BUSINESS OBJECTIVES AND STRATEGIES

Our principal business objectives are to sustain our business growth, create long-term shareholders' value and strengthen our position in the IT industry in Hong Kong. We plan to achieve our objectives by implementing the future plans and business strategies as discussed in the section headed "Business — Our business strategies" in this document.

USE OF [REDACTED]

The [REDACTED] from the [REDACTED] to our Company (after deduction of the [REDACTED] fees and estimated expenses payable by us in relation to the [REDACTED] and assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] of HK$[REDACTED] to HK$[REDACTED] and the [REDACTED] is not exercised) are estimated to be approximately HK$[REDACTED].

Our Directors intend to apply the [REDACTED] from the [REDACTED] for the purposes and in the amounts set out below:

(i) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our distribution business, which will include:

  (a) approximately HK$[REDACTED] or approximately [REDACTED] of the net proceeds will be used for enriching our product portfolio for distribution by obtaining more authorised distributorship from IT products vendors;

  (b) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our service offerings by launching subscription-based laptop rental services; and

  (c) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our workforce and enriching the expertise of our sales, product and technical teams;

(ii) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our SI solutions business, which will include:

  (a) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for building up our in-house capability in providing digital transformation services; and

  (b) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our workforce in sales and technical teams to increase our project capacity;

(iii) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for establishing a new centralised service unit for provision of IT maintenance and support services which provides 24/7 technical support and detection and response support services;

(iv) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for upgrading our equipment, software, hardware and ERP systems in support of our business expansion;

(v) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for strengthening our marketing efforts and improving brand recognition; and

(vi) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for general working capital.

In the event that the [REDACTED] is exercised in full, we estimate that we will receive additional [REDACTED] of approximately HK$[REDACTED], assuming an [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the [REDACTED] of HK$[REDACTED] to HK$[REDACTED]. We intend to apply the additional [REDACTED] to the above uses on a pro-rata basis.

We will not receive any of the [REDACTED] from the sale of the [REDACTED] by the [REDACTED] in the [REDACTED]. The [REDACTED] estimate that it will receive, in aggregate, [REDACTED] from the [REDACTED] of approximately HK$[REDACTED], after deducting the estimated [REDACTED] and assuming an [REDACTED] of HK$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED]

If the [REDACTED] is fixed at the high end or low end of the stated [REDACTED] and assuming that the [REDACTED] is not exercised, our [REDACTED] will be increased or decreased by approximately HK$[REDACTED]. In this event, we will increase or decrease the [REDACTED] of the [REDACTED] to the above purposes on a pro-rata basis.

If the [REDACTED]is fixed at the high end or low end of the stated [REDACTED] and assuming that the [REDACTED] is exercised in full, our [REDACTED] will be increased or decreased by approximately HK$[REDACTED]. In this event, we will increase or decrease the [REDACTED] of the [REDACTED] to the above purpose on a pro-rata basis.

If there is any material change to the use of [REDACTED] as disclosed above after the [REDACTED], we will make the appropriate announcement(s) in due course.

To the extent that the [REDACTED] from the [REDACTED] are not immediately required for the above purposes or if we are unable to implement any part of our future plans as intended, our Directors intend to place such [REDACTED] as short-term interest-bearing deposits with authorised financial institutions in Hong Kong.

BASES AND KEY ASSUMPTIONS

The business objectives set out by our Directors are based on the following bases and assumptions:

— we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objective relates;

— there will be no material adverse change in the existing government policies or political, legal, fiscal, market or economic conditions in which we operate;

— there will be no material change in the bases or rates of taxation and duties applicable to our activities;

— the [REDACTED] will be completed in accordance with and as described in the section headed "Structure and Conditions of the [REDACTED]" in this document;

— our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;

— we are able to retain our major customers and suppliers;

— we will be able to recruit additional key management personnel and staff when required;

— there will be no change in the funding requirement for each of the business strategies described in this document from the amount as estimated by our Directors;

— there will be no change to the credit terms granted to customers and trade receivable turnover days is expected to remain stable;

— the payments of staff costs, property rentals and related expenses and other operating expenses are assumed to be made in the month in which they are incurred;

— there will not be material changes in the market demand and the competitive landscape of the IT products distribution industry and SI solutions industry;

— there will be no Share repurchase;

— we will not be materially and adversely affected by the risk factors as set out in the section headed "Risk Factors" in this document;

— the [REDACTED] will be settled in accordance with the payment schedules as stated in the respective mandates with professional parties;

— there will be no change to existing accounting policies from those stated in our consolidated audited financial statements for the Track Record Period; and

— we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plans without disruptions.

