The following discussion and analysis should be read in conjunction with our consolidated financial statements together with the accompany notes, included in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depend on a number of factors over which we have no control. You should review the section headed "Risk Factors" of this document for a discussion of the important factors that could cause our actual results to differ materially from the results described in or implied by forward-looking statements.

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

During the Track Record Period, our revenue amounted to approximately HK$331.9 million, HK$387.4 million and HK$631.5 million respectively and our profit for the year were approximately HK$26.1 million, HK$24.8 million and HK$47.3 million respectively.

FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below:

Our ability to maintain business relationships with our suppliers

Our ability to provide innovative and up-to-date product portfolio and solution offerings to our customers stem from our strong relationships with our suppliers. We have forged strategic and solid relationships with our suppliers, who are mainly divided into three categories, namely IT products vendors, their authorised distributors and other services providers. With our sterling efforts in delivering quality services and generating business growth for our IT products vendors and their authorised distributors, we are able to maintain a good and stable relationship with our suppliers and enjoy close collaboration with IT products vendors and therefore obtain a high level of support and resources from them. 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.

Our ability to secure sizeable and profitable contracts

During the Track Record Period, our revenue comprised the revenue from (i) the distribution of IT products; and (ii) the provision of SI solutions comprising IT infrastructure solutions services and IT maintenance and support services. 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. Our revenue growth in the future depends on whether we are able to continue to participate in future enhancement works or conduct upgrades for the IT infrastructure systems integrated by us from previous projects or to implement new IT infrastructure solutions services after the retirement of outdated ones for our customers. However, there is no assurance that our customers will continue to provide us with new business opportunities or to continue with the business relationships after completion of our contracts. 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.

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

The IT industry is characterised by rapidly changing technology, evolving industry standards, changing customers' preference and frequent introductions of new IT products and solutions. The introduction of new technology and the emergence of new industry standards may render our products and solutions to be obsoleted and uncompetitive. Accordingly, 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.

Our ability to maintain and expand our customer base

We enjoy a diverse and extensive customer base mainly due to our vertically integrated business model encompassing both distribution and SI solutions businesses. Our dual roles as distributor selling and distributing IT products to resellers and as reseller providing SI solutions to end-users has attracted customers from multi-level and thereby enabled us to capture the business opportunities in the whole value chain of the IT industry. Our continuing business growth and profitability are largely dependent on our ability to maintain and develop close and mutually beneficial relationships with both existing and potential customers. As such, deterioration of business relationships with our customers created by factors such as unsatisfaction of our products or services, miscommunication and poor experiences in conflict resolution and disagreement in the pricing of our IT products or services, may adversely affect our business, financial conditions and results of operations.

Our ability to manage fluctuation of prices of our cost of sales and services

During the Track Record Period, our cost of sales and services mainly consisted of cost of inventories which represents approximately 90.6%, 89.5% and 91.1% of our total cost of sales and services respectively. Any fluctuation in these costs and our ability to pass these cost escalations to our customers may affect our profitability.

The following sensitivity analysis illustrate the impact of hypothetical fluctuations in our cost of inventories on our profit before taxation for the years indicated.

Hypothetical fluctuations of cost of inventories *(Note)*

Change in profit before taxation	**+20.5%** (HK$'000)	**+41.0%** (HK$'000)	**-20.5%** (HK$'000)	**-41.0%** (HK$'000)
For FY2019/2020	(48,797)	(97,593)	48,797	97,593
For FY2020/2021	(55,285)	(110,570)	55,285	110,570
For FY2021/2022	(96,305)	(192,610)	96,305	192,610

Note: The hypothetical fluctuation rates for our cost of inventories are set at 20.5% and 41.0%, which correspond to the CAGR of our cost of inventories of approximately 40.5% from FY2019/2020 to FY2021/2022.

Prospective investors should note that the above analyses on the historical financial information are based on assumptions and are for reference only and should not be viewed as actual effect.

BASIS OF PREPARATION

Our historical financial information has been prepared under the historical cost basis except for certain financial assets that are measured at fair values at the end of each reporting period.

Our Company became the holding company of the companies now comprising our Group on 31 July 2020. Our Group comprising our Company and its subsidiaries resulting from our Reorganisation have always been under the control of Mr. Charlie Ip regardless of the actual date when our Company formally became our holding company. As a result, our Group is regarded as a continuing entity and therefore our historical financial information has been prepared as if our Company had always been our holding company.

Our consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for FY2019/2020, FY2020/2021 and FY2021/2022 include the results, changes in equity and cash flows of our companies now comprising our Group as if our current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, which is a shorter period. Our consolidated financial statements of financial position as at 31 March 2020, 2021 and 2022 have been prepared to present the assets and liabilities of our companies now comprising our Group, as if our group structure has been in existence of those dates taking into account the respective dates of incorporation, where applicable.

For details the basis of preparation and presentation, please refer to the paragraph headed "Notes to the historical financial information — 2. Basis of preparation and presentation of historical financial information" in Appendix I to this document.

SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

We have identified various accounting policies that are significant to the preparation of our historical financial information. For details of all of our significant accounting policies, please refer to the paragraph headed "Notes to the historical financial information — 4. Significant accounting policies" in Appendix I to this document. Some of our accounting policies involve estimates and assumptions made by our management. Our estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. For details of our key estimates and assumptions, please refer to the paragraph headed "Notes to the historical financial information — 5. Key sources of estimation uncertainty" in Appendix I to this document.

The following paragraphs discuss, among others, our critical accounting policies and estimates in preparing our historical financial information.

Revenue from contracts with customers

We recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates or enhances an asset that the customer controls as we performs; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

During the Track Record Period, our revenue comprised the revenue from (i) the distribution of IT products; and (ii) the provision of SI solutions comprising IT infrastructure solutions service and IT maintenance and support services.

We recognise revenue according to the following basis:

(i) Recognition of revenue from distribution or procurement of IT products

During the Track Record Period, we consistently adopted HKFRS 15 "Revenue from contracts with customers" ("**HKFRS 15**"), in which, revenue from distribution or procurement of IT products is recognised when control of the products has been transferred to the customers. In accordance with our revenue recognition policy, the transfer of control is defined as at the point the products are delivered to the customer's specific location. Transportation and other related activities that occur before customers obtain control of the related products are considered as fulfilment activities.

(ii) Recognition of revenue from provision of IT implementation services and IT infrastructure solutions services

During the Track Record Period, we consistently adopted HKFRS 15, in which, revenue from provision of IT implementation services and IT infrastructure solutions services is recognised as a performance obligation satisfied over time as we enhance the assets that the customer controls as the assets are enhanced. The progress towards completing satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of our efforts (i.e. direct staff costs) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation.

(iii) Recognition of revenue from provision of IT maintenance and support services

During the Track Record Period, we consistently adopted HKFRS 15, in which, revenue from provision of IT maintenance and support services is recognised as a performance obligation satisfied over time on a straight-line basis over the period of services as the customers simultaneously receives and consumes the benefits provided by our performance.

For further details of the revenue recognition policy of the above categories, please refer to the paragraphs headed "Notes to the historical financial information — 4. Significant accounting policies" and "Notes to the historical financial information — 6. Revenue" in Appendix I to this document.

Trade and other receivables

(i) Recognition and measurement of trade and other receivables

Our trade and other receivables are initially measured at fair value (except for our trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15) and their directly attributable transaction costs are added to their fair values, as appropriate, on initial recognition.

All regular way purchases or sales of our trade and other receivables are recognised and derecognised on a settlement date basis. Regular way purchases or sales are purchases or sales of our trade and other receivables that require delivery of assets within the time frame established by regulation or convention in the market place.

All our recognised trade and other receivables are subsequently measured in their entirety at either amortised cost.

(ii) Impairment of trade and other receivables

We perform impairment assessment under expected credit losses ("**ECL**") model on our trade and other receivables which is updated at the end of each reporting period to reflect changes in credit risk since initial recognition. Assessment are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at each reporting date as well as the forecast of future conditions.

We recognise lifetime ECL for our trade receivables. Except for debtors who are listed companies or subsidiaries of the listed companies, NGOs and debtors with aggregate outstanding balance exceeding HK$1.0 million were assessed individually, the ECL on our remaining trade receivables are assessed collectively using a provision matrix grouped based on past due status. For other receivables, we measure the loss allowance equal to 12-month ECL unless when there has been a significant increase in credit risk since initial recognition. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, this is represented by the assets' gross carrying amount at the end of each reporting period. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The ECL of our trade and other receivables is estimated as the difference between all contractual cash flows that are due to us in accordance with the contract and all the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition.

We recognise an impairment gain or loss in profit or loss for our trade receivables with a corresponding adjustment recognise through a loss allowance account and recognise an impairment gain or loss in profit or loss for our other receivables by adjusting their carrying amount. We write off our trade and other receivables when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Our trade and other receivables written off may still be subject to enforcement activities under our recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries made are recognised in profit or loss.

APPLICATION OF NEW AND REVISED HKFRS

For the purpose of preparing and presenting the historical financial information for the Track Record Period, we have consistently adopted the HKFRSs issued by the HKICPA, including HKFRS 9 "Financial Instruments", HKFRS 15 and HKFRS 16 "Leases" ("**HKFRS 16**") throughout the Track Record Period.

RESULTS OF OPERATIONS

The following table sets forth our results of operations, which are derived from the consolidated statements of profit or loss and other comprehensive income as set out in the Accountants' Report in Appendix I to this document, for the years indicated:

	FY2019/2020	FY2020/2021	FY2021/2022
	(HK$'000)	(HK$'000)	(HK$'000)
Revenue	331,886	387,437	631,512
Cost of sales and services	(262,725)	(301,181)	(515,447)
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]	[REDACTED]	[REDACTED]	[REDACTED]
Profit before taxation	30,601	31,086	57,715
Taxation	(4,492)	(6,310)	(10,457)
Profit for the year	26,109	24,776	47,258

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS

Revenue

We generated revenue of approximately HK$331.9 million, HK$387.4 million and HK$631.5 million during the Track Record Period respectively.

Revenue by business segment

Our revenue represents the amounts received and receivable from our (i) distribution business; and (ii) SI solutions business.

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

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

Distribution business

We introduce, market and distribute a broad spectrum of IT products comprising hardware, software and/or auxiliary products to resellers in Hong Kong. Our IT products can be generally divided into three categories, namely (i) data communication and systems infrastructure; (ii) cyber security; and (iii) digital transformation. Ancillary to distribution of IT products, we also provide IT implementation services to resellers and end-users, which include installation, configuration and integration of IT products into the end-users' IT system.

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

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

* The percentage calculated is less than 0.1%.

During the Track Record Period, the revenue from our distribution business amounted to approximately HK$164.5 million, HK$203.5 million and HK$427.1 million respectively, representing approximately 49.6%, 52.5% and 67.6% of our total revenue during the corresponding year.

We offer a broad spectrum of IT products to our customers. As at the Latest Practicable Date, we were the authorised distributor of 38 IT products vendors, with origins spanning across different countries such as the PRC, the U.S., India, Japan and Europe region, and 10 of which were from the PRC. The following table sets forth the breakdown of revenue by PRC brands and brands of other regions of our distribution business for the years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK'000)	(%)	(HK'000)	(%)	(HK$'000)	(%)
PRC brands	84,288	51.2	110,906	54.5	106,888	25.0
Other brands	80,219	48.8	92,638	45.5	320,242	75.0
Total	164,507	100.0	203,544	100.0	427,131	100.0

During the Track Record Period, the sales of PRC brands amounted to approximately HK$84.3 million, and HK$110.9 million and HK$106.9 million in our distribution business respectively, representing approximately 51.2%, 54.5% and 15.2% of the revenue from our distribution business in the corresponding year. We place significant focus on PRC brands and strategically seek out for such brands for distribution in Hong Kong. The decrease in proportion of sales of PRC brands in FY2021/2022 was primarily due to the significant increase of the sales of CDN licences of a brand from Singapore.

We carry a wide variety of brands, covering both internationally renowned brands and new-to-market niche brands, 20 of which were new-to-market niche brands as at the Latest Practicable Date. The following table sets forth the breakdown of revenue by types of brands of our distribution business for the years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK'000)	(%)	(HK'000)	(%)	(HK$'000)	(%)
New-to-market niche brands	109,714	66.7	132,648	65.2	369,311	86.5
Internationally renowned brands	54,794	33.3	70,896	34.8	57,820	13.5
Total	164,507	100.0	203,544	100.0	427,131	100.0

New-to-market niche brands have been one of the key drivers of our distribution business during the Track Record Period, with revenue amounting to approximately HK$109.7 million, HK$132.6 million and HK$369.3 million respectively, representing approximately 66.7%, 65.2% and 86.5% of the revenue of our distribution business in the corresponding year.

The revenue from the sales of PRC brands increased by approximately HK$26.6 million or 31.6% from approximately HK$84.3 million for FY2019/2020 to approximately HK$110.9 million for FY2020/2021, while the revenue from the sales of new-to-market niche brands increased by approximately HK$22.9 million or 20.9% from approximately HK$109.7 million for FY2019/2020 to approximately HK$132.6 million for FY2020/2021. On the other hand, the revenue from the sales of internationally renowned brands increased by approximately HK$16.1 million or 29.4% from approximately HK$54.8 million for FY2019/2020 to approximately HK$70.9 million for FY2020/2021. The abovementioned increases were primarily attributable to increasing demand of IT products under the COVID-19 pandemic. Our sales of brands from other regions substantially increased by HK$227.6 million or 245.8% from approximately HK$92.6 million for FY2020/2021 to approximately HK$320.2 million for FY2021/2022, while at the same time our sales of new-to-market niche brands increased by HK$236.7 million or 178.5% from approximately HK$132.6 million to approximately HK$369.3 million for the corresponding year. Such increase was primarily attributable to the increase in sales of CDN licences from Supplier E, mainly driven by the demand for efficient delivery of dynamic content and videos as discussed in the sections headed "Business — Suppliers — Relationship with Supplier E — Business relationship with Supplier E" in this document, which contributed a revenue of approximately HK$244.8 million for FY2021/2022.

