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## RISK FACTORS

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*Prospective investors should consider carefully all of the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group.*

*This document contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks, and you may lose all or part of your investment.*

We consider that certain risks are involved in its business and operations as well as in connection with the [REDACTED]. Such risks can be categorised into: (i) risks relating to our business and operations; (ii) risks relating to our industry; (iii) risks relating to conducting business in Hong Kong, the PRC and Macau; and (iv) risks relating to the [REDACTED].

### **RISKS RELATING TO OUR BUSINESS AND OPERATIONS**

#### **Our Group's 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**

We sourced all of our IT products for sale in both distribution and SI solutions businesses from independent suppliers comprising IT products vendors, their authorised distributors and other service providers during the Track Record Period. We rely on the ability and efficiency of our suppliers to supply the adequate quantities of IT products to our customers. Our business model and growth strategy therefore substantially depend on our relationships with our suppliers and the continuous supply of quality IT products to us. In our vertically integrated business model, we have entered into distributorship agreements and partnership agreements with IT products vendors in our distribution business and SI solutions business respectively, for a typical term of one year and shall be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreements. There is no assurance that these IT products vendors will not enter into exclusive agreements with another distributor or reseller, conduct acquisition or merger activities which may lead to a change of focus of the IT products vendors' product line or these distributorship or partnership agreements will not be terminated or will be renewed, extended upon expiry or continued without interruption. If the relevant distributorship agreements or partnership agreements are terminated, not renewed or extended or are subsequently interrupted and we are unable to identify suitable alternative sources in a timely manner, on favourable terms, or at all, our business, results of operations and profitability may be adversely affected.

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Further, there is no assurance that we will be able to maintain good business relationships with our existing suppliers in the future or we will be able to continue to source adequate quantities of IT products from them. If the supply of IT products of certain specific brands is substantially reduced or disrupted, or if there is any significant increase in their prices, or the lead times for the supply of IT products are extended, we may need to incur additional costs to acquire sufficient quantities of the IT products to meet our sales or project schedules and commitments to our customers. There is no assurance that we will not encounter problems with our suppliers in the future, or alternative suppliers will be identified to replace unsatisfactory suppliers in a timely and commercially viable manner. Any delays or shortages in supply in part or in entirety from our suppliers may materially and adversely affect our business, prospects, financial conditions and results of operations.

**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**

We rely on a number of key suppliers for the supply of IT products in both distribution and SI solutions businesses. Our five largest suppliers in each year during the Track Record Period accounted for approximately 45.9%, 48.2% and 58.6% of our total cost of sales and services for the Track Record Period respectively. If our key suppliers fail to provide the IT products in a timely manner and under acceptable terms, we may be unable to meet the delivery schedules or may encounter delays in our contracts. Any disruptions in the supply of IT products from our key suppliers may adversely affect our business and operations, particularly when we are unable to identify alternative sources of supply with competitive prices and satisfactory quality in a timely manner.

In addition, there are certain risks generally associated with the concentration on a few key suppliers, which include the loss of key suppliers, supply shortage, loss of market share of supplier's products, possibility of defective products from a supplier and failure of suppliers' products to maintain their competitiveness because of changing IT standards or customers' preference. If we are unable to identify alternative sources of supply for the same or similar products in a timely manner, there could be a material adverse effect on our revenue and profitability.

**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**

We provide a variety of hardware, software and/or auxiliary products to our customers in both distribution and SI solutions businesses. We typically rely on our IT products vendors to provide warranty on the IT products we supplied to our customers or involved in our SI solutions. However, the quality of such IT products that we sourced from third party suppliers and resell to our customers is not under our control and may include design or manufacturing defects that could cause malfunctions. Our customers may discover latent defects in our IT products and SI solutions that were not apparent at the point of sales. Such defects may be discovered before or after the warranty period has expired. If the IT products or SI solutions we provided fail to perform as expected and we are unable to resolve the performance issues in a timely manner, our relationships with our customers

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may be damaged. Any defects in our IT products or under-performance of our SI solutions could cause the loss of customers or revenues, delays in revenue recognition, increased levels of product returns or replacements, damage to our market reputation and significant increases in warranty claims and other expenses, all of which could result in a material decrease in our profitability.

Besides, our SI solutions use complex software and may have coding defects or errors that may impair our customers' ability to use our SI solutions. The models and systems that we used for our SI solutions may also contain design or performance defects that are not detectable even after extensive internal testing. In addition, we have self-developed software products that are designed to be used within our customers' systems. Any bugs, defects or errors in our self-developed software products may cause damage to our customers' system and hardware and adversely affect our customers' operations or the performance of such software. There is no assurance that we would be able to detect and resolve all such defects and issues through our quality control measures.

If we are unable to detect and resolve the defect or issue so as to meet the required standards of our customers, our business and reputation may be adversely affected. In addition, our customers may initiate legal proceedings against us in relation to the product defects. Should this happens, we may need to incur additional costs to settle or defend these claims or legal actions, which would have a material adverse impact on our reputation and financial conditions.

### **The outbreak of COVID-19 may adversely affect our business, financial conditions and result of operations if the pandemic persists**

The outbreak of COVID-19 in or around December 2019 has adverse impact to the global economy across different 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 activity. The COVID-19 pandemic as well as the responses and measures taken by the Governments and society as a whole in response to the COVID-19 pandemic, present challenges to our business operations as well as consumers, suppliers and other participants in our business. These challenges include, but are not limited to, lock-down and mandatory or voluntary social distancing measures, such as work-from-home arrangement, closure of offices and facilities, disruptions to or even suspensions of normal business operations which may adversely affect our ability to deliver products and provide services to our customers. In addition, certain business meetings and pitching activities with our existing and potential customers, to the extent where personal presence was required, had been cancelled or postponed. According to the Ipsos Report, as the outbreak of COVID-19 and the corresponding measures implemented in response to the pandemic has reshaped the IT applications in both commercial activities and daily lives, which leads to a fundamental change in 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.

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As a result of the foregoing, we recorded a decrease in revenue in our SI solutions business in March 2020 and in our distribution business in April and May 2020, as compared to the corresponding periods in 2019 respectively. Despite the overall recovery in both SI solutions industry and IT products distribution industry as well as having achieved overall revenue growth in both our distribution business and SI solutions business in FY2020/2021 as compared to FY2019/2020, if the outbreak of COVID-19 continues to spur and more stringent measures to curb the spread of the virus are imposed, our business, prospects, financial conditions and results of operations will be materially and adversely affected.

Our operations may be disrupted if any of our employees are suspected of being infected by COVID-19, since this could require us to quarantine some or all of our employees or disinfect our office premises. This may affect our ability to provide services to or fulfil the orders of our customers. Furthermore, if any of our suppliers are affected by COVID-19, and the supply of IT products or provision of services is disrupted, we may not have sufficient IT products to support our orders or we may experience delay in our project execution, which may affect our ability to meet the demands of our customers. In addition to the foregoing, it remains uncertain as to when, or whether, the outbreak will be contained. If the outbreak of COVID-19 is not effectively controlled, the negative impact on our business, prospects, financial conditions and results of operations may be even more material.