IMPLEMENTATION PLAN

Our implementation plans are set forth below for the period from the [REDACTED] to 31 March 2024. Investors should note that our implementation plans are formulated on the bases and assumptions referred to in the paragraph headed "Bases and key assumptions" above in this section. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular the risk factors as set forth in the section headed "Risk Factors" in this document. Our actual course of business may vary from the business objectives as set out in this document. There is no assurance that our plans will be accomplished. Whilst the actual course of events may invariably encounter unforeseeable changes and fluctuations, we shall use our best endeavours to anticipate changes, yet allowing for flexibility to implement the following plans. In the event of any material modifications to the use of [REDACTED] as described above, we will issue announcement in accordance with the Listing Rules and disclose in our interim report and/or annual report for the relevant period as required by the Stock Exchange.

From the [REDACTED] to 31 March 2023

Business strategy	Approximate amount *HK$*	Implementation Phase First phase *HK$*	 Second phase *HK$*	Implementation activities
Expand our distribution business	[REDACTED] including:	**[REDACTED]**	**[REDACTED]**	— Acquire inventory to fulfill the minimum purchase obligations stated in the new distribution agreements — Carry out sales enablement marketing activities (including advertisement and marketing events such as live webinars, exhibition workshops) — Purchase laptops and software licence from IT products vendors
	1. HK$[REDACTED] for enriching our product portfolio by entering into distribution agreements with IT products vendors	[REDACTED]	[REDACTED]	
	2. HK$[REDACTED] for expanding our service offerings by launching subscription-based laptop rental services	[REDACTED]	[REDACTED]	
	3. HK$[REDACTED] for hiring new staff	[REDACTED]	[REDACTED]	— Pay the salaries of newly recruited staff
Expand our SI solutions business	[REDACTED] including:	**[REDACTED]**	**[REDACTED]**	— Pay the salaries of newly recruited staff
	1. HK$[REDACTED] for building up our in-house capability in providing digital transformation services	[REDACTED]	[REDACTED]	— Purchase hardware and software such as application development tools and application platforms
	2. HK$[REDACTED] for expanding our workforce comprising sales and technical staff to increase our project capacity	[REDACTED]	[REDACTED]	
	3. HK$[REDACTED] for purchasing hardware and software such as application development tools and application platforms	[REDACTED]	[REDACTED]	
Establish a new centralised service unit for provision of IT maintenance and support services	[REDACTED]	**[REDACTED]**	**[REDACTED]**	— Enter into employment contracts with newly recruited staff for our technical team (including one technical manager, two technical supervisors and two technical officers) — Pay the salaries of newly recruited staff
Upgrade our equipment, software, hardware and ERP systems	[REDACTED]	**[REDACTED]**	**[REDACTED]**	— Purchase new ERP system and other IT products for replacement and addition
Strengthen marketing efforts and improve brand recognition	[REDACTED]	**[REDACTED]**	**[REDACTED]**	
General working capital	[REDACTED]	**[REDACTED]**	**[REDACTED]**	
Total	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	

From 1 April 2023 to 31 March 2024

Business strategy	Approximate amount *HK$*	Implementation Phase Second phase *HK$*	Implementation activities
Expand our distribution business	[REDACTED] including:	**[REDACTED]**	— Purchase laptops and software licence from IT products vendors
	1. HK$[REDACTED] for expanding our service offerings by launching subscription-based laptop rental services	[REDACTED]	— Pay the salaries of newly recruited staff
	2. HK$[REDACTED] for hiring new staff	[REDACTED]	
	3. HK$[REDACTED] for carry out sales enablement marketing activities (including advertisement and marketing events such as live webinars, exhibition workshops)	[REDACTED]	
Expand our SI solutions business	[REDACTED] including:	**[REDACTED]**	— Pay the salaries of newly recruited staff
	1. HK$[REDACTED] for building up our in-house capability in providing digital transformation services	[REDACTED]	
	2. HK$[REDACTED] for expanding our workforce comprising sales and technical staff to increase our project capacity	[REDACTED]	
Establish a new centralised service unit for provision of IT maintenance and support services	[REDACTED]	**[REDACTED]**	— Pay the salaries of newly recruited staff
Strengthen marketing effort and improving brand recognition	[REDACTED]	**[REDACTED]**	
General working capital	[REDACTED]	**[REDACTED]**	
Total	**[REDACTED]**	**[REDACTED]**	

REASONS FOR THE [REDACTED] AND PROPOSED USE OF [REDACTED]

Our Directors consider that we have genuine funding needs to pursue our plans via the [REDACTED] for the following reasons:

Technological trend driven business strategies and expansion plan to strengthen our market position and capture future opportunities

According to the Ipsos Report, the market value of the IT products distribution industry in Hong Kong is expected to increase at a CAGR of approximately 7.0% from 2021 to 2024. Similarly, according to the Ipsos Report, the market value of SI solutions industry is expected to increase at a CAGR of approximately 5.6% from 2021 to 2024. The growth is expected to be driven by the increasing adoption of emerging technologies for purposes such as big data management. At the same time, work from home arrangements under the introduction of social distancing measures in light of the outbreak of COVID-19 is expected to drive demand for various types of IT products and services such as cyber security services, remote working and communication tools and systems and speed up the digital transformation progress.