SI solutions business

Our SI solutions mainly refer to IT infrastructure solutions services and IT maintenance and support services. During the Track Record Period, the revenue from our SI solutions business amounted to approximately HK$167.4 million, HK$183.9 million and HK$204.4 million respectively, representing approximately 50.4%, 47.5% and 32.4% of our total revenue during the corresponding year. Majority of our revenue in the SI solutions business was generated from the provision of IT infrastructure solutions services during the Track Record Period, which amounted to approximately HK$159.6 million, HK$172.1 million and HK$187.7 million respectively, while the revenue from the provision of IT maintenance and support services amounted to approximately HK$7.8 million, HK$11.8 million and HK$16.7 million during the Track Record Period respectively.

Revenue by customer type

We served over 1,000 customers for each of the three years ended 31 March 2022. Our customers are mainly divided into two categories, namely (i) resellers; and (ii) 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. For details of these categories, please refer to the section headed "Business — Customers" in this document. The following table sets forth the breakdown of our revenue by customer type for the years indicated:

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

During the Track Record Period, approximately 52.5%, 57.0% and 69.1% of our total revenue was derived from resellers, which was generally in line with the revenue contribution of our distribution business.

Revenue of our SI solutions business by customer sector

During the Track Record Period, our SI solutions business served customers from both the private sector and public sector. Private sector customers mainly comprise SMEs to large multinational and local business enterprises spanning across industries of IT service providers, telecommunication, financial services, property development and healthcare, while public sector customers mainly comprise government, public utilities and non-governmental and non-profitable organisation. The following table sets forth the breakdown of revenue of our SI solutions business by customer sector for the years indicated:

	FY2019/2020		**FY2020/2021**		**FY2021/2022**	
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Private sector	151,221	90.3%	165,842	90.2%	180,571	88.4
Public sector	16,158	9.7%	18,051	9.8%	23,810	11.6
Total	167,379	100.0%	183,893	100.0%	204,381	100.0

During the Track Record Period, majority of the revenue of our SI solutions business was generated from private sector customers, representing 90.3%, 90.2% and 88.4% of the revenue of our SI solutions business. During the Track Record Period, our Group was engaged in different public sector projects including provision of IT infrastructure solutions services and IT maintenance and support services to various HKSAR government departments and statutory bodies. We started to take up more public sector projects with higher contract sum in FY2021/2022. In particular, we were awarded a project of supply, installation and configuration of network equipment for a government department with a contract sum of approximately HK$2.0 million and a project of supply and installation of a new storage system for a statutory body with a contract sum of approximately HK$1.3 million. In FY2021/2022, the revenue generated by public sector customers increased to over 10% of our revenue and our Directors believe that we can undertake additional projects from public sectors with our expansion in sales and technical teams.

Revenue by geographic location

During the Track Record Period, our geographic presence primarily covered Hong Kong, the PRC and Macau. The following table sets forth the breakdown of our revenue by geographical location 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	331,886	100.0	387,437	100.0	631,512	100.0

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

Cost of sales and services

Our cost of sales and services primarily consisted of costs directly associated with both our distribution and SI solutions businesses. 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

Cost of inventories was our major component of our cost of sales and services, accounting for approximately 90.6%, 89.5% and 91.1% of the total cost of sales and services during the Track Record Period respectively. Our cost of inventories primarily represented the purchase cost of the IT products procured for our distribution and SI solutions businesses.

Subcontracting fees primarily represented the expenses incurred to our subcontractors for subcontracting certain work tasks to them in our distribution and SI solutions businesses, 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.

Staff costs primarily represented the salary and other benefits of our employees directly involved to satisfy the performance obligations of our Group.

Gross profit and gross profit margin

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

	FY2019/2020		**FY2020/2021**		**FY2021/2022**	
	Gross Profit	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Distribution business	33,519	20.4	44,282	21.8	76,246	17.9
SI solutions business						
IT infrastructure solutions services	30,902	19.4	34,477	20.0	29,139	15.5
IT maintenance and support services	4,740	60.8	7,497	63.5	10,680	63.9
Sub-total	35,642	21.3	41,974	22.8	39,819	19.5
Total	69,161	20.8	86,256	22.3	116,065	18.4

Our gross profit was approximately HK$69.2 million, HK$86.3 million and HK$116.1 million during the Track Record Period respectively, with our gross profit margins of approximately 20.8%, 22.3% and 18.4% for the corresponding year respectively.

During the Track Record Period, (i) our gross profit margins from our SI solutions business were approximately 21.3%, 22.8% and 19.5% respectively; and (ii) our gross profit margins from our distribution business were approximately 20.4%, 21.8% and 17.9% respectively. The decrease of gross profit margin from our SI solutions business for FY2021/2022 as compared to FY2020/2021 was primarily attributable to the increase in orders involving certain internationally renowned brands, which generally have a lower gross profit margin and change of product mix sold. The decrease of gross profit margin from our distribution business for FY2021/2022 as compared to FY2020/2021 was primarily attributable to the relatively lower gross profit margin for other IT products other than CDN licenses. Having that said, the gross profit margins in both our SI solutions and distribution businesses are comparable during the Track Record Period.

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 because (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 due to the fact that (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 a breakdown of our gross profit and gross profit margin by types of products in the distribution business for the years indicated:

	FY2019/2020		FY2020/2021		FT2021/2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Data communication and systems infrastructure	16,279	20.0	29,669	24.3	64,499	18.5
Cyber security	17,218	20.8	14,545	18.0	11,743	15.0
Digital transformation	22	13.8	68	21.0	4	16.7
Total	33,519	20.4	44,282	21.8	76,246	17.9

The following table sets forth the breakdown of gross profit and gross profit margin by PRC brands and other brands of our distribution business for the years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	Gross profit	**Gross profit margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
PRC brands	17,664	21.0	27,592	24.9	21,516	20.1
Other brands	15,855	19.6	16,690	18.0	54,730	17.1
Total	33,519	20.4	44,282	21.8	76,246	17.9

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

	FY2019/2020		FY2020/2021		FY2021/2022	
	Gross profit	**Gross profit margin**	**Gross Profit**	**Gross Profit Margin**	**Gross Profit**	**Gross Profit Margin**
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
New-to-market niche brands	24,045	21.9	31,811	24.0	68,594	18.6
Internationally renowned brands	9,474	17.3	12,471	17.6	7,652	13.2
Total	33,519	20.4	44,282	21.8	76,246	17.9

The gross profit margin from new-to-market niche brands increased from approximately 21.9% for FY2019/2020 to approximately 24.0% for FY2020/2021, while the gross profit margin from PRC brands increased from approximately 21.0% for FY2019/2020 to approximately 24.9% for FY2020/2021. Such increase was primarily attributable to the fact that the Group was able to deploy new-to-market niche products of PRC brands to certain customers that matched their required technical specifications and the costs of which were more competitively priced. The gross profit margin of brands from other regions decreased slightly from approximately 18.0% to FY2020/2021 to approximately 17.1% for FY2021/2022.

The following table sets forth the breakdown of our gross profit and gross profit margin by customer type for the years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Resellers	36,401	20.9	46,512	21.1	77,118	17.7
End-users	32,760	20.8	39,744	23.8	38,947	20.0
Total	69,161	20.8	86,256	22.3	116,065	18.4

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 gross profit margin of end-users decreased from approximately 23.8% for FY2020/2021 to approximately 20.0% for FY2021/2022. The decrease 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.

The following table sets forth the breakdown of our gross profit and gross profit margin of our SI solutions business by customer sector:

	FY2019/2020		FY2020/2021		FY2021/2022	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Private sector	32,969	21.8%	39,018	23.5%	36,564	20.3
Public sector	2,673	16.5%	2,957	16.4%	4,361	18.3
Total	35,642	21.3%	41,974	22.8%	40,925	20.0

The gross profit margin for the private sector customers of our SI solutions business was approximately 21.8%, 23.5% and 20.3% for the Track Record Period respectively, whereas the gross profit margin for the public sector customers of our SI solutions business was approximately 16.5%, 16.4% and 18.3% in the corresponding year. We generally generated higher gross profit margin from our private sector customers as compared to our public sector customers for our SI solutions business.

According to the Ipsos Report, in the SI solutions business, the gross profit margins for private sector projects are generally higher than that for public sector projects, assuming a similar scope of service is provided and a similar type of product is procured for the customer. This is primarily due to the fact that the public sector customers such as government or non-profit organisations generally has tighter budget control and therefore project fee becomes their main selection criteria during the tendering process. In contrast, customers from the private sector usually have different focuses in selecting an IT solutions provider, in which we believe they will value more on, among other things, the solutions provider's business relationships and past project experience.

Other income

The following table sets forth a breakdown of our other income for the years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Effective interest income on amount due from a related company	1,997	91.8	1,580	22.1	40	21.1
Interest income on rental deposits	28	1.3	31	0.4	35	18.4
Bank interest income	4	0.2	23	0.3	—	—
Sponsorship income	—	—	220	3.1	16	8.4
Government grant	126	5.8	5,253	73.4	—	—
Others	21	0.9	51	0.7	99	52.1
Total	2,176	100.0	7,158	100.0	190	100.0

Effective interest income primarily represented the interest income on amount due from a related company calculated using the effective interest method.

Interest income on rental deposits primarily represented interest derived from the deposits paid to the owner of the office premises rented by us.

Sponsorship income primarily represented income from certain IT products vendors for hosting or co-hosting various marketing events.

Government grant primarily represented (i) the government subsidy received under Branding, Upgrading and Domestic Sales Fund Scheme; and (ii) the government subsidy received under Employment Support Scheme.

Other gains and losses

The following table sets forth a breakdown of our other gains and losses for the years indicated:

	FY2019/2020	FY2020/2021	FY2021/2022
	(HK$'000)	(HK$'000)	(HK$'000)
Fair value gain on financial assets at FVTPL	80	104	99
Loss on disposals and written-off property and equipment	(62)	(9)	(3)
Net exchange gain	39	227	66
Total	57	322	162

Our fair value gain on financial assets at FVTPL primarily represented the fair value gain arising from the fair value movement of the life insurance contracts for our Director during each financial year.

Our net exchange gains or losses primarily derived from the translations of foreign currencies in satisfying our various operating needs.

Net (impairment losses) reversal of impairment losses under expected credit loss model

Our net impairment loss under expected credit loss model primarily represented the net impairment losses/net reversal of impairment losses on trade receivables and contract assets in respect of our impairment assessment in accordance with HKFRS 9 as at 31 March 2020, 2021 and 2022. In FY2019/2020 and FY2020/2021, our net impairment loss under expected credit loss model amounted to approximately HK$1.0 million and HK$2.5 million respectively. In FY2021/2022, we recorded reversal of impairment losses of approximately HK$2.9 million, which was primarily due to the recovery of Hong Kong's economy from the outbreak of the COVID-19.

For details of the impairment assessment and credit risk of our trade receivables and contract assets, please refer to the paragraphs headed "Notes to the historical financial information — 18. Trade and other receivables, deposits and prepayments" and "Notes to the historical financial information — 32. Financial instruments — Credit risk and impairment assessment" in Appendix I to this document.

Selling and distribution expenses

Our selling and distribution expenses primarily consisted of (i) staff costs, being salaries, commissions, retirement scheme contribution and bonuses paid to our salesmen; (ii) advertising and marketing expenses; (iii) travelling expenses of our salesmen; and (iv) others. The following table sets forth a breakdown of our selling and distribution expenses for the years indicated:

	FY2019/2020		**FY2020/2021**		**FY2021/2022**	
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Staff costs	21,981	94.1	24,256	96.0	28,586	95.7
Advertising and marketing expenses	699	3.0	888	3.5	945	3.2
Travelling expenses	663	2.8	89	0.4	304	1.0
Other expenses	23	0.1	41	0.1	46	0.1
Total	23,366	100.0	25,274	100.0	29,881	100.0

Our selling and distribution expenses accounted for approximately 7.0%, 6.5% and 4.7% of our total revenue during the Track Record Period respectively.

Administrative expenses

Our administrative expenses primarily consisted of (i) staff costs, being salaries, retirement scheme contribution and bonuses paid to our administrative staff; (ii) depreciation; (iii) office and utility expenses for administrative teams; (iv) rent and rates and property management fees; (v) legal and professional expenses for consultation and audit; (vi) entertainment expenses for business meetings; (vii) donation; and (viii) others. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Staff costs	5,252	36.1	6,690	39.4	11,765	48.2
Depreciation	3,631	24.9	3,836	22.6	5,051	20.7
Office and utility expenses	2,024	13.9	2,812	16.5	3,254	13.3
Rent and rates and property management fees	859	5.9	792	4.7	924	3.8
Legal and professional fees	616	4.2	160	0.9	408	1.7
Entertainment expenses	724	5.0	632	3.7	775	3.2
Donation	616	4.2	945	5.6	891	3.7
Other expenses	849	5.8	1,116	6.6	1,325	5.4
Total	14,571	100.0	16,983	100.0	24,393	100.0

Our administrative expenses accounted for approximately 4.4%, 4.4% and 3.9% of our total revenue during the Track Record Period respectively.

Finance costs

Our finance costs primarily represented interests arising from bank borrowings and lease liabilities. Our finance costs amounted to approximately HK$1.9 million, HK$2.1 million and HK$2.0 million during the Track Record Period respectively.