### **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**

A recent 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. The trade war was started in July 2018 when the U.S. placed 25% duties on around US\$34 billion of imports from the PRC including cars, hard disks and aircraft parts. The PRC retaliated by imposing a 25% tariff on US\$34 billion of goods originating from the U.S., including agricultural products, automobiles and aquatic products. So far, the U.S. has imposed tariffs on US\$500 billion worth of products from the PRC and the PRC, in turn, has set tariffs on US\$185 billion worth of goods imported from the U.S.. Despite the PRC and the U.S. reaching a Phase One Trade Agreement in January 2020, under which the U.S. agreed to cancel certain new tariffs and reduce rates for other duties in exchange for the PRC to purchase more U.S. agricultural products and to make changes regarding intellectual property and technology, the trade tension between the PRC and the U.S. has continued.

Our IT products sourced for our distribution and SI solutions businesses were originated from various countries, including the U.S. and the PRC. During the Track Record Period, approximately HK\$125.3 million, HK\$125.1 million and HK\$135.9 million of the Group's revenue were derived from suppliers originated from the U.S. respectively, while approximately HK\$96.3 million, HK\$129.6 million and HK\$133.1 million of the Group's revenue were derived from suppliers originated from the PRC in the corresponding year. Our procurement of IT products imported from the U.S. or the PRC may be affected by adverse changes and developments in global trade policies

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and technology protection measures, such as the imposition of new trade barriers, tariffs, sanctions, export controls, boycotts and other measures, which are beyond our control. Although our imports of IT products from the U.S. or the PRC has not been affected by the tariffs, nor by the recent 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. Any tariffs or trade restrictions imposed by the U.S. and the PRC on IT products could significantly increase our customers' purchase costs and preference of our IT products and SI solutions and our supply chain. Any restriction or direct ban by the U.S. and the PRC on the use of IT products from certain IT products vendors will also limit the choice in our product portfolio and solution offerings. Our customers may require us to source from alternative suppliers in order to avoid cost increases resulting from any tariffs or trade restrictions imposed by the U.S. and the PRC. If we cannot successfully secure supply from alternative suppliers to fulfil the demand of such customers in a timely manner or the alternative supplies we sourced do not satisfy the criteria of such customers, our revenue, profitability and results of operations could be adversely affected.

### **Part of our services are subcontracted to subcontractors. Our operations and financial results may be adversely affected by any delay or defects in their work**

We from time to time engage subcontractors to perform certain tasks in our business 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. During the Track Record Period, our subcontracting fees amounted to approximately HK\$12.4 million, HK\$17.5 million and HK\$29.4 million respectively, which accounted for approximately 4.7%, 5.8% and 5.7% of our cost of sales and services for the corresponding year. For details of our reasons of such subcontracting and our selection and control system over our subcontractors, please refer to the section headed "Business — Suppliers — Subcontracting arrangements" in this document.

If our subcontractors fail to meet our requirements, the quality of our services may be adversely affected, thereby damaging our business reputation, hindering our opportunity to secure future orders and potentially exposing us to litigation and damages claims from our customers. In addition, when our needs for outsourcing arise, our subcontractors may not always be readily available. There is no assurance that we would be able to maintain our relationships with the subcontractors in the future. Our subcontractors are not obliged to provide services to us on our future projects on similar terms and conditions. We cannot assure that we would be able to find alternative subcontractors with the requisite knowledge, expertise, experience and capability that meet our needs and work requirements and timely complete our orders or services in accordance with the terms of orders or services with competitive prices. Our ability to complete orders or services on time and with effective cost could be impaired, thereby damaging our business reputation and adversely affecting our operations and financial results if we are unable to engage such suitable alternative subcontractors.

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**We are dependent upon recruiting and retaining eligible employees. Any shortfall in our workforce or increase in labour cost may materially hinder our business operations and adversely affect our financial results**

Our business and success depend heavily on the services provided by our employees, especially our sales, product and technical staff. Therefore, our ability to recruit, train and retain sales, product and technical staff with the necessary level of knowledge and qualification is one of the determining factors for the success of our business. We would also need to recruit additional personnel to achieve our expansion objectives. For details, please refer to the section headed "Business — Our business strategies" in this document. However, the supply of eligible staff is fairly limited in the market, especially those with experience in IT infrastructure solutions or those with technical certification from IT products vendors. In the event that we need to replace any of our existing sales, product and technical staff or make any additional hire to expand our workforce, there is no assurance that we will be able to successfully attract and train competent, experienced and qualified personnel. Accordingly, any significant increase in the turnover rate of our sales, product and technical staff, coupled with our inability to recruit eligible staff for replacement expeditiously, may cause a shortfall in our workforce and have a material adverse impact on our business.

Given the keen competition for IT professionals, we were compelled to offer competitive remuneration to our staff to maintain a steady workforce and quality services. Further, there has been an increase in the salaries of IT professionals in Hong Kong in the past few years. According to the Ipsos Report, the median monthly salary of employees engaged in the information and communication sector in Hong Kong increased at a CAGR of approximately 3.5% between 2015 and 2020 and is expected to continue to increase given the forecast annual shortfall of IT graduates in Hong Kong. Since most of our projects are charged at a fixed price, we may not be able to pass any increase in staff costs to our customers. Hence, our financial results may be adversely affected.

**We may not be able to keep abreast of the latest market developments in the IT industry and to provide new IT products and innovative SI solutions in response to the evolving market demand**

As the IT industry is characterised by continuous technological developments and innovation, our success hinges on our ability to keep abreast of the latest market developments in the IT industry and to provide new IT products and innovative SI solutions in response to the evolving market demand. Rapid technological improvement, evolving industry standards, changing customers' preference and frequent launch of new IT products and SI solutions are the market characteristics of the IT industry. In light of the continuing development and progress of IT technologies, preferences on IT products and SI solutions changed dramatically in the last few years and may continue to change rapidly in the future. Our existing IT products and SI solutions may become obsolete or less relevant if we fail to predict accurately future development trends or adapt to the evolving market demand. Our reputation and results of operations will continue to depend on our ability to anticipate these changes accurately and to expand our product portfolio and solution offerings to meet our customers' evolving needs. In addition, substantial cost may be required to (i) adjust our scope of products and services in response to such rapid changes; (ii) adjust and/or expand our product portfolio and solution offerings; (iii) provide updated technical training to our staff; and (iv) identify new suppliers.

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There is no assurance that we may keep ourselves abreast with the latest technology. In the event that we are unable to accurately predict the market trends or adapt to the evolving market demand, our ability to innovate and meet customers' IT needs will suffer and competitiveness will be materially and adversely affected. As a result, our business, prospects, financial conditions and results of operations may also be materially and adversely affected.

### **Our contracts are on project basis, which creates uncertainty as to our future revenue streams**

Due to the nature of the IT industry, the procurement of IT products in our distribution business are for usage in specific project while the provision of IT infrastructure solutions services in our SI solutions business are on project basis, and hence are non-recurring in nature. In SI solutions business, our customers may subsequently engage us in future enhancement works or conducting upgrades for the IT infrastructure systems integrated by us from previous projects. Our customers may also engage us for new IT infrastructure solutions services after the retirement of outdated ones. However, there is no assurance that our customers will continue to provide us with new business opportunities after completion of our contracts. Other than providing IT infrastructure solutions services, we also provide IT maintenance and support services to our customers. There is no guarantee that these IT maintenance and support services contracts will be renewed in the future or we will be able to enter into new contracts with our customers.