Our Directors believe that in order to achieve sustainable growth, strengthen our market position and remain competitive in the IT products distribution industry and SI solutions industry, we will be required to put in greater efforts in keeping up with the evolving technological trend by enriching our product portfolio and service offerings for our distribution and SI solutions businesses. We have formulated our business strategies and expansion plans based on the market demand and opportunities we observe in the IT products distribution industry and SI solutions industry in Hong Kong, which primarily include, among others: (i) expand our distribution business by enriching our product portfolio (namely HCI products and AI servers), expanding our service offerings (namely subscription-based laptop rental services) and expanding our workforce and enriching the expertise of our sales, product and technical teams; (ii) expand our SI solutions business by building up our in-house capability in providing digital transformation services and expanding our workforce in sales and technical teams to increase our project capacity; (iii) establish a new centralised service unit for provision of IT maintenance and support services; (iv) upgrade our equipment, software, hardware and ERP systems in support of our business expansion; and (v) strengthen our marketing efforts and improve brand recognition (the "**Expansion Plans**"). For details of the respective market demand on each of the Expansion Plans, please refer to the section headed "Business — Our business strategies" in this document.

We have conducted preliminary feasibility study on the products or services to be introduced or built under our Expansion Plans, which generally has taken into account the following principal areas: (i) the general growth rate and trend of the IT industry and market trend; (ii) the forecasted growth rate related to each of the products or services to be introduced or built under the Expansion Plans in Hong Kong or Asia Pacific; (iii) the market response and demand as well as competition of such products or services we observe during our business operation; (iv) the expected benefit to the Group; (v) any legal, financial, technological and operational constraints in introducing or building such products or services under the Expansion Plans; and (vi) our operational data including (a) the revenue generated from sales of HCI products and AI servers during the Track Record Period,

(b) the results of our trial run of the subscription-based laptop rental services up to 31 March 2022, (c) the revenue generated from our digital transformation services and the number of unfulfilled orders in the past in respect of digital transformation services and the confirmed orders received for our digital transformation during the Track Record Period, (d) the length of cash conversion cycle of HCI products and AI servers, and (e) the financial commitment of our Group, including higher financial risks attributed to the tightened internal resources as a result of the prepayment arrangement with Supplier E. Having considered the feasibility study, the general and specific market data as mentioned above and in the section headed "Business — Our business strategies" in this document, our Directors consider that the Expansion Plans are economically and operationally viable and are beneficial to our Group, provided that we have sufficient financial resources and manpower to support our growth.

Funding needs for implementing the Expansion Plans and our business strategies

As elaborated above and in the section headed "Business — Our business strategies" in this document, the Expansion Plans that we have drawn up aim to capture more business opportunities arising from the continuous growth in the IT products distribution industry and SI solutions industry in Hong Kong and expansion of our business operation requires considerable funding and additional resources. Our Directors consider that it is appropriate and necessary for us to apply the [REDACTED] from the [REDACTED] to the Expansion Plans instead of through our working capital on the following basis:

(i) our working capital is being used to support our business operations with an aim to maintain the current scale and mode of operation. As such, our working capital is not intended to be used for supporting expansion strategy to scale up our business. For example, in respect of our distribution business, our working capital management is used to fund the distribution of products under the existing product portfolio and by applying the general workflow of our distribution business, rather than to enrich product portfolio to bring in new technology to our offerings and expand our revenue stream;

(ii) our working capital management through bank borrowings is not in the best interests of our Group. Our gearing ratio was high during the Track Record Period at approximately 454.8%, 247.8% and 104.3% respectively. Further dependent on debt financing may increase financial risk on our Group as the interest rate for debt financing may fluctuate, in particular when market uncertainty arises and under economic downturn situation where our performance could be adversely affected;

(iii) the working capital management of our Group through our internal resources is only sufficient for our current scale of operations before the implementation of the contemplated business strategies and future plans. As at 31 March 2022, we had a cash balance of approximately HK$17.2 million. Our Directors consider that our internal resources may not be sufficient to fund the expansion plan without staggering our ability to maintain and support the current scale and mode of business operation and/or expand in other areas of business. Our Directors further consider that it would be necessary and prudent for us to retain a certain level of cash and unutilised banking facilities to provide a buffer for any unexpected liquidity demands that it may encounter from time to time;