[REDACTED]

Our [REDACTED] represented the professional fees incurred for the preparation for the [REDACTED]. Our [REDACTED] amounted to [REDACTED], approximately HK$[REDACTED] and HK$[REDACTED] during the Track Record Period respectively.

For further details of our [REDACTED], please refer to the paragraph headed "[REDACTED]" below in this section.

Income tax expenses

We are subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Islands and BVI

Under the current laws and regulations of the Cayman Islands and the BVI, we are not subject to any income tax or capital gains tax in the Cayman Islands and the BVI. Additionally, dividend payments made by us are not subject to withholding tax in the Cayman Islands and the BVI.

(ii) Hong Kong

Under the two-tiered profits tax rates regime, the first HK$2.0 million of profits of qualifying group entity will be taxed at 8.25%, and profits above HK$2.0 million will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For FY2019/2020, FY2020/2021 and FY2021/2022, Hong Kong Profits Tax was calculated at 8.25% on the first HK$2.0 million of the estimated assessable profits of one of the companies comprising our Group and at 16.5% on the estimated assessable profits above HK$2.0 million. The profits of corporations not qualified for the two-tier profits tax regime were continued to be taxed at a flat rate of 16.5%.

(iii) The PRC

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the Track Record Period. A PRC subsidiary of ours is qualified as small-scale entity under EIT Law and entitled the relevant EIT tax reduction. A qualified small-scale entity is subject to 10% effective EIT rate from 1 January 2017 to 31 December 2019. Effective from 1 January 2019 to 31 December 2021, a qualified small-scale entity is subject to 5% effective EIT rate for the first RMB1.0 million taxable income and 10% effective EIT rate for the next RMB2.0 million taxation income. Effective from 1 January 2021 to 31 December 2022, a qualified small-scale entity is subject to 2.5% effective EIT rate for the first RMB1,000,000 taxable income and 10% effective EIT for the next RMB2,000,000 taxation income.

(iv) Macau

Macau Complementary Tax is calculated at the maximum progressive rate of 12% on the estimated assessable profit for the Track Record Period. No provision for Macau Complementary Tax was made for during the Track Record Period as the subsidiary in Macau did not have assessable profit during the Track Record Period.

The following table sets forth a breakdown of our current and deferred tax expenses for the years indicated:

	FY2019/2020	FY2020/2021	FY2021/2022
	(HK$'000)	(HK$'000)	(HK$'000)
Current tax			
Hong Kong Profits Tax	4,623	6,608	9,939
PRC EIT	48	45	26
Deferred tax (credit) charge	(179)	(343)	466
Underprovision in prior years	—	—	26
Total	4,492	6,310	10,457

During the Track Record Period, our income tax expenses amounted to approximately HK$4.5 million, HK$6.3 million and HK$10.5 million respectively, which primarily consisted of Hong Kong Profits Tax expenses.

Our effective income tax rates were approximately 14.7%, 20.3% and 18.1% during the Track Record Period respectively. The relatively higher effective income tax rate in FY2020/2021 was primarily attributable to the increase in expenses not deductible for tax purpose during the year. Our effective income tax rates decreased from approximately 20.3% for FY2020/2021 to approximately 18.1% for FY2021/2022 primarily due to the decrease in expenses not deductible for tax purpose during the year.

Our Directors confirm that as at the Latest Practicable Date: (i) we have made all required tax filings under the relevant tax laws and regulations in the respective tax jurisdictions and has paid all tax liabilities that had become due; and (ii) that we do not have any outstanding tax dispute with any tax authority as at the Latest Practicable Date.

REVIEW OF RESULTS OF OPERATIONS

FY2021/2022 compared to FY2020/2021

Revenue

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 from our distribution business.

The revenue from our distribution business increased by approximately HK$223.6 million or 109.9% from approximately HK$203.5 million for FY2021/2022 to approximately HK$427.1 million for FY2021/2022, primarily attributable to the increase in sales of CDN licence, which amounted to approximately HK$244.8 million for the FY2021/2022, mainly driven by five of our customers, namely Customer J, Customer I, Customer N, Customer B and Supplier A. To the best knowledge and belief of our Directors, (a) Customer J obtained CDN licences from us to facilitate its expansion plan to launch its mobile application to the Southeast Asia, interconnecting its online loyalty point platform across various countries which is expected to generate high user traffic; (b) Customer I and Customer B obtained CDN licences for enhancing their downstream customers' media and video streaming services; (c) Customer N obtained CDN licences from us to facilitate the needs of its data centre services customers for accessing data centres located in the Southeast Asia; and (d) Supplier A obtained CDN licences to facilitate the needs of its customer in the education industry to support their online education courses. To the best knowledge and belief of our Directors, the increase in sales of CDN licences during the year was mainly attributable to (a) the general increase in demand for efficient delivery of dynamic content and videos across long-haul networks to reduce latency and bandwidth and enhance the overall end users' experience, especially under the backdrop of COVID-19; and (b) the growing penetration of smartphones and tablets across the globe whereby consumers have a greater accessibility and demand for media and video streaming services. Furthermore, the increase in revenue of our distribution business was also attributable to the sales of hardware and licence products of approximately HK$26.2 million to Customer J for the expansion of its data centre in support of the expected increase in traffic usage of its online loyalty points platform.

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 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.

Cost of sales

Our cost of sales and services increased by approximately HK$214.2 million or 71.1% from approximately HK$301.2 million for FY2020/2021 to approximately HK$515.4 million for FY2021/2022, which was generally in line with the increase in our revenue during the period.

Cost of inventories

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 Group during the same period.

Subcontracting fees

Our subcontracting fees increased by approximately HK$11.9 million or 68.0% from approximately HK$17.5 million for FY2020/2021 to approximately HK$29.4 million for FY2021/2022. Such increase was primarily due to the increase in orders which required vendors installation and support services and cabling works.

Staff costs

Our staff costs increased by approximately HK$2.3 million or 16.4% from approximately HK$14.0 million for FY2020/2021 to approximately HK$16.3 million for FY2021/2022. Such increase was primarily attributable to the increase in number of staff.

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$29.8 million or 34.5% from HK$86.3 million for FY2020/2021 to HK$116.1 million for FY2021/2022 while our overall gross profit margin decreased from approximately 22.3% for FY2020/2021 to approximately 18.4% for FY2021/2022. The decrease in overall gross profit margin was primarily due to the decrease in gross profit margin in our distribution business.

Our gross profit from distribution business increased by approximately HK$31.9 million or 72.0% from approximately HK$44.3 million for FY2020/2021 to approximately HK$76.2 million for FY2021/2022, primarily attributable to (i) the increase in sales of CDN licences; and (ii) the increase in sales to Customer J as described in the paragraph headed "Review of results of operations — FY2021/2022 compared to FY2020/2021 — Revenue" in this section above. The gross profit margin from distribution business decreased from approximately 21.8% for FY2020/2021 to approximately 17.9% for FY2021/2022. Such decrease was primarily attributable to the relatively lower gross profit margin for other IT products other than CDN licences.

Our gross profit from SI solutions business decreased by approximately HK$2.2 million or 5.2% from approximately HK$42.0 million for FY2020/2021 to approximately HK$39.8 million for FY2021/2022, primarily attributable to the decrease in gross profit margin. The gross profit margin from SI solutions business decreased from approximately 22.8% for FY2020/2021 to approximately 19.5% for FY2021/2022. The decrease was primarily attributable to the increase in orders involving certain internationally renowned brands, which generally have a lower gross profit margin and change of product mix sold.

Other income

Our other income decreased by approximately HK$7.0 million or 97.2% from approximately HK$7.2 million for FY2020/2021 to approximately HK$190,000 for FY2021/2022. The decrease was primarily attributable to (i) the receipt of government subsidy of approximately HK$5.3 million under the Employment Support Scheme during the outbreak of COVID-19 in FY2020/2021; and (ii) the decrease in effective interest income on amount due from a related company by approximately HK$1.5 million for FY2021/2022.

Other gains and losses

Our other gains decreased by approximately HK$160,000 or 49.7% from approximately HK$322,000 for FY2020/2021 to approximately HK$162,000 for FY2021/2022. The decrease of other gains was primarily attributable to the decrease in net exchange gain of approximately HK$161,000 from approximately HK$227,000 for FY2020/2021 to approximately HK$66,000 for FY2021/2022.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK$4.6 million or 18.2% from approximately HK$25.3 million for FY2020/2021 to approximately HK$29.9 million for FY2021/2022. The increase was primarily attributable to the increase in staff cost by approximately HK$4.6 million mainly due to the increase in staff salaries and commission paid to our salesmen for FY2021/2022.

Administrative expenses

Our administrative expenses increased by approximately HK$7.4 million or 43.5% from approximately HK$17.0 million for FY2020/2021 to approximately HK$24.4 million for FY2021/2022. The increase was primarily attributable to the increase in staff cost by approximately HK$4.3 million mainly due to the increase in number of staff, in particular, our Group had hired several senior staff for the purpose of expanding our distribution business.

Finance costs

Our finance costs decreased by approximately HK$0.1 million or 4.8% from approximately HK$2.1 million for FY2020/2021 to approximately HK2.0 million for FY2021/2022. Such decrease was primarily attributable to our Group utilising bank facilities granted with a relatively lower interest rate during FY2021/2022.

Income tax expense

Our income tax expense increased significantly by approximately HK$4.2 million or 66.7% from approximately HK$6.3 million for FY2020/2021 to approximately HK$10.5 million for FY2021/2022, primarily attributable to the increase in taxable income for FY2021/2022. Our effective tax rate decreased from approximately 20.3% for FY2020/2021 to approximately 18.1% for FY2021/2022, primarily attributable to the decrease in [REDACTED] of approximately HK$[REDACTED] which is not deductible for tax purpose in FY2021/2022.

Profit for the period

As a result of the foregoing, 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$47.3 million for FY2021/2022. Our net profit margin increased from approximately 6.4% for FY2020/2021 to approximately 7.5% for FY2021/2022. The increase in our net profit margin for FY2021/2022 was primarily attributable to the (i) increase of our revenue and (ii) the decrease in [REDACTED] of approximately HK$[REDACTED] from approximately HK$[REDACTED] for FY2020/2021 to approximately HK$[REDACTED] for FY2021/2022.

FY2020/2021 compared to FY2019/2020

Revenue

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.

The revenue 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 due to the increase in sales to certain telecommunication companies including Customer B and Customer I, and Customer J, which involved the construction and setting up of data centre to support their expansion of their loyalty points platform. The increase in revenue for the ten months ended 31 March 2021 was partially 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 period in 2019. The significant decrease for the two months ended 31 May 2020 was primarily due to the combined effect of (i) the outbreak of COVID-19 and the corresponding social distancing measures implemented by the Government, public organisations and private enterprises, resulting in (a) deferring the provision of on-site implementation services and thereby delaying the execution and implementation of IT projects while at the same time; and (b) reshaping the IT applications in both commercial activities and daily lives causing fundamental changes in the underlying IT needs which prompted commercial organisations to be more conservative in budgeting their IT expenditure and take more time to observe, analyse and ascertain their IT needs and business performance and hence delayed their spending on IT products; and (ii) the significant contracts of Customer D amounting to approximately HK$24.0 million recognised for the two months ended 31 May 2019.

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.

Cost of sales and services

Our cost of sales and services increased by approximately HK$38.5 million or 14.7% from approximately HK$262.7 million for FY2019/2020 to approximately HK$301.2 million for FY2020/2021, which was generally in line with the increase in our revenue during the year.

Cost of inventories

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. Such increase was primarily attributable to the corresponding increase in revenue from our distribution business during the same year.

Subcontracting fees

Our subcontracting fees increased by approximately HK$5.1 million or 41.1% from approximately HK$12.4 million for FY2019/2020 to approximately HK$17.5 million for FY2020/2021. Such increase was primarily due to the increase in orders which required subcontracting services.

Staff costs

Our staff costs increased by approximately HK$1.7 million or 13.8% from approximately HK$12.3 million for FY2019/2020 to approximately HK$14.0 million for FY2020/2021. Such increase was primarily attributable to the increase in salary.

Gross profit and gross profit margin

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 and our overall gross profit margin increased from approximately 20.8% for FY2019/2020 to approximately 22.3% for FY2020/2021.

Our gross profit from distribution business increased by approximately HK$10.8 million or 32.2% from approximately HK$33.5 million for FY2019/2020 to approximately HK$44.3 million for FY2020/2021, primarily attributable to the significant sales generated from the ten months ended 31 March 2021 as described in the paragraph headed "Review of results of operations — FY2020/2021 compared to FY2019/2020 — Revenue" in this section above. The gross profit margin from distribution business slightly increased from approximately 20.4% for FY2019/2020 to approximately 21.8% for FY2020/2021 primarily attributable to the fact we were able to deploy new-to-market niche products to certain customers that matched their required technical specifications and the costs of which were more competitively priced.

Our gross profit from SI solutions business increased by approximately HK$6.4 million or 18.0% from approximately HK$35.6 million for FY2019/2020 to approximately HK$42.0 million for FY2020/2021, primarily attributable to (i) the increase in gross profit contributed by IT maintenance and support services which was generally in line with the increase in its revenue primarily due to the increase in number of customers subscribed for such service and the increase in average contract value per customer during the relevant year; and (ii) the increase in gross profit contributed by IT infrastructure solutions services primarily attributable to the increase in sales to Customer F in FY2020/2021. The increase in gross profit margin from SI solutions business from approximately 21.3% for FY2019/2020 to approximately 22.8% for FY2020/2021 was primarily attributable to the increase in gross profit contributed by our IT maintenance and support services, which generally has a relatively higher gross profit margin. Furthermore, the gross profit margin of IT maintenance and support services increased from approximately 60.8% for FY2019/2020 to approximately 63.5% for FY2020/2021 primarily attributable to the increase in revenue from our IT maintenance and support services while the staff cost in relation to the provision of such services remained relatively stable.