The nature of our contracts on project basis creates uncertainty as to our future revenue streams. In addition, our ability to achieve customer retention, expansion and new customer sales depends on many factors, including the level of customer satisfaction with our product and service quality and standard, our prices, the prices offered by our competitors, the effects of global economic conditions and reductions in customer spending levels generally. If we fail to maintain business relationships with our existing customers and secure new orders or new projects from existing or new customers, the growth of our revenue may decrease and as a result, our business, financial performance and results of operations may be adversely affected.

### **We generally do not enter into long-term agreements with our customers**

Our customers generally comprise two categories, namely resellers and end-users, and we generally do not enter into long-term agreements with our customers for purchase of our IT products and/or provision of our SI solutions. Since our customers are generally not obliged to continue purchasing products and/or services from us, or otherwise retain their business relationships with us, there is no assurance that our customers' purchase orders or engagements will remain constant or increase or that we will be able to maintain or add to our existing customer base. In the event that any of these customers decide to choose our competitors and terminate business relationships with us and we fail to expand our business with existing customers or to attract new customers, we may experience no growth or even decrease in revenue, and hence our business, prospects, financial conditions and results of operations may be materially and adversely affected.

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### **We may encounter cost overruns or delays in our SI solutions projects, which may materially and adversely affect our business, financial position and results of operations**

As our SI solutions are generally provided on a project basis, the terms of the contracts normally require us to complete the project at a pre-agreed fixed price. In determining the quotation of the projects, we take into account of, among others, the scope of services, the procurement cost of IT products required for the project and estimated time to be spent by various level of technical staff for completing the project. There may be many factors affecting the cost incurred by us and the actual time taken in completing the SI solutions projects, which include, among others, technical difficulties, integration with third-party suppliers' products, subcontracting arrangement and other unforeseeable problems and circumstances. Any one of these factors may result in cost overruns or delays in the completion of these projects. There is no guarantee that the cost incurred and actual time taken would not exceed our estimation.

There is no guarantee that we would not encounter cost overruns or delays in our current and future projects. Some of our SI solutions projects are subject to specific completion schedules. If we do not meet the schedules, some of our customers are entitled to claim liquidated damages from us. Failure to meet the schedule requirements of our projects may result in liquidated damages claims, other liabilities and disputes with our customers or even termination of relevant projects. In the event that such problems occur, it would materially and adversely affect our business, prospects, financial performance and results of operations.

### **Our customers' preferences in SI solutions business are highly subjective in nature and can substantially deviate from one another, and consequently failure to accommodate our customers' individual preferences may result in customer dissatisfaction, thereby potentially damaging our business reputation and hindering our opportunity to secure future contracts or orders**

The SI solutions that we provide is highly dependent on our customers' preferences which are highly subjective in nature. Designs that appeal to some customers may not appeal to others. Preferences and expectations vary from customer to customer. If we fail to accommodate our customers' individual preferences, it may result in customer dissatisfaction, thereby potentially damaging our business reputation and hindering our opportunity to secure future contracts or orders.

### **It may be difficult for us to maintain our high business partnership rankings with our IT products vendors**

As at the Latest Practicable Date, in our SI solutions business, we had been awarded a number of awards and recognitions, among others, (i) "Fujitsu Platform Product Partner of the Year" by Fujitsu for two consecutive years since 2019; (ii) "VMware FY18 Partner of the Year — vSAN" by VMware for 2019; (iii) "FY18 The Best New Business Reseller" by Micro Focus in 2019; and (iv) 2020 Partner of the Year Award — Sangfor Best Gold Partner by Sangfor in 2020. We also attained high business partnership rankings, 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) "FY21 Premier Partner" by Barracuda for 2021. With these high business partnership rankings, we enjoy privileges such as more favourable terms and more technical support and opportunities for technical training from IT products vendors and their authorised distributors.



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These benefits are also available to our competitors which had also obtained the same rankings of business partnership from the relevant IT products vendors. In order to maintain our high business partnership rankings with the IT products vendors, we are required to meet certain criteria and keep ourselves abreast with the updated IT products provided by such IT products vendors. If we fail to maintain our business partnership with these IT products vendors, the resources, support and favourable terms given by them on an on-going basis may reduce and our cost of sales and services may increase. This may in turn adversely affect our competitiveness as compared to our competitors and thereby affecting our business, results of operations and profitability.

### **We may record net cash outflows during the provision of SI solutions and may not have sufficient working capital if we take up too many significant projects in the future, which may affect our financial position**

Net cash outflows may be recorded during the provision of SI solutions if we are required to pay expenditures before the actual receipt of payments from customers. We may be required to place inventory orders prior to receiving any payment from our customers, or our customers may even cancel part of or the entire purchase orders and demand for refund after we have procured the necessary IT products. As long as the payments from our customers are insufficient to cover the costs incurred by us at a particular stage and our cash outflows continue, the burden on our working capital will increase. We may also be required to provide performance securities in the form of performance bond or contract deposit to ensure our due performance during the term of the contract and as condition of entering into agreements respectively. The performance bond and contract deposit will not be released until a certain period after the completion of project or the expiry of the agreements respectively.

In the event that we take up too many projects which require us to pay performance securities during a particular period of time and we do not have sufficient working capital to pay expenditures or if our customers request to retain certain part of our payment during the term of project, our financial conditions including cash flow may be adversely affected.

### **We may experience inventories obsolescence if we fail to maintain optimal inventory level**

We may experience inventories obsolescence if we fail to maintain optimal inventory level for our business operations. Our inventories mainly consisted of (i) hardware and other auxiliary products and (ii) software licenses. As at 31 March 2020, 2021 and 2022, the balance of our inventories amounted to approximately HK\$18.2 million, HK\$9.8 million and HK\$15.8 million respectively. It is our Group's general policy to place orders with our suppliers upon confirmation of orders from our customers on a back-to-back basis. 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. For details, please refer to the section headed "Financial Information — Principal components of our current assets and current liabilities — inventories" in this document.

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During the Track Record Period, our average inventory turnover days were 23.3 days, 16.9 days and 9.1 days respectively and we recorded write-down of inventories amounted to approximately HK\$0.9 million, HK\$1.1 million and HK\$0.7 million respectively to reflect primarily our expired software licenses previously used as sample for our customers. If we fail to manage the increase in our inventories or accurately forecast the demand of our customers, this may result in obsolescence of our inventories and increase our inventory holding costs and write-down of inventories, which could have adverse effect on our financial conditions and results of operations.

### **We are exposed to potential liabilities for damages caused by our negligent acts or omissions in providing our SI solutions**

The SI solutions provided by us are critical to the operations of our customers' businesses. Any defects or errors in our SI solutions could affect our customers' operations. Although we normally run through user acceptance testing before final launch, there is no assurance that all the bugs, errors or flaws in our SI solutions have been detected and corrected. If any material losses, damages or liabilities are caused by our negligent acts or omissions in providing our services, we shall be responsible for such damages or losses, which will have a material adverse effect on our business and financial results.

