which competes or is likely to compete, either directly or indirectly with our business, which would be required to be disclosed pursuant to Rule 8.10 of the Listing Rules. For details of our controlling shareholders, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

The [REDACTED] consists of [REDACTED] Shares, of which [REDACTED] Shares are being sold by the [REDACTED] under the [REDACTED]. We will not receive any of the [REDACTED] from the sale of the [REDACTED] by the [REDACTED] in the [REDACTED]. The [REDACTED] estimate that they will receive, in aggregate, [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED], after deducting the estimated [REDACTED] and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED]. Please refer to the section headed "Statutory and General Information — Other information — 25. Particulars of the Selling Shareholder" in Appendix IV to this document.

SUMMARY

[REDACTED]

The [REDACTED] comprises (i) the [REDACTED] of [REDACTED] Shares (subject to [REDACTED]); and (ii) the [REDACTED] of [REDACTED] Shares comprising [REDACTED] [REDACTED] and [REDACTED] (subject to [REDACTED] and the [REDACTED]). The following table sets out certain [REDACTED] related data, assuming that the [REDACTED] has been completed:

	Based on the minimum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the maximum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]
[REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any options which may be granted under the Share Option Scheme)	[HK\$[REDACTED]]	[HK\$[REDACTED]]
Unaudited [REDACTED]	[HK\$[REDACTED]]	[HK\$[REDACTED]]

Note: Please refer to section headed "Unaudited [REDACTED] Financial Information" in Appendix IIA to this document for the calculation basis and assumptions used.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

During the Track Record Period, we had certain non-compliance with the IRO where we (i) failed to file Form IR56E for new hires within the prescribed time limit and failed to file Form IR56F for the cessation of employment of employees; (ii) failed to file profits tax returns within the prescribed time limit; and (iii) failed to make full payment of profits tax within the prescribed time limit. As at the Latest Practicable Date, we have taken remedial actions to rectify the non-compliance incidents and have adopted, or will adopt before the [REDACTED], a number of internal control procedures to prevent future occurrence and/or recurrence of the non-compliance incidents. As at the Latest Practicable Date, following the remedial actions taken there is no outstanding penalty, assessment of tax penalty and/or notice of surcharges so far as aware of by the Directors in relation to the abovementioned non-compliance. 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 [REDACTED] of our Company under Rule 8.04 of the Listing Rules. For details, please refer to the section headed "Business — Legal proceedings and legal compliance — Legal compliance" in this document.

SUMMARY

RISK FACTORS

Our business is subject to a number of risks and uncertainties, including the following highlighted risks: (i) our business and operations depend on our suppliers' ability to duly perform their obligations to supply IT products to us and our business relationships with our suppliers; (ii) concentration on a number of key suppliers may affect our operations. Our business and results of operations could be materially and adversely affected should there be any loss of our key suppliers, disruption in their supply or failure of our key suppliers' products to maintain competitiveness; (iii) the quality of IT products provided by our suppliers is beyond our control. If the IT products provided by our suppliers are defective or unable to meet the required standards, our business and reputation may be adversely affected; (iv) the outbreak of COVID-19 may adversely affect our business, financial conditions and result of operations if the pandemic persists; and (v) 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. For details, please refer to the section headed "Risk Factors" in this document. As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk factors" in this document carefully before you decide to invest in the [REDACTED].