Other income

Our other income increased by approximately HK$5.0 million or 227.3% from approximately HK$2.2 million for FY2019/2020 to approximately HK$7.2 million for FY2020/2021. The increase was primarily attributable to the receipt of government subsidy of approximately HK$5.3 million under the Employment Support Scheme during the outbreak of COVID-19.

Other gains and losses

We recorded net other gains of approximately HK$57,000 for FY2019/2020 and net other gains of approximately HK$322,000 for FY2020/2021. The increase of other gains was primarily attributable to the increase of net exchange gain of approximately HK$188,000 from approximately HK$39,000 for FY2019/2020 to approximately HK$227,000 for FY2020/2021 resulted from the translations of foreign currencies in satisfying our various operation needs.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK$1.9 million or 8.1% from approximately HK$23.4 million for FY2019/2020 to approximately HK$25.3 million for FY2020/2021. The increase was primarily attributable to the increase in staff costs by approximately HK$2.3 million mainly due to increase in number of staff.

Administrative expenses

Our administrative expenses increased by approximately HK$2.4 million or 16.4% from approximately HK$14.6 million for FY2019/2020 to approximately HK$17.0 million for FY2020/2021. The increase was primarily attributable to the increase in staff cost by approximately HK$1.4 million mainly due to increase in number of staff.

Finance costs

Our finance costs increased by approximately HK$0.2 million or 10.5% from approximately HK$1.9 million for FY2019/2020 to approximately HK$2.1 million for FY2020/2021. Such increase was primarily attributable to increase in bank borrowings in FY2020/2021.

Income tax expense

Our income tax expense increased by approximately HK$1.8 million or 40.0% from approximately HK$4.5 million for FY2019/2020 to approximately HK$6.3 million for FY2020/2021 primarily attributable to the increase in taxable income for FY2020/2021. Our effective tax rate increased from approximately 14.7% for FY2019/2020 to approximately 20.3% for FY2020/2021, primarily attributable to the increase in [REDACTED] incurred during the year which is non-tax deductible in nature.

Profit for the year

As a result of the foregoing, our profit for the year decreased by approximately HK$1.3 million or 5.0% from approximately HK$26.1 million for FY2019/2020 to approximately HK$24.8 million for FY2020/2021. Our net profit margin decreased from approximately 7.9% for FY2019/2020 to approximately 6.4% for FY2020/2021. The decrease in our profit and our profit margin for the year was primarily attributable to the [REDACTED] of approximately HK$[REDACTED] incurred for FY2020/2021.

PRINCIPAL COMPONENTS OF OUR CURRENT ASSETS AND CURRENT LIABILITIES

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 30 April
	2020	2021	2022	2022
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000) *(unaudited)*
Current assets				
Inventories	18,150	9,754	15,822	16,700
Trade and other receivables, deposits and prepayments	68,864	123,099	209,693	225,540
Contract assets	770	361	561	561
Amount due from a director	65,647	24,407	—	—
Amounts due from related companies	20,389	20,949	149	149
Pledged bank deposits	—	9,778	8,445	8,209
Bank balances and cash	8,259	7,376	17,166	8,913
	182,079	95,724	251,836	260,072
Current liabilities				
Trade and other payables and accrued charges	106,554	78,687	74,866	75,678
Contract liabilities	14,428	15,113	24,636	24,326
Amount due to a former director of a subsidiary	17	—	—	—
Amount due to a director	—	—	2,419	—
Amount due to a related company	593	593	593	593
Tax payables	8,162	10,109	9,658	9,284
Lease liabilities	2,168	3,977	2,583	2,583
Bank borrowings	49,680	69,800	77,008	80,216
	181,602	178,279	191,763	192,680
Net current (liabilities) assets	477	17,445	60,073	67,392

Net current assets

Our net current assets increased from approximately HK$477,000 as at 31 March 2020 to approximately HK$17.4 million as at 31 March 2021, which was primarily attributable to (i) increase in trade and other receivables, deposits and prepayments of approximately HK$54.2 million; (ii) the decrease in trade and other payables and accrued charges of approximately HK$27.9 million mainly due to the decrease in our trade payables resulted from our settlement of trade payables to our suppliers; and (iii) the increase in pledged bank deposits of approximately HK$9.8 million, partially offset by (i) the decrease in amount due from a director of approximately HK$41.2 million; (ii) the increase in bank borrowings of approximately HK$20.1 million; and (iii) the decrease in inventories of approximately HK$8.4 million.

Our net current assets increased to approximately HK$60.1 million as at 31 March 2022, which was primarily attributable to (i) the increase in trade and other receivables, deposits and prepayments of approximately HK$86.6 million mainly due to (a) the increase in trade receivables resulted from the significant increase in our revenue and 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 which was primarily attributable to the prepayments made to Supplier E for its CDN licences; and (ii) the increase in inventories of approximately HK$6.1 million, partially offset by (i) the decrease in amount due from a director of approximately HK$24.4 million; (ii) the decrease in amount due from related companies of approximately HK$20.8 million; (iii) the increase in contract liabilities of approximately HK$9.5 million; and (iv) the increase of bank borrowing of approximately HK$7.2 million.

Liquidity Management

We recognise the importance of liquidity and we have recently adopted a centralised liquidity management to give us a better understanding of our liquidity position. In order to manage our liquidity position in view of our working capital requirement for our business operations, we have formed a liquidity management function, which is led by our chief financial officer, Mr. Chu Kok On and comprises our finance and account staff to ensure the effective implementation of the following measures:

(i) We have adopted the updated budgeting policies and procedures as well as cash and treasury management policy to better govern our cash flow management;

(ii) We prepare weekly cash flow forecast after taking into account the expected settlement of invoices and respective expenses for regular review and approval by our liquidity management function;

(iii) We actively manage our trade receivables. Our assistant finance manager will prepare monthly trade receivables ageing analysis at the end of each month for review by our Group's liquidity management function. Our finance manager will identify the overdue customers and the overdue situation and assign staff to follow up on the collection process. In particular, our sales manager responsible for the relevant customer will follow up by issuing monthly statements, making phone calls to understand the failure to pay within the agreed credit period, their financial status, and sending emails to the customer as gentle reminder. Our staff responsible for following up with the customers will then report status to our finance manager. Our finance manager will also assess the customer's credit quality, credit limits for our customers monthly and the risk of bad debt with reference to the customer's background, sales amount, the customer's payment history, scale of operation and business relationship with our Group. Where the customer is consistently late in payment and our finance manager considers that there is risk of bad debt, he/ she will escalate to the senior management of our Group, who will decide whether to place the account on credit hold. Where our Directors consider appropriate and necessary, our Group will appoint debt collection agency and seek legal advice;

(iv) We actively manage our trade payables to ensure timely payment to our suppliers by (a) preparing payment requisition form for each payment for approval once an invoice is received; (b) reviewing the ageing analysis prepared by our assistance manager at the end of each month, submitting to our liquidity management function and/or our Directors for approval and enquiring for long outstanding payables if any; and (c) reviewing the trade payables turnover days by our finance manager when reviewing the monthly management account;

(v) We closely monitor and strengthen both our short-term and long-term liquidity positions by evaluating the sufficiency of the working capital and the utilisation of bank borrowings. In particular, our assistant finance manager is responsible for preparing weekly and three-month cashflow forecast, taking into account the expected settlement of invoices and respective expenses for regular review and approval by our Group's liquidity management function. Our finance manager will also closely monitor our Group's daily bank balance through internal records and e-banking account. If any foreseeable liquidity issue is identified, our finance manager will notify the senior management, and our Group will contact our customers to follow up on outstanding payments and/or negotiate for early settlement. 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; and

(vi) We prepare annual budget including gross cash receipts and payments from our operating activities, business expansion plan, capital expenditure, tax payments or dividends for regular review and approval by our liquidity management function. Actual cash flows will be compared against the annual budget as at each month end, where unusual differences will be investigated.

We believe the liquidity management function enables us to utilise our capital more efficiently, which in turn enables us to reduce our overall liquidity risk and achieve higher efficiency in capital utilisation.

Inventories

Our inventories comprised IT products primarily for our distribution business. During the Track Record Period, we did not maintain a material level of inventories, with the carrying amount of our inventories accounting for approximately 10.0%, 5.0% and 6.3% as at 31 March 2020, 2021 and 2022 of our current assets respectively.

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

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

As at 31 March 2021, our inventory balance decreased by approximately HK$8.4 million or 46.2% from HK$18.2 million as at 31 March 2020 to approximately HK$9.8 million as our business operation had resumed to normal due to the lesser impact of COVID-19.

The inventory balance increased by approximately HK$6.0 million or 61.2% from approximately HK$9.8 million as at 31 March 2021 to approximately HK$15.8 million as at 31 March 2022, primarily attributable to extension or adjustment of delivery time as requested by our customers as a result of the work-from-home arrangement during March 2022.

Our inventory management process adopts a first-in-first-out policy. Slow-moving inventories were identified by our management based on ageing analysis and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by our management by considering the latest selling prices and current market conditions. Allowance is recognised if the net realisable value is estimated to be below the cost. During the Track Record Period, write-down of inventories amounted to approximately HK$0.9 million, HK$1.1 million and HK$0.7 million respectively to reflect primarily our expired software licenses including the ones previously used as sample for our customers.

The following table sets forth our average inventory turnover days for the years indicated:

	FY2019/2020	**FY2020/2021**	**FY2021/2022**
	(Days)	(Days)	(Days)
Average inventory turnover days (Note)	23.3	16.9	9.1

Note: Average inventory turnover days are derived by dividing the arithmetic mean of the opening and ending inventory balance by cost of sales and services for the relevant year and multiplying by 365 days for FY2019/2020, FY2020/2021 and FY2021/2022.

During the Track Record Period, our average inventory turnover days were generally on a decreasing trend at approximately 23.3 days, 16.9 days and 9.1 days respectively.

The following table sets forth an ageing analysis of inventories as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Inventories			
0 – 30 days	5,345	4,272	5,478
31 – 60 days	1,918	1,470	1,526
61 – 90 days	1,776	2,383	1,613
91 – 180 days	1,347	484	4,054
181 – 365 days	3,815	226	2,148
Over 1 year	3,949	919	1,003
	18,150	9,754	15,822

As at 31 March 2022, our inventory balance of over one year amounted to approximately HK$1.0 million, which primarily comprised hardware products. With reference to the selling price of the recent sales transactions for the relevant inventories, our Directors consider that there is no recoverability issue for the relevant inventories and no provision was made.

As at the Latest Practicable Date, approximately HK$12.0 million or 75.5% of our inventories as at 31 March 2022 had been utilised subsequently. Our Directors are of the view that most of the remaining inventories are moving inventory items that are suitable for sale, and thus there is no recoverability issues arising from the relatively slow subsequent utilisation.

Trade receivables

Our trade receivables represented the outstanding amounts receivable by us from our customers either for our services or products. The carrying amount of most of our trade receivables are denominated in HK$ or USD. The following table sets forth our trade receivables as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Trade receivables	63,735	112,363	157,802

As at 31 March 2021, our trade receivables increased by approximately HK$48.7 million or 76.5% from approximately HK$63.7 million as at 31 March 2020 to approximately HK$112.4 million as at 31 March 2021 primarily attributable to the increased in revenue since June 2020 due to the lesser impact of COVID-19 and the significant sales to Customer B and Customer I during the fourth quarter of FY2020/2021. As at the Latest Practicable Date, Customer B had settled all our outstanding trade receivables past due date as at 30 September 2021.

Our trade receivables further increased by approximately HK$45.4 million or 40.4% to approximately HK$157.8 million as at 31 March 2022 primarily attributable to the significant increase in our revenue for FY2021/2022 and the sales of CDN licences 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.

The following table sets forth an ageing analysis of trade receivables, net of allowance on credit losses, presented based on invoice dates as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Trade receivables without instalment settlement			
0 — 30 days	19,155	46,101	108,229
31 — 60 days	14,602	32,015	16,299
61 — 90 days	6,816	13,386	11,616
91 — 180 days	13,343	10,945	12,368
Over 180 days	7,872	9,303	9,200
	61,788	111,750	157,712
Trade receivables with instalment settlement *(Note)*			
0 — 30 days	55	—	—
31 — 60 days	42	—	—
61 — 90 days	254	—	—
91 — 180 days	—	—	—
Over 180 days	1,596	613	90
	1,947	613	90
	63,735	112,363	157,802

Note: Our Group offered certain customers (mainly non-governmental organisations) on interest-free instalment settlement arrangement with instalment period ranged from four months to 36 months. In the opinion of our Directors, the financing components of the contracts with instalment settlement arrangement were insignificant in contract level during the Track Record Period.

As at 31 March 2020, we had trade receivables without instalment settlement aged 91 to 180 days of approximately HK$13.3 million. Such overdue balance primarily comprised (i) trade receivables of approximately HK$5.0 million due from Customer E; (ii) trade receivables of approximately HK$1.2 million due from a customer who is a social service organisation; and (iii) trade receivables of approximately HK$1.1 million due from a customer who is a private company principally engaged in provision of IT solutions services;

As at 31 March 2021, we had trade receivables without instalment settlement of 91 to 180 days and over 180 days of approximately HK$10.9 million and HK$9.3 million respectively. In general, these long aged trade receivables were mainly because we did not strictly enforce our contractual payment terms while a majority amount of which related to amounts due from a wide range of customers including but not limited to SMEs to large multinational and local business enterprises which generally have long internal procedures in settling our payments.