### **We may be vicariously liable for the acts or omission of our employees and face legal actions or claims brought by our customers for damages caused by the negligent conduct or fault of our employees**

Our employees may at times be required to work at our customers' premises. Although our employees may be working under the supervision of our customers, we may still be vicariously liable for their acts or omissions while they carry out their responsibilities entrusted to them by our customers. We may face legal actions or claims brought by our customers for damages caused by the negligent conduct or fault of our employees. In such event, we may need to incur additional costs to settle or defend these legal actions or claims against our business and our results of operations may be adversely affected.

### **Our historical financial conditions and results of operations may not be indicative of our future growth**

For the Track Record Period, our revenue was approximately HK\$331.9 million, HK\$387.4 million and HK\$631.5 million respectively, with our profit for the year of approximately HK\$26.1 million, HK\$24.8 million and HK\$47.3 million for the corresponding year. For the same periods, our gross profit was approximately HK\$69.2 million, HK\$86.3 million and HK\$116.1 million respectively, with our overall gross profit margin of approximately 20.8%, 22.3% and 18.4% in the corresponding year. For details, please refer to the sections headed "Financial Information — Review of results of operations from continuing operations" in this document.

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We may not be able to sustain our historical growth rate, revenue and profit margin during the Track Record Period for various reasons, including but not limited to, intensification of competition among IT industry, fluctuations on the costs of products and services and other unforeseen factors such as reduced number of customers and/or reduced profit margin of the IT products and SI solutions. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

### **We may experience weak liquidity as we had recorded negative cash flow from our operating activities in the past**

For FY2020/2021, we recorded negative cash flow from our operating activities of approximately HK\$38.3 million, which was mainly due to (i) the decrease in profit before taxation primarily resulted from the [REDACTED] incurred during the year; and (ii) the movements in working capital, in particular, the decrease in trade and other payables and accrued charges primarily resulted from our substantial payments of trade payables to certain suppliers. We further recorded a negative cash flow from our operating activities of approximately HK\$32.5 million for FY2021/2022 mainly due to the increase in trade and other receivables, deposits and prepayments. Please refer to the section headed "Financial Information — Liquidity and capital resources" in this document for a more detailed discussion. There is no assurance that we will not experience another period of negative cash flow from our operating activities in the future.

### **We may not be offered favourable settlement terms by Kwong Ming Engineering or other suppliers for settling our outstanding trade payables, which may adversely affect our Group's cash flow position and liquidity**

Our trade payables to Kwong Ming Engineering gradually accumulated to approximately HK\$34.2 million and HK\$61.0 million as at 31 March 2019 and 2020 respectively, as our Group continued to engage Kwong Ming Engineering in network and system infrastructure projects for FY2018/2019 and FY2019/2020. As we managed to negotiate favourable settlement terms of fees payable to Kwong Ming Engineering, Kwong Ming Engineering did not demand us to settle the outstanding trade payables per the 30-day credit term and there was no repayment schedule agreed between our Group and Kwong Ming Engineering. For the details of the commercial rationales that Kwong Ming Engineering was willing to offer such favourable settlement terms to our Group, please refer to the section headed "Financial Information - Principal Components of our current assets and current liabilities - Trade payables - Trade payables to Kwong Ming Engineering" in this document.

There is no assurance that Kwong Ming Engineering will continue to offer the same or similar favourable settlement terms to us in the future. Notwithstanding the trade payables to Kwong Ming Engineering decreased by approximately HK\$38.8 million or 63.6% from approximately HK\$61.0 million as at 31 March 2020 to approximately HK\$22.2 million as at 31 March 2021, our Group's cash flow position and liquidity may be adversely affected if, in the future, the favourable settlement terms from Kwong Ming Engineering are discontinued and we are not able to secure similar terms from other suppliers.

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### **We are subject to interest rate risk**

We have bank borrowings amounted to approximately HK\$49.7 million, HK\$69.8 million and HK\$77.0 million as at 31 March 2020, 2021 and 2022 respectively, which are subject to interest rate risks. Some of the banking facilities carry a floating interest rate and we are subject to the interest rate risk. The ranges of effective interest rates on bank borrowings as at 31 March 2020, 2021 and 2022 were ranged from 2.3% to 5.6%, 2.1% to 5.6% and 2.0% to 5.0% per annum respectively. During the Track Record Period and up to the Latest Practicable Date, we have not hedged any of such interest rate risks.

Our result of operations and financial conditions may be sensitive to changes in interest rates set by relevant parties. Adjustments by these relevant parties to interest rates on our bank borrowings or any changes in market interest rates, may negatively affect our financial conditions and results of operations.

### **Our high gearing ratio may expose us to liquidity risk**

During the Track Record Period, we, to certain extent, relied on bank borrowings to finance our business operations. We expect that we may continue to do so in the future. As at 31 March 2020, 2021 and 2022, our bank borrowings amounted to approximately HK\$49.7 million, HK\$69.8 million and HK\$77.0 million, while our gearing ratio was approximately 454.8%, 247.8% and 104.3% respectively.

We cannot assure you that we will not have a high level of bank borrowings and/or high gearing ratio in the future. The high level of bank borrowings and/or high gearing ratio may (i) require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow from operations to fund working capital, capital expenditure and other general corporate purposes; (ii) increase our vulnerability to adverse economic or industry condition; (iii) limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate; (iv) potentially restrict us from pursuing potential strategic business opportunities; (v) limit our ability to incur additional debt; and (vi) increase our exposure to interest rate fluctuations.

Accordingly, the high level of bank borrowings and/or high gearing ratio position, if recur in the future, may expose us to liquidity risk and adversely affect our results of operations and financial positions.

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### **We are exposed to credit risk of our customers**

We are subject to credit risk of our customers and our profitability and cash flow are dependent on our receipt of timely payments from our customers. If there is any delay in payment by our customers, our profitability, working capital and cash flow may be adversely affected. There is no assurance that we will be able to collect all or any of our trade receivables in a timely manner, or at all. As at 31 March 2020, 2021 and 2022, our trade receivables amounted to approximately HK\$63.7 million, HK\$112.4 million and HK\$157.8 million respectively. In addition, our average trade receivables turnover days were approximately 63.5 days, 82.9 days and 78.1 days, respectively. If any of our customers faces unexpected situations, including but not limited to, financial difficulties or deterioration in credit worthiness, we may not be able to receive full or any payment of uncollected sums or enforce any judgement debts against such customers. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to recover all or any part of the amount due from our customers or we will be able to collect all or any part of the amount within the agreed credit terms or at all. In the event that the settlements from the customers are not made within the agreed credit terms or at all, our financial position, profitability and cash flow may be adversely affected.