As at 31 March 2022, we had trade receivables without instalment settlement of 91 to 180 days and over 180 days of approximately HK$12.4 million and HK$9.2 million respectively. Such trade receivables balance primarily comprised of (i) trade receivables of approximately HK$2.5 million due from Customer A; (ii) trade receivables of approximately HK$1.1 million due from a customer which is a privately held company principally engaged in provision of IT solutions services; and (iii) trade receivables of approximately HK$1.1 million due from a customer which is a privately held customer principally engaged in provision of IT products and IT solutions.

Up to the Latest Practicable Date, approximately HK$5.0 million (representing approximately 40.7%) and HK$1.5 million (representing approximately 16.5%) of the trade receivables aged 91 to 180 days and aged over 180 days as at 31 March 2022 were subsequently settled respectively. Our Directors are of the view that there is no recoverability issue for trade receivables with and without instalment settlement aged over 90 days after considering (i) the trade receivables balances were due from customers with ongoing and/or potential future business relationship with our Group, majority of which are publicly listed companies and large multinational companies; (ii) there were no on-going disputes with such customers and; (iii) these customers had been making continuous payment to our Group and had no recent history of default.

To the best knowledge, information and belief of our Directors after having made reasonable enquiries, business relationship between these customers and us are on an on-going basis and future engagement is therefore still expected. In addition, our Directors confirm there were no material disputes, claims or legal actions between these customers and us in the past and the risk of failing to fully recover the trade receivables is considered low.

The following table sets forth our average trade receivables turnover days for the years indicated:

	FY2019/2020	FY2020/2021	FY2021/2022
	(Days)	(Days)	(Days)
Average trade receivables turnover days *(Note 1)*	63.5	82.9	78.1
Average trade receivables and contract assets turnover days *(Note 2)*	64.2	83.5	78.3

Notes: 1. Average trade receivables turnover days are derived by dividing the arithmetic mean of the opening and ending trade receivables balance (net of allowance for credit losses) by revenue for the relevant year and multiplying by 365 days for FY2019/2020, FY2020/2021 and FY2021/2022.

2. Average trade receivables and contract assets turnover days are derived by dividing the arithmetic mean of the opening and ending balances of trade receivables and contract assets balance (net of allowance for credit losses) by revenue for the respective year and multiplying by 365 days for FY2019/2020, FY2020/2021 and FY2021/2022.

Our average trade receivables turnover days increased from approximately 63.5 days in FY2019/2020 to approximately 82.9 days in FY2020/2021 primarily attributable to the increase in trade receivables as the Group recorded significant sales to Customer B and Customer I during the fourth quarter of FY2020/2021. The average trade receivables turnover days subsequently decreased to approximately 78.1 days in FY2021/2022 primarily attributable to the significant increase in our revenue as a result of the significant increase of the sales of CDN licences in FY2021/2022.

Our average trade receivables and contract assets turnover days was 64.2 days, 83.5 days and 78.3 days for the Track Record Period respectively. The movement of our average trade receivables and contract assets turnover days was in line with our average trade receivables turnover days.

Credit risk and impairment assessment

During the Track Record Period, we generally grant our customers a credit period ranging from zero to 90 days, depending on the specific payment terms in each contract. We usually issue invoice either with reference to relevant progress of our services as stated in the contracts mutually agreed with customers or upon completion of our deliveries. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables are non-interest-bearing.

Our management measures and assesses lifetime ECL on trade receivables based on (i) debtors who are listed companies or subsidiaries of the listed companies, NGO debtors and debtors with aggregate outstanding balances exceeding HK$1.0 million are assessed individually; and (ii) remaining trade receivables are based on provision matrix through past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information.

As at 31 March 2020, 2021 and 2022, we had approximately HK$47.6 million, HK$47.8 million and HK$50.3 million overdue trade receivables respectively. As a result of the impairment assessment as discussed above and in the paragraph headed "Notes to the historical financial information – 32. Financial instruments" in Appendix I to this document, we recorded allowance for credit losses of approximately HK$2.2 million, HK$4.4 million and HK$1.5 million as at 31 March 2020, 2021 and 2022 respectively, on our consolidated statement of financial position.

We actively manage our overdue trade receivables and have undertaken certain liquidity management measures with a view to reduce our overall trade receivables turnover days and manage the credit risk. For details please refer to the paragraph headed "Liquidity management" above in this section.

Our management has performed impairment assessment on trade receivables using expected credit losses model in accordance with HKFRS 9. For details of impairment assessment, please refer to the paragraph headed "Notes to the historical financial information – 32. Financial instruments" in Appendix I to this document. We recorded allowance for credit losses of approximately HK$2.2 million, HK$4.4 million and HK$1.5 million as at 31 March 2020, 2021 and 2022 respectively, representing approximately 3.4%, 3.7% and 0.9% of the gross carrying amount of our trade receivables as at 31 March 2020, 2021 and 2022 respectively. As a result of our credit risk management, there is no material credit-impaired trade receivables noted during the Track Record Period.

As at the Latest Practicable Date, approximately HK$118.5 million or 75.1% of our Group's trade receivables as at 31 March 2022 had been settled subsequently. Our Group did not strictly enforce our credit term with certain of our customers. Having considered that the relevant customers which failed to settle within the credit term are mainly companies with established business relationship with our Group and our Group has not suffered any write-off for debts owed by any of these customers during the Track Record Period, our Directors therefore consider that the risk of bad debt of these customers is low and it would be in the interest of our Group not to strictly enforce the credit term with a view to maintain amicable relationship. That said, our Group has been continuously closely monitoring the payment status and actively following up with these customers.

Having considered (i) the measures adopted by us; (ii) the good business relationships maintained with our customers; (iii) the recurring overdue records of our customers with satisfactory settlement history; and (iv) we continued to receive payment from relevant customers settling their overdue balances from time to time, our Directors are of the view that our credit policy is adequate and effective.

Contract assets/liabilities

The following table sets forth the breakdown of our contract assets/liabilities as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Contract assets *(Note 1)*	813	390	574
Less: allowance for credit losses	(43)	(29)	(13)
Contract assets, net of allowance for credit losses	770	361	561
Contract liabilities *(Note 2)*	14,705	15,892	25,532

Note 1: Contract assets represented right to consideration for services performed and not billed because the rights are conditional on user acceptance by our customers. Our contract assets will be transferred to trade receivables when the rights become unconditional (i.e. the services performed are accepted by customers).

Note 2: Contract liabilities represented our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

As at 31 March 2020, 2021 and 2022, we recorded contract assets (net of allowance for credit losses) of approximately HK$0.8 million, HK$0.4 million and HK$0.6 million respectively. Our relatively lower balance of contract assets as at 31 March 2021 was primarily attributable to the fact most of our contracts were completed or the rights to consideration become unconditional.

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 increase in contract liabilities represented an increase in amount of upfront deposits received from our customers.

As at the Latest Practicable Date, approximately HK$0.3 million or 48.6% of our contract assets as at 31 March 2022 had been certified subsequently.

Other receivables, deposits and prepayments

The following table sets forth our trade and other receivables, deposits and prepayments as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Prepayments	4,362	5,658	46,447
Rental and other deposits	1,539	943	997
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	40	152	192
Total	5,941	11,667	52,877

Our other receivables, deposits and prepayments increased by approximately HK$5.8 million or 98.3% from approximately HK$5.9 million as at 31 March 2020 to approximately HK$11.7 million as at 31 March 2021. The increase in our other receivables, deposits and prepayments during the Track Record Period was primarily attributable to (i) the increase in our prepayments to suppliers for the procurement of IT products depending on our delivery/project schedules and (ii) the deferred [REDACTED]. As at 31 March 2021, our other receivables, deposits and prepayments was significantly higher as compared to other financial year ends was primarily attributable to (i) our larger prepayments made to an insurance company to cover our risk of delivery of products to our customers for certain large orders; and (ii) the incurrence of deferred [REDACTED] of approximately HK$[REDACTED]. As at 31 March 2022, our other receivables, deposits and prepayments increased significantly to approximately HK$52.9 million, which was significantly higher as compared to other financial year end dates. The significant increase was primarily attributable to our prepayments of approximately HK$33.5 million made to Supplier E to purchase its CDN licences, which has been fully utilised as at the Latest Practicable Date.

Pledged bank deposits

As at 31 March 2020, 2021 and 2022, we had deposits of nil, approximately HK$9.8 million and HK$8.4 million respectively pledged to a bank to secure certain bank borrowings and facilities.

For details of the project for the Government, please refer to the section headed "Business — Customer — Performance securities" in this document.

Trade payables

Our trade payables represented the outstanding amounts payable by us to our suppliers for the procurement of IT products and to subcontractors for the procurement of subcontracting services. The following table sets forth our trade payables as at the dates indicated:

	As at 31 March		
	2020	2021	2022
	(HK$'000)	(HK$'000)	(HK$'000)
Trade payables	103,460	68,463	64,682

As at 31 March 2021, our trade payables decreased by approximately HK$35.0 million or 33.8% from HK$103.5 million as at 31 March 2020 to approximately HK$68.5 million primarily attributable to our substantial payments of trade payables to our suppliers, in particular, 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.

As at 31 March 2022, our trade payables decreased slightly by approximately HK$3.8 million or 5.5% to approximately HK$64.7 million. Notwithstanding our cost of sales and services increased significantly with our revenue during the year, our major purchase of CDN licences were settled by prepayments to Supplier E and hence there was no material effect on our trade payables.

Trade payables to Kwong Ming Engineering

The 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 the 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. Save for the usual invoices and purchase orders as part of our ordinary course of business, we did not enter into any distribution, partnership or side agreement or arrangement with Kwong Ming Engineering.

We believe that Kwong Ming Engineering was willing to offer such favourable settlement terms to our Group due to the following commercial rationales:

(i) Consolidating the strategic business relationship with us and exploring business opportunities from various telecommunication companies with us

During our course of business, our Directors have observed, which is in line with Ipsos' understanding, that telecommunication companies usually prefer engaging IT service providers to provide turnkey solutions in network and system infrastructure projects due to the technical complexity of these projects and for ease of control and management. Generally, the scope of works for sizable network and system infrastructure projects entails supply of IT products, installation (which involves telecommunication engineering and cabling work), technical implementation and integration, configuration, consultancy and maintenance services. As our business relationships with various major telecommunication companies such as Customer B and Customer D developed, we were eager to obtain sizable network and system infrastructure projects from them. Given that our Group does not have the capability of performing telecommunication engineering and cabling works, our Group has to rely on a subcontractor with such expertise in order to take on these network and system infrastructure projects. On the other hand, Kwong Ming Engineering as an engineering and cabling service company also had a strong interest in undertaking these sizable network and system infrastructure projects but does not possess the expertise in providing total customised turnkey solutions to meet the IT needs and specifications of end-users in network and system infrastructure projects. Hence, telecommunication companies generally engage IT service providers for these projects as disclosed above, and Kwong Ming Engineering must collaborate with an IT service provider in order to have access to these projects. In view of our mutual needs and our respective competitive edges, Kwong Ming Engineering and our Group were keen to strategically cooperate with each other to explore more business opportunities from telecommunication companies and undertake projects together.

Leveraging on the success of our Group's first major contract from Customer B for its fibre optic-based network infrastructure projects, Kwong Ming Engineering was able to secure business relationship with us in a number of major network and system infrastructure projects awarded to us by various renowned telecommunication companies during the Track Record Period, such as Customer D (a leading fixed-line operator that owns extensive infrastructure in Hong Kong and overseas) in 2018 and a subsidiary of a listed company on the Stock Exchange and the New York Stock Exchange (which is a large-scale and leading integrated intelligent information services operator providing, among other things, internet access services primarily in the PRC) in 2019. Furthermore, our Group and Kwong Ming Engineering have together been exploring other business opportunities with various telecommunication companies, including certain large-scale smart city infrastructure projects that will require our Group to act as turnkey service provider in providing the necessary IT products and services with telecommunication engineering and cabling work involved. Eyeing on the volume of the major network and system infrastructure projects subcontracted, the scale of the smart city infrastructure projects, the income generated and to be generated therefrom and other future collaboration opportunities with us, we believe Kwong Ming Engineering has had great commercial incentive to strengthen the business relationship with the Group and offer us favourable settlement terms.

(ii) Profitable business engagements

Through our strategic business relationship with Kwong Ming Engineering, Kwong Ming Engineering has the opportunities to participate in sizable network and system infrastructure projects of major telecommunication companies. In addition, during these engagements, Kwong Ming Engineering was responsible for directly procuring IT products from certain IT products vendors nominated by us on our behalf and providing telecommunication engineering and cabling works based on our instruction. As confirmed by Kwong Ming Engineering, its gross profit margin deriving from these sizable network and system infrastructure projects with our Group were comparable to its overall gross profit margin. Thus, these projects have fostered Kwong Ming Engineering's revenue stream without compromising its overall profitability despite being a subcontractor in these projects. At the same time, our gross profit margin derived from the sales of IT products for the network and system infrastructure projects of telecommunication companies involving Kwong Ming Engineering during the Track Record Period was approximately 21.5%, which was comparable to the gross profit margin derived from the sales of IT products for similar projects without involving Kwong Ming Engineering, of approximately 22.8%.

As we continued to engage Kwong Ming Engineering in network and system infrastructure projects for FY2019/2020, our trade payables to Kwong Ming Engineering gradually and considerably accumulated to approximately HK$61.0 million as at 31 March 2020. In respect of the terms of transaction, the credit term of 30 days offered by Kwong Ming Engineering to our Group is comparable to that of our other independent suppliers, which generally ranged from zero to 60 days. However, given the commercial rationale as disclosed above, Kwong Ming Engineering did not demand us to settle the outstanding trade payables per the 30-day credit term. On the other hand, based on the Director's best knowledge and belief after reasonable enquiries, Kwong Ming Engineering has other long outstanding amounts to be repaid by other independent third party business partners with a view in exploring business opportunities together with them. Based on the above and the comparable gross profit margins in respect of our Group and Kwong Ming Engineering as disclosed above, our Directors consider that the terms and pricing of the transactions with Kwong Ming Engineering during the Track Record Period were comparable to those offered by other independent suppliers to our Group, and by Kwong Ming Engineering to its other business partners. As confirmed by Kwong Ming Engineering, it will still offer similar favourable settlement terms to us after the [REDACTED] when business opportunities of suitable size arise in the future. 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, our Group's cash flow position and liquidity may be adversely affected. Please refer to the section headed "Risk Factors – Risks relating to our business and our industry – 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" in this document.

To prepare for the [REDACTED], having considered the advice from professional parties involved in the [REDACTED] and the fact that (i) the relevant smart city infrastructure projects had slowed down since mid-2019 due to the uncertainty brought by the social movement and later the outbreak of COVID-19; and (ii) the economic uncertainty as a result of the outbreak of COVID-19, we proposed to Kwong Ming Engineering that we would fully settle the relevant outstanding trade payables to Kwong Ming Engineering in the third quarter of 2020. In July 2020, we had settled all the outstanding trade payables of approximately HK$ 61.0 million as at 31 March 2020 to Kwong Ming Engineering. Due to the slowdown of the smart city infrastructure projects and other network and system infrastructure projects which involved telecommunication engineering and cabling works during the four months ended 31 July 2020, our engagement with Kwong Ming Engineering had decreased in comparison to the corresponding period in 2019. Since August 2020, due to the lesser impact of COVID-19, we received orders requiring telecommunication engineering and cabling works and we had engaged Kwong Ming Engineering for such works. We also cooperated with Kwong Ming Engineering in pitching and undertaking a network and system infrastructure project of Customer J, the fourth largest and second largest customer for FY2020/2021 and FY2021/2022 respectively, which involved the construction, setting up and expansion of data centre to support the expansion of their online loyalty points platform. As a result of the above, Kwong Ming Engineering became our largest and seventh largest supplier for FY2020/2021 and FY2021/2022 respectively.

Excluding the amount of trade payable to Kwong Ming Engineering as at each of the respective year end, our trade payables and average trade payables turnover days would have been as follows:

	As at 31 March		
	2020	**2021**	**2022**
Trade payables to Kwong Ming Engineering (HK$'000)	61,048	22,230	—
Percentage to total (%)	59.0	32.5	—
Trade payables (excluding Kwong Ming Engineering) (HK$'000)	42,412	46,233	64,682
Average trade payables turnover days (excluding Kwong Ming Engineering) (days) *(Note 1)*	62.3	66.8	47.1

Notes:

1. Average trade payables turnover days are derived by dividing the arithmetic mean of the opening and ending trade payables balance by cost of sales and services for the relevant year and multiplying by 365 days for FY2019/2020, FY2020/2021 and FY2012/2022.

2. As at 31 March 2022, the trade payables to Kwong Ming Engineering was nil. Accordingly, our trade payables (excluding Kwong Ming Engineering) as at 31 March 2022 and average trade payables turnover days for FY2021/2022 would not be affected.

Excluding Kwong Ming Engineering, our average trade payables turnover days during the Track Record Period was generally similar to the credit terms of trade payables granted to us.

The following table sets forth the ageing analysis of our trade payables, based on invoice date, as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
0 — 30 days	17,546	27,994	21,332
31 — 60 days	11,085	22,198	10,407
61 — 90 days	8,706	11,375	12,872
91 — 180 days	13,511	1,626	5,303
Over 180 days	52,612	5,270	14,768
	103,460	68,463	64,682

Pro forma analysis of the impact of imputed interest expenses arising from the past due trade payables to Kwong Ming Engineering

Based on the contractual terms between our Group and Kwong Ming Engineering, our Group's past due trade payables for Kwong Ming Engineering were not subject to any late payment penalty or interest, but for illustration purpose, the following table sets forth a pro forma analysis of the impact of imputed interest expenses arising from the past due trade payables to Kwong Ming Engineering on the Group's financial performance for the Track Record Period:

	FY2019/2020	**FY2020/2021**	**FY2021/2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Profit for the year	26,109	24,776	47,258
Less:			
Imputed interest expenses arising from the trade payables of Kwong Ming Engineering *(Note)*	2,537	1,318	565
Add:			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit	23,572	39,287	51,962

Note: The effective interest rates for imputed interest expense arising from the trade payables to Kwong Ming Engineering is determined based on the high end of the effective interest rates of the Group's bank borrowings which was 5.6%, 5.6% and 5.0% for the Track Record Period respectively. The effective interest rates were accrued and compounded monthly.

Pro forma analysis of the impact on our Group's statements of cash flows assuming our Group settled the trade payables for Kwong Ming Engineering in accordance with the credit terms granted during the Track Record Period

Based on the contractual terms agreed between our Group and Kwong Ming Engineering, the credit term offered by Kwong Ming Engineering to our Group is 30 days. For illustration purpose, the following table sets forth a pro forma analysis of the impact on our Group's statements of cash flows assuming our Group settled the trade payables for Kwong Ming Engineering in accordance with the credit terms granted during FY2018/2019 and the Track Record Period:

	FY2018/2019	**FY2019/2020**	**FY2020/2021**	**FY2021/2022**
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000)
Operating cash flows before movements in working capital	35,230	35,968	38,838	62,476
Change in working capital	(11,039)	(27,333)	(23,327)	(30,769)
Income tax paid	(1,595)	(41)	(4,706)	(10,442)
Net cash from (used in) operating activities *(Note 1)*	24,191	8,635	15,511	31,707
Net cash (used in) from investing activities *(Notes 2 and 3)*	(42,330)	(12,200)	(26,092)	40,726
Net cash (used in) from financing activities *(Note 3)*	14,001	1,270	11,325	10,271
Net (decrease) increase in cash and cash equivalents	(5,733)	(2,336)	(3,962)	8,848
Cash and cash equivalents at beginning of the year	7,378	3,057	8,259	7,376
Effect on foreign exchange rate changes	(51)	(47)	146	86
Cash and cash equivalents at end of the year represented by bank balances and cash	1,594	674	4,443	16,310

Notes:

1. Based on the assumption that our Group had settled the trade payables for Kwong Ming Engineering in accordance with the contractual credit terms of 30 days granted during FY2018/2019 and the Track Record Period.

2. Based on the assumption that the Director had repaid HK$1.0 million in FY2018/2019 and HK$51.0 million in FY2019/2020 instead of repaying the sum of HK$52.0 million in FY2020/2021.

3. Based on the assumptions that (i) bank borrowing of HK$17.0 million with interest rate of 2.4% per annum had been drawn down in FY2018/2019 from our unutilised bank facilities and had repaid in FY2019/2020 and (ii) bank borrowing of HK$9.0 million with interest rate of 2.1% per annum had been drawn down in the six months ended 30 September 2021 from our unutilised bank facilities. As at 31 March 2019 and 31 March 2022, our unutilised bank facilities were approximately HK$17.4 million and approximately HK$17.7 million respectively and the ranges of effective interest rates on bank borrowings were ranged from 2.4% to 5.6% and 2.0% to 5.0% per annum respectively.

In October 2021, we had settled all the outstanding trade payables of approximately HK$21.6 million as at 30 September 2021 to Kwong Ming Engineering. Our Directors are of the view that as illustrated in the above analysis, notwithstanding that our Group would have experienced smaller net cash from operating activities in FY2018/2019 and FY2019/2020, our Group would still maintain positive position in cash and cash equivalents as at 31 March 2020 represented by bank balances and cash, and correspondingly our net cash from operating activities would be improved in FY2020/2021.

During the Track Record Period, the credit terms of trade payables granted to us generally range from zero to 60 days. The higher balance of trade payables, (i) with an ageing period of 91 to 180 days, amounted to approximately HK$13.5 million as at 31 March 2020 primarily attributable to (a) a payable balance of approximately HK$7.8 million to Kwong Ming Engineering; (b) a payable balance of approximately HK$2.1 million to Supplier A; and (c) a payable balance of approximately HK$1.0 million to a supplier who is a private company principally engaged in provision of SI solutions service specialising in cyber security; and (ii) with an ageing period of over 180 days, amounted to approximately HK$52.6 million as at 31 March 2020 primarily attributable to a payable balance of approximately HK$50.5 million to Kwong Ming Engineering. The higher balance of trade payables with an ageing period of over 180 days amounted to approximately HK$14.8 million as at 31 March 2022, primarily attributable to a payable balance of HK$4.3 million and HK$3.4 million to Sangfor Technologies (Hong Kong) Limited and Brand B, respectively.

Having considered the current market circumstances, including relatively tighter supply chain for IT products and under the backdrop of COVID-19, our Directors consider that it would be in the interest of our Group to maintain the current relationship with the suppliers by complying with the existing credit terms as far as possible. Without taking into account of our trade payables to Kwong Ming Engineering, our average trade payables turnover days during the Track Record Period was generally similar to the credit terms of trade payables granted to us. For details, please refer to the paragraph headed "Principal components of our current assets and current liabilities Trade payables – Trade payables to Kwong Ming Engineering - Pro forma analysis of the impact of imputed interest expenses arising from the past due trade payables to Kwong Ming Engineering" in this section above. As such, there would not have a material adverse impact on our Group in complying with the existing credit terms with the suppliers under the backdrop of COVID-19.

Going forward, we will closely monitor the status of our trade payables and will strive to make payments on within the credit period granted by the suppliers. We will also discuss with our suppliers to extend the credit term as and when appropriate in the future.

The following table sets forth our average trade payables turnover days for the years indicated:

	FY2019/2020	FY2020/2021	FY2021/2022
	(Days)	(Days)	(Days)
Average trade payables turnover days (Note)	122.1	104.2	47.1

Note: Average trade payables turnover days are derived by dividing the arithmetic mean of the opening and ending trade payables balance by cost of sales and services for the relevant year and multiplying by 365 days for FY2019/2020, FY2020/2021 and FY2021/2022.

Our average trade payables turnover days decreased from approximately 122.1 days in FY2019/2020 to approximately 104.2 days for FY2020/2021 when most long overdue payable balance recorded as at 31 March 2020 was settled. For FY2021/2022, our average trade payables turnover days further decreased to approximately 47.1 days, primarily due to the fact that we made full prepayments to Supplier E, our largest supplier for FY2021/2022, to purchase their CDN licences.

As at the Latest Practicable Date, approximately HK$55.2 million or 85.3% of our trade payables as at 31 March 2022 had been settled subsequently.

Other payables and accrued charges

Our other payables and accrued charges increased from approximately HK$3.1 million as at 31 March 2020 to HK$10.2 million as at 31 March 2021, primarily due to the incurrence of accrued [REDACTED] of approximately HK$[REDACTED] and accrued [REDACTED] of approximately HK$[REDACTED]. Our other payables and accrued charges remained steady at approximately HK$10.2 million as at 31 March 2022.

Amount due from/to a director/Amount due to a former director of a subsidiary

Our amount due from a director amounted to approximately HK$65.6 million, HK$24.4 million and nil as at 31 March 2020, 2021 and 2022 respectively, which represented the amount due from Mr. Charlie Ip. The amount due from a director was primarily attributable to advances to him for his own investment purposes, including properties investment, securities investment and personal loan. As at 31 March 2022, our amount due to a director amounted to approximately HK$2.4 million which was primarily due to advances from a director for financing our trade payables due in April 2022. The amount due to a director was non-trade, unsecured, interest-free and repayable on demand.

Our amount due to a former director of a subsidiary amounted to approximately HK$17,000, nil and nil as at 31 March 2020. 2021 and 2022 respectively.

The amount due from Mr. Charlie Ip/due to the former director of a subsidiary are non-trade, unsecured, interest-free and repayable on demand. The following table sets forth a summary of the movements in the amount due from Mr. Charlie Ip:

	FY2019/2020	**FY2020/2021**	**FY2021/2022**
	(HK$'000)	(HK$'000)	(HK$'000)
At the beginning of the year	20,304	65,647	24,407
Net advance to/(repayment from) Mr. Charlie Ip	65,343	(35,240)	(24,407)
Dividend settled through amount due from Mr. Charlie Ip	(20,000)	(6,000)	—
At the end of year	65,647	24,407	0

During FY2019/2020, our Group recorded (a) a net advance to Mr. Charlie Ip of approximately HK$65.3 million which primarily consisted of (i) personal investments in securities listed on the Stock Exchange of approximately HK$27.2 million; (ii) loan to his cousin of approximately HK$10.0 million; (iii) further advances of approximately HK$6.7 million for the aforementioned proposed investment in an industrial property in Kwun Tong; (iv) an investment in a residential property in Wan Chai of approximately HK$6.0 million; (v) investment in racing horses of approximately HK$2.0 million; and (vi) investment in a business principally engaged in the food and beverage industry of approximately HK$1.5 million; and (vii) one-off personal expenses of approximately HK$10.9 million; and (b) a dividend declared of HK$20.0 million during FY2019/2020, which was settled through the amount due from Mr. Charlie Ip.

During FY2020/2021, our Group recorded (a) a net repayment from Mr. Charlie Ip of approximately HK$35.2 million; and (b) a dividend declared of HK$6.0 million, which was settled through the amount due from Mr. Charlie Ip.

During FY2021/2022, our Group recorded a net repayment from Mr. Charlie Ip of approximately HK$24.4 million. In February 2022, the amount due from a Director had been fully settled.