### **If we are unable to fulfill our performance obligations in respect of contract liabilities, our results of operations and financial condition may be adversely affected**

As at 31 March 2020, 2021 and 2022, we recorded contract liabilities of approximately HK\$14.7 million, HK\$15.9 million and HK\$25.5 million respectively. Our contract liabilities primarily arise from the upfront deposits received from customers while the underlying performance obligations under our contracts with customers are yet to be satisfied by us. For details, please refer to the section headed "Financial Information — Principal components of our current assets and current liabilities — Contract assets/liabilities" in this document. If we fail to fulfill our performance obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the deposits they have made, which may adversely affect our cash flow and liquidity condition and our ability to meet our working capital requirements and in turn, our results of operations and financial conditions. In addition, if we fail to fulfill our performance obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future.

### **We are subject to foreign exchange risks due to purchase of IT products from foreign suppliers**

Our reporting and functional currency is HK\$ whilst our business transactions, besides those denominated in HK\$, also include other currencies, primarily US\$, RMB and MOP. We may from time to time purchase IT products from foreign suppliers for our distribution and SI solutions businesses. This exposed us to risks associated with fluctuations in foreign currencies. We recorded net exchange gain of approximately HK\$39,000, HK\$227,000 and HK\$66,000 for FY2019/2020, FY2020/2021 and FY2021/2022 respectively. In the event that the foreign exchange rate fluctuates unfavourably to us, our results of operations and financial conditions may be adversely affected.

## **RISK FACTORS**

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### **Our results of operations and financial conditions may be adversely affected by our financial assets at fair value through profit or loss due to the uncertainty of accounting estimates in the fair value measurement with the use of significant unobservable input**

During the Track Record Period, our financial assets at fair value through profit or loss primarily represented the life insurance contracts for our Director, Mr. Charlie Ip, which are measured under Level 3 fair value hierarchy. As at 31 March 2020, 2021 and 2022, our financial assets at fair value through profit or loss amounted to approximately HK\$7.5 million, HK\$7.6 million and HK\$11.1 million respectively. For details of the life insurance contracts, please refer to “Notes to the historical financial information — 16. Financial assets at FVTPL” in Appendix I to this document.

Our Group’s financial assets are measured at fair value with significant unobservable inputs used in the valuation techniques and the changes in their fair value are recorded as other gains and losses, net in our consolidated statements of profit or loss and other comprehensive income, and therefore directly affects our profit for the year and our results of operations. We recognised a fair value gain on financial assets at fair value through profit or loss of approximately HK\$80,000, HK\$104,000 and HK\$99,000 for FY2019/2020, FY2020/2021 and FY2021/2022 respectively. We cannot assure you that we will continue to incur such fair value gain in the future. If we incur fair value loss, our results of operations and financial conditions may be adversely affected.

### **We have records of certain non-compliance with the IRO, which could lead to imposition of penalties or additional tax**

During the Track Record Period, we had certain non-compliance with the IRO where we (i) failed to file notices regarding the commencement of employment of employees (Form IR56E) for all new hires who are likely to be chargeable to individual tax within three months after the commencement of the new employment and notices regarding the cessation of employment of employers (Form IR56F) which are required to be filed no later than one month before the termination of employment for all employees who ceased employment with the Group; (ii) failed to file profits tax return within the prescribed time limit; and (iii) failed to make full payment of profits tax within the prescribed time limit. Having taken into account the advice from the tax representative of our Group, we and its responsible persons may be subject to penal action under Sections 80(1), 80(2), 80(5) or 82A of the IRO as a result of the aforementioned non-compliance. For details of such non-compliance, please refer to the section headed “Business – Legal proceedings and legal compliance – Legal compliance”. As at the Latest Practicable Date, we had yet to receive (i) penalty from the IRD in relation to the failure to file Forms IR56E and IR56F within the prescribed time limit; and (ii) notice of surcharge for late payment of profits tax of Multisoft for YOA 2018/19. However, there is no assurance that the IRD or relevant authorities would not take any enforcement action against us in relation to the non-compliance of regulatory tax requirements of Hong Kong. In the event that such enforcement action is taken by the IRD, our reputation, cash flow and results of operations may be adversely affected.

## **RISK FACTORS**

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### **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**

During the course of providing our services, we and our subcontractors may have access to and be entrusted with information that is confidential in nature, such as information that relates to our customers' systems, operations, raw data or affairs. While we have adopted measures to protect the confidentiality of our customers' information, including our internal control manual and the non-disclosure arrangements with our employees, there is no assurance that the steps taken by us will successfully prevent any leakage or misappropriation of confidential information of our customers. Any leakage or misappropriation of confidential information of our customers could expose us to complaints or claims, which may materially and adversely affect our reputation and business operations.

In addition, we seek to protect our know-how, confidential information and trade secrets, in part, by entering into non-disclosure and confidentiality agreements or other means to such effect, with parties who have access to them, such as our employees. Despite these efforts, any of these parties may breach such agreements, intentionally or unintentionally and disclose our proprietary information and we may not be aware of or able to obtain adequate remedies for such breaches. The unauthorised disclosure and/or misappropriation of trade secrets is difficult to detect and/or to prove. As such, it is difficult, expensive and time-consuming to establish trade secret misappropriation claims, with no guarantee of success or adequate remedies. Such disclosures could also lead to a loss of trade secret protection, which could materially and adversely affect our business, competitive position, financial conditions and results of operations.

### **Any infringement of our intellectual property rights or any infringement by us on the intellectual property rights of others, in particular our customers, may adversely affect our business and our financial performance**

Any unauthorised use of our trademark or domain name by our competitors in their corporate names or brands could harm our image and erode our competitive advantages. It is difficult to keep track of unauthorised use of our proprietary rights and the steps taken by us may not effectively prevent infringement of our intellectual property rights. If we have to resort to litigation to enforce our intellectual property rights, significant legal costs may be incurred.

## **RISK FACTORS**

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Conversely, there is also a risk that we may infringe the intellectual property rights of others, including our customers. In the development, operations and testing of our software applications or during the course of our services, we may have to use a number of open source software and third-party software. Therefore, we may have to obtain licences for the use of such open source software and third-party software and comply with their terms and restrictions. There can be no assurance that we will not be claimed against or alleged to have used any of our customers' or third party's source codes or software or for breaching any terms and restrictions under any licence or other obligations. Defending these claims could be costly and may divert the attention of our management from operating our business. If we become liable to third parties for infringing their intellectual property rights, we may be required to pay substantial damages, incur additional expenditure in developing non-infringing alternatives or to obtain licence to use the infringing properties. Our customers or potential customers may defer, reduce or cancel their purchase of our IT products and SI solutions as a result of protracted litigation, which may materially and adversely affect our business, competitive position, financial conditions and results of operations.

### **Any litigation, legal disputes or claims may result in costs and liabilities and adversely affect our performance**

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material litigation, claim or any other proceedings against us in any jurisdiction. However, we may be in dispute with our customers, suppliers, staffs and other parties concerned with our projects for various reasons. Such disputes may be in connection with, among others, delay of works, payment disputes, labour disputes or contractual claims under distribution agreements. Our operational and financial stability are subject to any litigation or legal proceedings we may face in the future. These actions may adversely affect our brand image, reputation and customers' preference for our products and/or services. In addition, the handling of disputes, litigation and other legal proceedings may sometimes involve or divert a high degree of our management's attention, resources and input and cause us to incur extra time and costs. If we are unable to defend us in any legal proceedings or disputes, we may be liable to pay for the damages or penalties. Further, should any claims against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected.