Amounts due from/to related companies

The following table sets forth the breakdown of our amounts due from related companies as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Amount due from:			
Wefi Limited[(1 and 5)] ("**WEFI**")	8	—	—
MTS Marketing Limited[(2 and 5)] ("**MTSM**")	149	149	149
CSIL[(3)]	19,854	20,800	—
TTDIST SDN. BHD.[(4 and 5)] ("**TTDIST**")	378	N/A[(4)]	N/A[(4)]
	20,389	20,949	149

Notes:

1. WEFI, a company incorporated under the laws of Hong Kong with limited liability on 11 July 2016 and wholly owned by MTSM, is principally engaged in the provision of marketing services.

2. MTSM, a company incorporated under the laws of Hong Kong with limited liability on 14 January 2015, is principally engaged in the provision of marketing services. MTSM was an indirect wholly owned subsidiary of our Group prior to the disposal of its entire equity interests to Mr. Charlie Ip on 6 April 2018. As at the Latest Practicable Date, MTSM was wholly owned by Mr. Charlie Ip. For more details, please refer to the paragraph headed "Disposal of subsidiaries" in this section above.

3. CSIL, a company incorporated under the laws of Hong Kong with limited liability on 2 February 2010 and wholly owned by Mr. Charlie Ip, is principally engaged in holding of investment properties. The properties held by CSIL include commercial properties and car parking spaces at various locations in Kwun Tong, Kowloon and Sai Wan Ho, Hong Kong.

4. TTDIST, a private company limited by shares incorporated under the laws of Malaysia on 18 November 2019, was incorporated with the purpose to provide services relating to IT including but not limited to sales of IT products and related equipment and provision of IT-related services in Malaysia. TTDIST was owned as to 51% by Mr. Charlie Ip and 49% by an Independent Third Party since its incorporation until 12 August 2020. As TTDIST did not have any business operations and did not enter into any sales transactions with any customers since its incorporation, Mr. Charlie Ip transferred his 51% interest in TTDIST to an Independent Third Party on 12 August 2020. Accordingly, TTDIST was not a related company of the Group as at 31 March 2021 and 2022.

5. To the best knowledge of the Directors after reasonable enquiries, there were no material non-compliant incidents, claims, litigation or legal proceedings (actual or threatened) concerning the related companies during the Track Record Period and up to the Latest Practicable Date.

As at 31 March 2020, 2021 and 2022, our amounts due from certain related companies amounted to approximately HK$20.4 million, HK$20.9 million and HK$0.1 million respectively, of which approximately HK$19.9 million, HK$20.8 million and nil represented the amount due from CSIL, which is a company controlled by Mr. Charlie Ip for his own investment purpose.

Our amounts due from related companies were classified as current assets as at 31 March 2020, 2021 and 2022 as the intention of our management was to expect the settlement of such advances upon the [REDACTED]. The amounts due from related companies are carried at effective interest rate of 8.14% per annum.

These amounts due from related companies were non-trade, unsecured and interest-free. As confirmed by our Directors, all amounts due from related companies as at 31 March 2022 will be settled in full upon [REDACTED].

The following table sets forth the breakdown of our amount due to a related company as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Amount due to:			
MTSM	593	593	593

As at 31 March 2020, 2021 and 2022, our amount due to a related company, MTSM, amounted to approximately HK$0.6 million, HK$0.6 million and HK$0.6 million respectively. MTSM was disposed by us on 6 April 2018 and being owned by Mr. Charlie Ip thereafter.

The amount due to MTSM was trade in nature, unsecured, interest-free, repayable on demand and aged over one year as at 31 March 2020 and aged over two years as at 31 March 2021 and 2022. As confirmed by our Directors, all amounts due to a related company as at 31 March 2022 will be settled in full upon [REDACTED].

Tax payables

As at 31 March 2021, our tax payables increased by approximately HK$1.9 million or 23.2% from approximately HK$8.2 million as at 31 March 2020 to approximately HK$10.1 million primarily attributable to the combined effect of the provisional tax made for the profit generated in 31 March 2021 and partially offset by certain tax payments made during the same period. As at 31 March 2022, our tax payables decreased by approximately HK$0.4 million or 3.8% to approximately HK$9.7 million primarily attributable to the tax payments made during the period.

PRINCIPAL COMPONENTS OF OUR NON-CURRENT ASSETS AND NON-CURRENT LIABILITIES

The following table sets forth the breakdown of our non-current assets and non-current liabilities as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Non-current assets			
Property and equipment	4,579	7,519	5,073
Financial assets at fair value through profit or loss ("**FVTPL**")	7,465	7,569	11,090
Deposits	812	931	986
Deposits paid for acquisition of property, and equipment	—	—	1,090
Deferred tax assets	332	675	209
	13,188	16,694	18,448
Non-current liabilities			
Lease liabilities	1,629	2,555	667
Contract liabilities	277	779	896
	1,906	3,334	1,563

Property and equipment

Our property and equipment primarily comprised our (i) lease properties; (ii) leasehold improvements; (iii) office equipment; (iv) motor vehicles; and (v) furniture and fixtures.

Our property and equipment increased by approximately HK$2.9 million or 63.0% from approximately HK$4.6 million as at 31 March 2020 to approximately HK$7.5 million as at 31 March 2021. These increases were primarily attributable to leases we entered into for our data centre, warehouses, various offices and motor vehicles and partially offset by their corresponding depreciation in accordance with our accounting policies. Our property and equipment then decreased by approximately HK$2.4 million or 32.0% to approximately HK$5.1 million as at 31 March 2022 primarily attributable to the depreciation of our right-of-use assets and motor vehicles.

Financial assets at FVTPL

Our financial assets at FVTPL primarily represented by the life insurance contracts for our director, which are measured under Level 3 fair value hierarchy. The fair value is measured with reference to the adjusted cash value provided by counterparties which represents the premium paid to the life insurance policies adjusted by net yield with reference to the average expected return of 2.0%. Our financial assets at FVTPL remained relatively stable at approximately HK$7.5 million and HK$7.6 million as at 31 March 2020 and 2021 respectively. As at 31 March 2022, our financial assets at FVTPL increased by approximately HK$3.5 million or 46.1% to approximately HK$11.1 million primarily attributable to an additional life insurance contract we entered into with an insurance institution to insure a director of our Company.

Our Group has established and implemented internal rules and procedures to ensure the reasonableness of the fair value measurements of the life insurance contracts including but not limited to, (i) reviewing the terms of the life insurance contracts, (ii) reviewing relevant statements provided by the counterparties at the measurement date which includes the details of the adjusted cash value of the relevant insurance policies; and (iii) assessing the reasonableness of the assumptions of unobservable inputs. Based on procedures set forth above, our Directors are of the view that the fair value measurement of the life insurance contracts is fair and reasonable, and the financial statements of our Group are properly prepared.

Details of the fair value measurement of life insurance contracts, the valuation methodologies and key inputs, including unobservable inputs, are disclosed in note 16 to the Accountants' Report in Appendix I to this document. The Reporting Accountants' opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

Taking into consideration (i) our Directors' view, (ii) the discussion among the Sole Sponsor and the Reporting Accountants in relation to the valuation work performed by our Company during the Track Record Period for the financial assets categorised within Level 3 of the fair value measurement, and (iii) the unqualified opinion on the historical financial information of our Group as a whole issued by the Reporting Accountants included in Appendix I of this document, nothing has come to the Sole Sponsor's attention that would cause them to disagree with the valuation of life insurance contracts categorised within Level 3 of the fair value measurement.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we have funded our operations primarily with net cash generated from our operations and debt financing and our funds were primarily used for various operating expenses. The following table sets forth a summary of our consolidated statements of cash flows for the years indicated:

	FY2019/2020	FY2020/2021	FY2021/2022
	(HK$'000)	(HK$'000)	(HK$'000)
Operating cash flows before movements in working capital	35,968	38,838	62,476
Change 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
Net (decrease) increase in cash and cash equivalents	5,249	(1,029)	9,704
Cash and cash equivalents at beginning of the year	3,057	8,259	7,376
Effect on foreign exchange rate changes	(47)	146	86
Cash and cash equivalents at end of the year represented by bank balances and cash	8,259	7,376	17,166

Net cash from (used in) operating activities

For FY2019/2020, our net cash from operating activities amounted to approximately HK$50.2 million, reflecting primarily profit for the year of approximately HK$26.1 million, as adjusted by (i) the increase in trade and other payables and accrued charges of approximately HK$30.8 million primarily attributable to the increase in payable balances to Kwong Ming Engineering and slight delay in payments to other suppliers; (ii) taxation of approximately HK$4.5 million; and (iii) the depreciation of right-of-use assets of approximately HK$3.1 million, and partially offset by (i) the increase in trade and other receivables, deposits and prepayments of approximately HK$14.1 million primarily attributable to the increase in trade receivables resulted from the slight delay in settlement by our customers; and (ii) the increase in inventories of approximately HK$3.8 million resulted from the implementation of certain social distancing measures under the outbreak of COVID-19 such as work-from-home arrangement and closures of offices which had delayed the delivery of the IT products to our customers and the execution and implementation of IT projects.

For FY2020/2021, 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 our 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 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 paragraph headed "Principal components of our current assets and current liabilities Trade payables – Trade payables to Kwong Ming Engineering" in this section above.

For FY2021/2022, we further recorded net cash used in operating activities of approximately HK$32.5 million, 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$9.6 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 our sales of CDN licenses 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 has been fully utilised as at the Latest Practicable Date.

Going forward, we intend to improve our net operating cash outflows position by closely monitoring the status of our projects and our daily bank balance, actively keeping track of the status of our customer's projects and managing 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 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. For details of our liquidity management policy, please refer to the paragraph headed "Principal Components of our current assets and current liabilities — Liquidity management" in this section above.

Net cash (used in) from investing activities

For FY2019/2020, our net cash used in investing activities amounted to approximately HK$63.2 million, which was primarily attributable to a net advance of approximately HK$65.4 million made to a director during the year.

For FY2020/2021, our net cash from investing activities amounted to approximately HK$25.9 million, which was primarily attributable to a net repayment of approximately HK$35.2 million from a director and placement of pledged bank deposits of approximately HK$9.8 million during the year.

For FY2021/2022, our net cash from investing activities amounted to approximately HK$40.7 million, which was primarily attributable to the net repayment of approximately HK$24.4 million from a director and repayments from related companies of approximately HK$20.8 million during the period.

Net cash from financing activities

For FY2019/2020, our net cash from financing activities amounted to approximately HK$18.3 million, which was primarily attributable to the net bank borrowings raised of approximately HK$23.0 million, and partially offset by (i) the repayment of lease liabilities of approximately HK$2.9 million; and (ii) interest paid of approximately HK$1.9 million.

For FY2020/2021, our net cash from financing activities amounted to approximately HK$11.3 million, which was primarily attributable to the net bank borrowings raised of approximately HK$20.1 million, and partially offset by (i) the repayment of lease liabilities of approximately HK$3.5 million; (ii) the [REDACTED] paid of approximately HK$[REDACTED]; and (iii) interest paid of approximately HK$2.1 million.

For FY2021/2022, our net cash from financing activities amounted to approximately HK$1.5 million, which was primarily attributable to the decrease in net bank borrowings of approximately HK$12.9 million and partially offset by the advance from a director of approximately HK$2.4 million.

For the details of year on year comparison of our items of assets and liabilities, please refer to the paragraphs headed "Principal components of our current assets and current liabilities" and "Principal components of our non-current assets and non-current liabilities" in this section.

WORKING CAPITAL

We intend to finance our working capital with cash generated from our operating activities, the [REDACTED] from the [REDACTED] and banking facilities. We will closely monitor the level of our working capital, particularly for our future plans which may utilise significant amount of working capital.

For details of the funds necessary to meet our existing operations and to fund our future plans, please refer to the section headed "Future plans and use of [REDACTED]" in this document.

WORKING CAPITAL SUFFICIENCY

Our Directors are of the opinion that, after taking into account our cash generated from our operations, our cash and cash equivalents on hand, available banking facilities and the estimated [REDACTED] proceeds from the [REDACTED] and in the absence of unforeseen circumstances, we have sufficient working capital for working capital requirements for at least the next 12 months from the date of this document.

Our Directors confirm that we did not have any material defaults in payment of trade and non-trade payables and borrowings, and/or benches of covenants during the Track Record Period.

CAPITAL EXPENDITURES

Our capital expenditures primarily represented the purchase of property and equipment (including right-of-use assets), which amounted to approximately HK$4.5 million, HK$3.4 million and HK$2.5 million during the Track Record Period respectively.

Our projected capital expenditures are subject to revision based on any future changes in our business plan, market conditions and economic and regulatory environment. For details, please refer to the section headed "Future plans and use of [REDACTED]" in this document.

CONTRACTUAL COMMITMENTS

As at 31 March 2020, 2021 and 2022 and up to the Latest Practicable Date, we had no capital commitments. For details of our commitments for future minimum lease payments in respect of our leased premises, please refer to the paragraph headed "Indebtedness — Lease liabilities" below in this section.

PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, we did not own any property.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we did not have any significant contingent liabilities. During the Track Record Period and up to the Latest Practicable Date, we have not breached any loan covenant and we expect that we will still be able meet those covenants.