### **We may not be adequately insured against losses and liabilities arising from our operations**

We recognise that our operation and business are susceptible to potential losses and our exposure to liability arising from claims of various nature set out in the risk factors above. We have purchased various insurance policies, including employees' compensation, business interruption, damage of properties and public liabilities, which we believe is in line with common industry practice. Please see the paragraph headed "Business — Insurance" for further details of our insurance coverage. However, the current coverage of our insurance policies may not be adequate to fully compensate for the full extent of the losses suffered by us. Further, any compensation is contingent upon the assessment of the relevant insurance companies in accordance with the terms of the relevant insurance policies. There is no guarantee that we will be indemnified in part or in full in any given case. In the event that we suffer from any losses, damages or liabilities in the course of our business operations which our insurance does not cover, we may not have sufficient funds to cover such losses, damages or liabilities. The resulting payment to cover such losses, damages or liabilities may have a material adverse effect on our business, prospect, financial conditions and results of operations.



## **RISK FACTORS**

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### **We may not be able to successfully implement our strategies or achieve our business objectives**

Our future business growth primarily depends on the successful achievement of our business objectives and implementation of our business strategies and future plans as set out in the section headed "Business — Our business strategies" in this document. The objectives are based on prevailing circumstances and the development trend of the IT industry currently known to our Directors and therefore subject to high degree of risks and uncertainties. Currently, we intend to recruit additional employees with the necessary skills and knowledge to achieve our planned expansion. Our Directors believe that competition for skilled IT professionals is intense in Hong Kong. As a result, we may encounter shortages of skilled and competent personnel, which may hamper our ability to implement our strategies in the future. In addition, the planned expansion may result in significant capital expenditures incurred by us, which may or may not be recoverable, and may divert management's attention from other business concerns. As such, there is no assurance that our business objectives, business strategies and future plans will be accomplished, whether in whole or in part or be implemented within the estimated timeline. In the event that our future plans are not implemented and our business objectives are not accomplished, our business, profitability and financial positions in the future may be materially and adversely affected.

### **We face direct competition from other distributors for our HCI product and AI servers providers and may not be able to sell the inventories**

As part of our business strategies, we intend to utilise approximately [REDACTED] of the [REDACTED] from the [REDACTED] to enrich our product portfolio and secure supply of HCI products of Brand A and AI servers of Brand B. 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. We have no control over Brand A and Brand B's decision and strategies as to their sales and distribution channel which affect the extent and nature of their co-operation with their distributors. The other distributors of Brand A and Brand B could have a more extensive sales network or a stronger customer base compared with us. As a result, we may face direct competition from the other distributors of Brand A and Brand B in capturing higher market shares. If we are unable to expand our market share, our business, financial conditions and results of operations would be materially and adversely affected.

In addition, pursuant to the distribution agreements with Brand A and Brand B, we are subject to minimum purchase commitment and therefore are required to purchase inventories to satisfy the minimum purchase commitment. However, we may not be able to market the products and sell the inventory, which may result in an increase in our inventory level and may experience a high risk of inventory obsolescence, a decline in inventory value and significant inventory write-downs or write-offs. Any of the above circumstances may materially and adversely affect our financial conditions and results of operations.

## **RISK FACTORS**

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### **Our new team of staff for digital transformation services may not be able to meet the required standards, timing or budget of the projects**

We intend to build up our in-house capability in providing digital transformation services by hiring a new team of staff with expertise in coding and algorithm, which is one of the key components of such services. While we endeavor to attract the staff with suitable background and experience and ensure they are appropriately remunerated, there is no assurance that the work of the new team of staff can meet the required standard or that they can complete the projects within the timeframe and budget of our projects. If the new team of staff fails to meet the required standards or complete the project within the agreed timeframe, we may need to engage subcontractor at our own cost to complete the project. In addition, failure to meet the required standards or complete the project within the agreed timeframe with customers may adversely affect our relationship with such customers, which may in turn affect our reputation and results of operations in the future. Such failure may also result in breach of contract, as well as expose us to liability and the requirement to pay compensation under the relevant agreements, lawsuits and damages to our reputation, which could have a material and adverse effect on our business, financial conditions and results of operations.

### **We rely on our IT management systems and any breakdown of our IT management systems may adversely affect our business and financial performance**

We rely on our IT management systems to monitor our contract progress, manage our working schedule, monitor our inventory requirements, allocate our resources and review our performance, which enables us to review our capacity, trace our customers' orders and assess our service delivery schedule and contract progress in a timely and systematic manner. Any breakdown, malfunctioning or failure of our IT management systems, whether as a result of human error or natural disaster, may cause disruption or hindrance to our services to be provided to our customers, thereby materially and adversely affecting our business, financial performance and results of operations.

### **Our legal rights to certain leased property may be challenged, which could prevent us from continuing to occupy the affected property**

Title to the leased property rented by us may be challenged, which could prevent us from continuing to occupy our Multisoft WFOE's office. As of the Latest Practicable Date, for our Multisoft WFOE's office leased by us under a tenancy agreement with a lease period from 11 August 2021 to 30 September 2022, we have not been provided by the landlord the original of the relevant property ownership certificate, the planning approvals or other documents proving the relevant title of the property. As a result, we may not be able to continue occupying the relevant property and will need to relocate our Multisoft WFOE's office if being challenged by a third party or relevant authorities. If we need to relocate our Multisoft WFOE's office within a short period of time, we may have to bear the relocation costs generated and the relocation may cause disruption to our business operations in the PRC if we are unable to identify suitable alternative office in a timely manner, on favourable terms, or at all. For more details on the leased property, please refer to the section headed "Business — Properties" in this document.

## **RISK FACTORS**

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### **Our business, operational results and financial performance may be adversely affected if we fail to retain key executives and senior management or find suitable replacements as we rely heavily on them**

Our operating performance, growth and success depend on the continued services and performance of our executive Directors and senior management. While we have established long-term employment relationships with members of our Board and senior management, there is no assurance that any of these members of our Board and senior management will continue his or her present capacity with us for any particular period of time. If any of these members of senior management is unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team or any of our other key personnel joins a competitor or forms a competing business, we will lose the benefits of their contributions to our business and operations. Any failure to attract, retain and motivate these individuals, any member of our senior management team or any of our other key personnel, or to find suitable and qualified replacements should we lose their services, may materially and adversely affect our business and prospects.

### **RISKS RELATING TO OUR INDUSTRY**

#### **We operate in a competitive industry and we cannot assure you that we will be able to compete successfully**

The IT industry in which we operate is competitive. There is a large supply of distributors offering similar IT products and SI solutions providers offering similar services as those offered by us. Additional competitors with significant market presence and adequate financial resources may also enter the IT industry where we operate and thereby increase the competition.

Our market position depends on our ability to anticipate and respond to various factors in a timely manner, including technical expertise, responsiveness to our customers' preference and requirements and completion of relevant contracts to meet our customers' schedules. There can be no assurance that the competition in the IT industry will not increase in the future and if we fail to maintain or improve our market position or fail to respond successfully to changes in the competitive landscape, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

#### **Our failure to keep abreast of the latest market developments in the IT industry and IT technological changes may drive us out of competition**

Our future success will depend, in part, on our ability to (i) adapt to rapidly changing technologies; (ii) continuously improve the know-how of our staff in response to technological advancement and changes; (iii) accumulate in-depth knowledge of the features and functionalities of the IT products and SI solutions; and (iv) identify new suppliers of IT products that can broaden our product portfolio and solution offerings to meet the requirements and preferences of our customers. If we fail to keep up with the future development trends or keep updates on IT technological changes and introduction of new IT products and SI solutions, our ability to respond effectively to customer demands may be adversely affected, which may undermine our future development and have an adverse impact on our business and financial results.

## **RISK FACTORS**

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### **RISKS 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, economic and social conditions in Hong Kong**

We conducted our business primarily in Hong Kong during the Track Record Period. Our business operation in Hong Kong is subject to political, economic and social conditions in Hong Kong. Any unfavourable developments of political, economic or social conditions may lead to social instability and uncertainty, which will have adverse impacts on the economic and trading activities in Hong Kong. This may affect the demand for our products and services and deteriorate our financial performance.

Approximately 97.1%, 94.7% and 95.8% of our revenue was generated from our customers located in Hong Kong for the Track Record Period respectively. Customers may reduce spending on IT products and SI solutions if there are adverse changes in political, economic and social conditions in Hong Kong.

#### **Economic, political and social conditions, as well as government policies in the PRC could have a material adverse effect on our business, results of operations, financial conditions and prospects**

Our revenue attributable from the PRC was approximately HK\$6.6 million, HK\$14.2 million and HK\$20.2 million for the Track Record Period respectively, representing approximately 2.0%, 3.7% and 3.2% of our total revenue in the corresponding year. For details, please refer to the sectioned headed "Business — Customers" in this document. The economy of the PRC differs from the economies of most developed countries in many respects, including, among others, the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. For example, the PRC government also exercises significant control over economic growth by allocating resources, setting fiscal and monetary policy and providing preferential treatment to particular industries or companies. Therefore, any significant change to the political, economic and social environments, as well as government policies of the PRC may materially and adversely affect our business, financial conditions, results of operations and prospects.

#### **Uncertainties regarding interpretation and enforcement of the PRC laws, rules and regulations may have a material adverse effect on us**

As part of our business and operations are conducted in the PRC and we are therefore subject to the PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes, while court decisions have limited precedential value and are cited for reference only. Due to the limited number of published cases and the non-binding nature of court decisions, there are uncertainties on the interpretation and enforcement of the laws and regulations. The interpretation of the PRC laws, rules and regulations may also be influenced by changes in monetary policy and changes in the domestic, political and social conditions in the PRC. Accordingly, the outcome of dispute resolutions and/or litigation in the PRC may not be consistent or predictable.

## **RISK FACTORS**

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Furthermore, the PRC legal system is partly based on government policies and certain internal rules, some of which are not published on a timely basis or at all, which may have a retrospective effect. As a result, we may not be aware of any violation of these policies and internal rules until sometime after the violation. Moreover, administrative or court proceedings may be extended, resulting in substantial costs and diversion of resources and management attention if we seeks to enforce our legal rights through administrative or court proceedings. In addition, compared to a more developed legal system, the PRC administrative and court authorities have substantially wider discretion in interpreting and implementing statutory and contractual provisions. Therefore, the outcome of administrative and court proceedings and the level of legal protection we are entitled to may be difficult to evaluate. These uncertainties may have a negative impact on our ability to enforce contracts, which could in turn materially and adversely affect our business and results of operations.

### **Any changes to the PRC government policies regarding foreign investments in the PRC may adversely affect our business, financial conditions and results of operations**

Foreign investments are subject to foreign investment policies and laws of the PRC. Under the Special Administrative Measures for the Access of Foreign Investment (2021 version), which was jointly issued by the MOFCOM and NDRC on 27 December 2021 and became effective on 1 January 2022, our distribution and SI solutions businesses do not fall under the prohibited or the restricted categories for foreign investments. There is no assurance that our business would not fall under such prohibited or restricted categories subsequent to any change to the foreign investment policies and laws of the PRC or that we could not be subject to more stringent restrictions on its operation and business, which may adversely affect its financial conditions and results of operations.

### **We face risks associated with our operations in Macau**

Apart from our operations in Hong Kong and the PRC, we also operate in Macau. Our business, financial conditions and results of operations are subject to risks and uncertainties relating to the relevant jurisdiction in which we operate, including:

- exposure to international, regional and local economic and political conditions and regulatory policies;
- changes in legal developments and enforcement risks;
- control of foreign exchange and fluctuations in foreign exchange rate;
- inflation;
- developments in labour law and increase in labour cost; and
- restrictions or requirements relating to foreign investment.

## RISK FACTORS

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### RISKS RELATING TO THE [REDACTED]

#### **There has been no prior public market for our [REDACTED] and an active trading market for our [REDACTED] may not develop or be sustained**

No public market for our [REDACTED] existed prior to the [REDACTED]. Following completion of the [REDACTED], the Stock Exchange will be the only market on which our [REDACTED] are publicly traded. We cannot assure you that an active trading market for our [REDACTED] will develop or be sustained after the [REDACTED]. Moreover, we cannot assure you that our [REDACTED] will trade in the public market subsequent to the [REDACTED] at or above the [REDACTED]. The [REDACTED] is expected to be fixed by agreement among the [REDACTED] (for itself and on behalf of the other [REDACTED]) and our Company and may not be indicative of the market price of our [REDACTED] following the completion of the [REDACTED]. If an active trading market for our [REDACTED] does not develop or is not sustained after the [REDACTED], the market price and liquidity of our [REDACTED] could be materially and adversely affected.

#### **The trading prices and volume of our [REDACTED] may be volatile, which could result in substantial losses to you**

The trading prices of our [REDACTED] may be volatile and could fluctuate to a large extent in response to factors which are beyond our control, including but not limited to, variations in the level of liquidity of our [REDACTED], changes in the estimates of our financial performance of securities analysts (if any), our investors' perceptions, changes in laws, regulations and taxation systems which affect our operations, the general market conditions in the securities market in Hong Kong and the general investment environment. In particular, the trading price performance of our competitors of which securities are [REDACTED] on the Stock Exchange may affect the trading prices of our [REDACTED]. These broad market and industry factors may significantly affect the market prices and volatility of our [REDACTED], regardless of our actual operating performance.

In addition to market and industry factors, the trading prices and volume of our [REDACTED] may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing our business and growth strategies, involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our [REDACTED] to change unexpectedly. Any of these factors may result in material and sudden changes in the trading prices and volume of our [REDACTED].