INDEBTEDNESS

The following table sets forth our indebtedness as at the dates indicated:

	As at 31 March			As at 30 April
	2020	**2021**	**2022**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000) *(unaudited)*
Current liabilities				
Bank borrowings	49,680	69,800	77,008	80,216
Amount due to a former director of a subsidiary	17	—	—	—
Amount due to a director	—	—	2,419	—
Lease liabilities	2,168	3,977	2,583	2,583
Subtotal	51,865	73,777	82,010	82,799
Non-current liabilities				
Lease liabilities	1,629	2,555	667	667
Total	53,494	76,332	82,677	83,466

Bank Borrowings

We had bank borrowings of approximately HK$49.7 million, HK$69.8 million, HK$77.0 million and HK$80.2 million as at 31 March 2020, 2021 and 2022 and 30 April 2022 respectively, which were denominated in Hong Kong dollar. The following table sets forth the breakdown of our bank borrowings as at the dates indicated:

	As at 31 March			As at 30 April
	2020	2021	2022	2022
	(HK$'000)	(HK$'000)	(HK$'000)	(HK$'000) *(unaudited)*
Secured and guaranteed variable-rate bank borrowings	47,997	53,571	61,212	56,780
Unsecured and guaranteed fixed-rate bank borrowings	1,683	4,442	2,856	10,691
Secured and guaranteed fixed-rate bank borrowings	—	11,787	12,940	12,745
	49,680	69,800	77,008	80,216

As at 31 March 2020, our secured variable-rate bank borrowings of approximately HK$24.0 million were (i) secured by properties owned by Mr. Charlie Ip or CSIL; and (ii) guaranteed by Mr. Charlie Ip, CSIL, Multisoft and MTS Group.

As at 31 March 2020, 2021 and 2022 and 30 April 2022, our secured variable-rate bank borrowings of approximately HK$24.0 million, HK$53.6 million, HK$53.3 million and HK$49.8 million respectively were (i) secured by properties owned by CSIL; (ii) secured by the life insurance contracts of our Director; and (iii) guaranteed by Mr. Charlie Ip, CSIL and Multisoft. As at 31 March 2021 and 2022 and 30 April 2022, the bank borrowings of approximately HK$26.8 million, HK$28.3 million and HK$28.9 million was also secured by the pledged bank deposits of our Group respectively.

As at 31 March 2022 and 30 April 2022, our secured variable-rate bank borrowings of approximately HK$7.6 million and HK$6.9 million are secured by properties owned by CSIL, the life insurance contracts of Mr. Charlie Ip and guaranteed by Mr. Charlie Ip, Multisoft, TriTech and CSIL.

As at 31 March 2020, 2021 and 2022 and 30 April 2022, our unsecured fixed-rate bank borrowings of approximately HK$1.7 million, HK$4.4 million, HK$2.9 million and HK$10.7 million respectively were guaranteed by HKMC Insurance Limited, a wholly-owned subsidiary of The Hong Kong Mortgage Corporation Limited to carry on mortgage insurance and loan business.

As at 31 March 2021 and 2022 and 30 April 2022, our secured fixed-rate bank borrowings of approximately HK$11.8 million, HK$12.9 million and HK$12.7 million were (i) secured by properties owned by CSIL; (ii) secured by the life insurance contracts of our Director; (iii) the pledged bank deposits of our Group; and (iv) guaranteed by Mr. Charlie Ip, Multisoft and CSIL.

The aforementioned guarantees by our Controlling Shareholders will be released upon [REDACTED] and will be replaced by corporate guarantee by our Company. For details of the life insurance contracts of our Directors, please refer to the paragraph headed "Notes to the historical financial information — 16. Financial assets at FVTPL" in Appendix I to this document.

Our variable-rate bank borrowings bear interest ranging from Best Lending Rate minus/plus a spread per annum, Hong Kong Inter-bank Offered Rate plus 2% to 3.75% and prime rate minus/plus a spread per annum. The ranges of effective interest rates (which are also equal to contracted interest rates) on our variable-rate bank borrowings are as follows:

	As at 31 March		
	2020	**2021**	**2022**
Effective interest rates:			
Fixed-rate bank borrowings	5.3% to 5.6%	2.3% to 5.6%	2.3% to 2.8%
Variable-rate bank borrowings	2.3% to 5.4%	2.1% to 3.6%	2.0% to 5.0%

As at 30 April 2022, being the latest practicable date for the purpose of indebtedness statement, we had banking facilities of approximately HK$94.7 million, of which approximately HK$10.2 million was unutilised. We are not committed to draw down the unutilised amount. We intended to utilise such facilities for our working capital purposes, including the payment of various operating expenses to support our business as driven by the growing demand of our services and products.

As a measure to monitor our cashflow positions, we periodically review our banking facilities portfolio. We obtained a new bank facility of HK$8.0 million in March 2022 (the "**Facility A**"), and we expect to be able to draw down HK$25.0 million under another bank facility of HK$33.0 million (the "**Facility B**") 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.

The principal terms of the New Facilities are summarised below:

	Facility A	**Facility B**
Principal loan amount:	HK$8.0 million	HK$33.0 million, out of which HK$8.0 million has already drawn down as at 31 December 2021.
Draw down conditions:	Upon the satisfaction to the relevant bank of certain conditions as set out in the facility letter.	HK$25.0 million will be available upon actual receipt of the collateral and/or the fulfilment of such other conditions as required and imposed by the relevant bank.
Interest rate:	Variable interest rate at 1.5% per annum below Hong Kong Prime Rate quoted by the relevant bank or at the relevant bank's cost of funding, whichever is higher.	Variable interest rate ranged from 1.75% to 1.5% per annum below Hong Kong Prime Rate and variable interest rate at 0.25% over USD prime rate per annum for loan in U.S. dollars quoted by the relevant bank.
Repayment:	60 months starting from one month after drawdown, or upon the expiry of the guarantee, whichever is earlier.	Ranged from 90 days to one year from the date of drawdown or at a later date at the relevant bank's discretion.
Security for the loan:	Guaranteed by, among others, Multisoft, Mr. Charlie Ip and CSIL. It is expected that the Facility A will be repaid prior to [REDACTED] and the aforesaid guarantees will be released upon [REDACTED].	(i) Secured by properties owned by CSIL; (ii) secured by the life insurance contracts of Mr. Charlie Ip; and (iii) guaranteed by our Company, Mr. Charlie Ip, CSIL, Multisoft and TriTech. The guarantee by Mr. Charlie Ip will be released upon [REDACTED].

While as a privately-owned company, there has been challenges to obtain additional banking facilities to match up with our fast-growing business, we had some success in obtaining additional bank facilities during the Track Record Period as evidenced by the increase in bank borrowings of our Group during the Track Record Period. Our Directors have also always been mindful of our Group's liquidity level to ensure that the growth and development of our Group's business is supported by sound financial condition, and any potential business opportunities will not result in a material adverse impact on our Group's liquidity.

Our Directors confirmed that we had neither experienced any difficulties in obtaining or repaying, nor breached any major covenant or restriction of our bank borrowings or other bank facilities during the Track Record Period. As at the Latest Practicable Date, there are no material covenants related to our outstanding debts that would materially limit our ability to undertake additional debt or equity financing. Our Directors further confirmed that there has not been any material change in our indebtedness or contingent liabilities since 30 April 2022 and up to the Latest Practicable Date.

Lease liabilities

The lease liabilities represented the net present value of the future lease payments for our Group's leased properties in Hong Kong and in the PRC.

The following table sets forth our commitments for future minimum lease payments in respect of our leased properties as at the dates indicated:

	As at 31 March		
	2020	**2021**	**2022**
	(HK$'000)	(HK$'000)	(HK$'000)
Lease liabilities payable:			
Within one year	2,168	3,977	2,583
Within a period of more than one year but not more than two years	1,390	1,985	667
Within a period of more than two years but not more than five years	239	570	—
	3,797	6,532	3,250
Less: Amount due for settlement within 12 months shown under current liabilities	(2,168)	(3,977)	(2,583)
Amount due for settlement after 12 months shown under non-current liabilities	1,629	2,555	667

Our lease liabilities were unguaranteed and secured by the rental deposits of approximately HK$0.7 million, HK$0.7 million and HK$0.8 million as at 31 March 2020, 2021 and 2022 respectively.

Save as disclosed above in this section, as at the Latest Practicable Date, we did not have any other outstanding mortgages, charges, pledges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, guarantees or any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or that engages in leasing, hedging or research and development services with us.

KEY FINANCIAL RATIOS

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

	FY2019/2020	FY2020/2021	FY2021/2022
Gross profit margin (%) *(Note 1)*	20.8	22.3	18.4
Net profit margin (%) *(Note 2)*	7.9	6.4	7.5
Return on assets (%) *(Note 3)*	13.4	11.7	17.5
Return on equity (%) *(Note 4)*	222.0	80.4	61.4
Interest coverage (times) *(Note 5)*	17.1	15.9	29.3

The following table sets forth our key financial ratios as at the dates indicated:

	As at 31 March		
	2020	2021	2022
Current ratio (times) *(Note 6)*	1.0	1.1	1.3
Quick ratio (times) *(Note 7)*	0.9	1.0	1.2
Gearing ratio (%) *(Note 8)*	454.8	247.8	104.3
Net debt to equity (%) *(Note 9)*	384.5	223.9	82.0

Notes:

(1) Gross profit margin is calculated based on our gross profit for the relevant years divided by our revenue of the corresponding years and multiplied by 100%. Please refer to the paragraphs headed "Review of results of operations" above in this section for more details on our gross profit margins.

(2) Net profit margin is calculated based on our profit for the relevant years divided by our revenue of the corresponding years and multiplied by 100%. Please refer to the paragraphs headed "Review of results of operations" above in this section for more details on our net profit margins.

(3) Return on assets is calculated based on our profit for the relevant years divided by our total assets as at the end of the corresponding years and multiplied by 100%.

(4) Return on equity is calculated based on our profit for the relevant years divided by our total equity as at the end of the corresponding years and multiplied by 100%.

(5) Interest coverage is calculated by dividing profit before interest and taxation by finance costs for each corresponding years.

(6) Current ratio is calculated by dividing our total current assets by our total current liabilities as at the end of each of the respective years.

(7) Quick ratio is calculated based on our total current assets less inventories as at the end of the relevant years/periods divided by our total current liabilities as at the end of the corresponding years.

(8) Gearing ratio is calculated by dividing the total of our interest-bearing borrowings and lease liabilities by our total equity as at the end of each of the respective years and multiplied by 100%.

(9) Debt to equity ratio is calculated by dividing the total of our interest-bearing borrowings and lease liabilities net of cash and cash equivalents by our total equity as at the end of each of the respective years and multiplied by 100%.

Return on assets

Our return on assets decreased from approximately 13.4% for FY2019/2020 to 11.7% for FY2020/2021, primarily attributable to the increase in total assets by approximately 8.6% for FY2020/2021 and the decrease in profit by approximately 5.0% for FY2020/2021. Our return on assets increased from approximately 11.7% for FY2020/2021 to approximately 17.5% for FY2021/2022, primarily attributable to the significant increase in profit by approximately 90.7% and the increase in total assets by approximately 27.2% for FY2021/2022.

Return on equity

Our return on equity decreased from approximately 222.0% for FY2019/2020 to 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 return on equity decreased from approximately 80.4% for FY2020/2021 to approximately 61.4% for FY2021/2022, primarily attributable to the significant increase in equity by approximately 149.8% and the increase in profit by approximately 90.7% for FY2021/2022.

Interest coverage

During the Track Record Period, we recorded interest coverage of approximately 17.1 times, 15.9 times and 29.3 times respectively. The fluctuation of interest coverage during the Track Record Period was primarily attributable to the fluctuation of finance costs incurred from bank borrowings and the [REDACTED] of approximately HK$[REDACTED] and HK$[REDACTED] incurred for FY2020/2021 and FY2021/2022 respectively.

Current ratio

Our current ratio remained relatively stable at approximately 1.0 times, 1.1 times and 1.3 times as at 31 March 2020, 2021 and 2022 respectively.

Quick ratio

Our quick ratio remained relatively stable at approximately 0.9 times, 1.0 times and 1.2 times as at 31 March 2020, 2021 and 2022 respectively. The fluctuation of quick ratio was generally in line with the fluctuation of our current ratio as we maintained a minimal level of inventories as at the respective year end.

Gearing ratio

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 2022 respectively primarily attributable to the increase in total equity which outweighed the increase in bank borrowings as at the respective year end.

Net debt to equity ratio

We had debt to equity ratio of approximately 384.5%, 223.9% and 82.0% as at 31 March 2020, 2021 and 2022 respectively. The decrease in our debt to equity ratio from as at 31 March 2020 to 31 March 2021 and 2022 was primarily attributable to the increase in total equity which outweighed the increase in total amount of bank borrowings as at the respective year end.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity. Our activities expose it to a variety of financial risks: market risk (including foreign exchange risk, fair value interest rate risk and cash flow interest-rate risk), credit risk and liquidity risk. Our overall risk management programme focuses on the volatility of financial market and seeks to minimise potential adverse effects on the Group's financial performance. We use derivative financial instruments to manage certain risk exposures occasionally. Details of the risk to which we are exposed are set out in note 33 to the Accountants' Report, the text of which is set out in Appendix I to this document.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors believe that each of the related party transactions set out in Note 31 of the Accountants' Report in Appendix I to this document were carried out in the ordinary course of business on an arm's length basis and confirm that all non-trade balances and guarantees with related parties will be settled and released upon [REDACTED]. Our Directors are of the view that the related party transactions did not cause any distortion of our results of operations for the Track Record Period or make our historical results not reflective of our future performance.

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.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Island on 24 July 2020 and is an investment holding company. As at 31 March 2022, we had no distributable reserves available for distributions to our Shareholders.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

After due and careful consideration, save as disclosed in the section headed "Summary — Recent development" in this document, our Directors confirm that there has been no material adverse change in our financial or trading position or prospects since 31 March 2022 and up to the date of this document and there is no event since 31 March 2022 which would materially affect the information shown in Accountants' Report in Appendix I.

For details of our recent development, please refer to the section headed "Summary — Recent development" in this document.

[REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are 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] has 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].

UNAUDITED [REDACTED] STATEMENT OF [REDACTED]

Please refer to the section headed "Unaudited [REDACTED] statement of [REDACTED]" in Appendix II to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances which would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.