#### **The [REDACTED] is entitled to terminate the [REDACTED]**

Prospective investors should note that the [REDACTED] (for itself and on behalf of the [REDACTED]) is entitled to terminate its obligations under the [REDACTED] by giving notice in writing to us upon the occurrence of any of the events stated in the relevant [REDACTED], which are set out in the section headed "[REDACTED] — [REDACTED] arrangements and expenses — [REDACTED] — Grounds for termination" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Such events may include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, economic sanction, epidemic, pandemic, fire, floods, tsunami, explosions, acts of terrorism, earthquakes, strikes or lock-outs. Should the [REDACTED] (for itself and on behalf of the [REDACTED]) exercises its rights and terminate the [REDACTED], the [REDACTED] will not proceed and will lapse.

## **RISK FACTORS**

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### **Future sale of substantial amounts of our [REDACTED] in the public market may adversely affect the prevailing market price of our [REDACTED]**

Sale of substantial amounts of our [REDACTED] in the public market after completion of the [REDACTED] or the perception that such sale could occur, may adversely affect the prevailing market price of our [REDACTED] and materially impair our future ability to raise capital through [REDACTED] of our Shares. We cannot assure you that our major shareholders would not reduce their shareholding by disposing of our [REDACTED]. Any significant disposal of our [REDACTED] by any of our major shareholders may materially affect the prevailing market price of our [REDACTED]. In addition, these disposals may impose greater difficulty for us to issue new [REDACTED] in the future at a time and price we deems appropriate, thereby limiting our liability to raise further capital.

We cannot predict the effect, if any, that any future sales of [REDACTED] by our Controlling [REDACTED] or the availability of [REDACTED] for sale by our Controlling Shareholder or the issuance of [REDACTED] by us may have on the market price of the [REDACTED]. Sale or issuance of a substantial amount of [REDACTED] by our Controlling Shareholder or us or the market perception that such sale or issuance may occur, could adversely affect the prevailing market price of the [REDACTED].

### **Historical dividends are not indicative of our future dividends**

We declared the dividends of approximately HK\$20.0 million, HK\$6.0 million and nil during the Track Record Period, respectively. The value of dividends declared and settled in previous years should not be relied upon by potential investors as a guide to our future dividend policy of or as a reference or basis to determine the amount of dividends payable in the future. There is no assurance that dividends will be declared or paid in the future at a similar level or at all. The amount of any dividends in the future will be subject to, among other factors, our Directors' discretion, having taken into account our substantial capital requirements in the foreseeable future, the availability of distributable profits, our earnings, working capital, financial position, capital and funding requirements, the applicable laws and other relevant factors.

In any event, there is no guarantee that our Company will receive sufficient distribution from our subsidiaries to support any future profit distribution to our shareholders or that the amounts of any dividends declared by our Company in the future, if any, will be of a level comparable to dividends declared and paid by us in the past or by other [REDACTED] companies in the same industry as us.

### **The interests of our Controlling Shareholders may differ from those of other shareholders**

The interests of our Controlling Shareholders may differ from those of other shareholders. Should the interests of our Controlling Shareholders conflict with those of other shareholders or should our Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of other shareholders, you could be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our shareholders for approval, such as mergers, acquisitions and disposal of all of our assets, election of directors and other significant actions. Our Controlling Shareholders have no obligation to consider the interests of our Company or the interests of other shareholders.

## **RISK FACTORS**

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### **We may issue additional [REDACTED] in the future, in which your [REDACTED] may be diluted**

We may be required to issue up to an additional [REDACTED] at the [REDACTED] (representing [REDACTED] of the number of the [REDACTED] under the [REDACTED] should the [REDACTED] exercise the [REDACTED]). We may also consider issuing and [REDACTED] additional [REDACTED] in the future to raise additional funds, finance acquisitions or for other purposes. In the event that we issue additional [REDACTED] in the future, the percentage ownership of our existing shareholders and the earnings per [REDACTED] may be diluted. Moreover, such new [REDACTED] may have preferred rights, options or pre-emptive rights that make them more valuable than our [REDACTED].

### **The [REDACTED] of our [REDACTED] is higher than our net tangible book value per [REDACTED] and your [REDACTED] may be diluted**

Should you invest in our [REDACTED] at the [REDACTED], you will pay more for the [REDACTED] than our net book value on a per [REDACTED] basis. As a result, you will experience an immediate dilution in the net tangible asset value and our existing Shareholders will receive an increment in the [REDACTED] adjusted consolidated net tangible asset value per [REDACTED] of their [REDACTED].

### **Additional equity fund raising may cause dilution in shareholding**

After the [REDACTED], we may need to raise additional funds due to changes in business conditions or to finance our future plans, whether in relation to existing operations, any acquisitions or otherwise. Such fund raising activities may be made through the issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders. In such event, the percentage ownership of our existing Shareholders may be reduced and/or such newly issued securities may have rights, preferences or privileges superior to those of the Shares held by our existing Shareholders.

### **Remedies available to our shareholders may be different from those under the laws of Hong Kong or other jurisdictions**

We are incorporated under Cayman Islands law and Cayman Islands law may provide different remedies to shareholders when compared with the laws of Hong Kong and other jurisdictions.

Our Company is governed by the Memorandum and Articles, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands in relation the protection of the interests of minority shareholders could differ in some respects from those established under the laws of Hong Kong and other jurisdictions. As a result, the remedies available to our Shareholders may be different from those they would otherwise have under the laws of Hong Kong or other jurisdictions. For further details of the Memorandum and Articles and the related Cayman Companies Acts, please refer to Appendix III to this document.



## **RISK FACTORS**

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### **There are risks associated with the granting of options under the Share Option Scheme**

Our Company has conditionally adopted the Share Option Scheme and may grant share options thereunder in the future. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance and thus may result in a dilution in the percentage of ownership of the shareholders and the net asset value per Share. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to statements of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

### **The industry statistics and forward-looking information contained in this document may not be accurate, reliable and fair**

Statistics and other information in relation to our industry particularly contained in section headed "Industry Overview" in this document have been compiled partly from various public available publications as well as the industry report we commissioned from an independent industry consultant. We believe that the sources of such information are appropriate sources and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot assure you of the quality of such source materials. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any other persons or their respective directors, advisers or affiliates involved in the [REDACTED] has independently verified such information from official government sources and makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside Hong Kong. Such information may not be complete or latest. As the ways of collecting the information may contain faults or may not be effective or there may exist variations and other problems between the information published and market practices, the industry information and statistics contained of this document may not be accurate and should not be unduly relied upon when making decisions on your investment in our Company or otherwise.

### **Forward-looking statements contained in this document are subject to risks and uncertainties**

This document contains certain statements and information which are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should", "will" or similar terms. These statements and information, which relate to us and the subsidiaries comprising us, are based on the beliefs of our management as well as the assumptions made by and information currently available to our management. They reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. However, these statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect.

## **RISK FACTORS**

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The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligations to update publicly or release any revision of any forward-looking statements, whether as a result of new information, future events or otherwise. For further details, please refer to section headed "Forward-looking Statements" in this document.

**We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us, our industry or the [REDACTED]**

Prior to the publication of this document, there may be press and media coverage regarding us or the [REDACTED], which may include certain financial information, financial projections and other information about us which do not appear in this document. We have not authorised the disclosure of any such information in the press, media or research analyst report. We do not accept any responsibility for any such press articles, media coverage or research analyst report or the accuracy or completeness or reliability of any such information. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we expressly disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this document.