(iv) in respect of enriching the products portfolio of our distribution business, as we intend to replicate the success of Sangfor and Ruijie on Brand A (the overseas IT products vendor of HCI products) and Brand B (the PRC IT products vendor of AI servers), with whom we had entered into distribution agreements with minimum purchase commitment of approximately HK$25.0 million in aggregate for the first two years of signing of the distribution agreements (the "**Relevant IT Products Vendors**"), and other potential major brands of HCI products and AI servers which we may collaborate with in the future, as opposed to our general workflow in distribution business of procuring IT products on back-to-back basis upon receipt of orders from our downstream customers, to nurture the brands of HCI products and AI servers, we intend to deploy upfront cost to acquire and maintain certain level of inventories of HCI products and AI servers from these IT products vendors before securing the orders from downstream customers and for satisfying the annual minimum purchase commitment. Moreover, given the cash conversion cycle duration heavily depends on when the products can be sold, in the absence of secured sizeable orders from our major customers prior to entering into distribution agreements for multiple market leading brands of HCI products and AI servers, the cash conversion cycles of the Expansion Plans are bound to be relatively longer and less predictable. For details, please refer to paragraph headed "Reasons for the [REDACTED] and proposed Use of [REDACTED] — Technological trend driven business strategies and expansion plan to strengthen our market position and capture future opportunities — Imminent and genuine funding needs — (iii) Longer cash conversion cycle" in this section below.

In addition, our Directors consider that the timing for signing new distribution agreements with potential brands and agreeing to minimum purchase commitments will be dependent on the [REDACTED] timeframe. If we choose not to obtain authorised distributorships imposing the minimum purchase commitment, it would be difficult for us to execute our business plan to further expand our business as scheduled. Furthermore, if we fail to meet such annual minimum commitments, we would not be able to renew the agreement and the marketing efforts previously invested will be wasted. Failure to renew the agreement will also deprive us from capturing the vast business opportunities in HCI products and AI servers when the competition from other distributors of these brands is relatively limited. In light of the existing minimum purchase commitment of the Relevant IT Products Vendors, and the expected purchase commitment for other potential brands, our Directors therefore believe that it is vital to raise additional funding through the [REDACTED] to acquire inventories so as to fund our expansion plan.

Imminent and genuine funding needs

Our Directors consider that the Group has imminent and genuine funding needs in implementing the Expansion Plans based on the following:

(i) Large and fast growing market for HCI products and AI servers

During the forecast period from 2021 to 2024 (i) the market value of HCI in Hong Kong is expected to increase from approximately HK$1,668.3 million in 2021 to approximately HK$3,650.3 million in 2024; and (ii) the market value of the AI infrastructure in Hong Kong is expected to increase from HK$10.5 billion in 2021 to approximately HK$20.3 billion in 2024. That represents a growth at a CAGR of approximately 29.8% and 24.6%, respectively. In particular, the adoption of HCI is becoming increasingly popular in data centres, driving up demand for HCI products and there is an increase need for AI servers for better computing power.

(ii) Capture vast business opportunities in the HCI products and AI servers market

In light of the large and fast growing market for HCI products and AI servers as mentioned above, it is imperative that our Group will need to act fast and deploy additional resources to capture vast business opportunities in the HCI products and AI servers markets, including:

a. Carrying out sales enablement marketing activities, including advertisement and marketing events such as live webinars and exhibition workshops on a large-scale level. Notwithstanding the limitation of our financial resources, in order to capture demand for HCI products and AI servers to the extent possible, our Group had during FY2021/2022 conducted small scale marketing activities to both SI solutions providers and end-users, such as sending out promotional materials by email, hosting of seminars and technical workshops to introduce HCI products and AI servers to a small number of potential customers, and offering training sessions to SI solutions providers to increase their understanding of our products. Our potential customers are mainly from (i) reseller customers including SI solutions providers and (ii) end-users including NGOs and local SMEs to large multinational and local business enterprises spanning across industries of manufacturing, financial services, retail, transportation and education. Our Group had also set up a demonstration lab in our office premise in Kwun Tong to provide customers first-hand experience of the benefits of our HCI products and AI servers. For FY2021/2022, our marketing expenses in respect of HCI products and AI servers amounted to approximately HK$180,000. As a result of our marketing effort, our revenue generated from sales of HCI products increased from approximately HK$11.2 million for FY2020/2021 to approximately HK$18.3 million for FY2021/2022, and sales of AI servers increased from approximately HK$1.6 million for FY2020/2021 to approximately HK$5.2 million for FY2021/2022. As confirmed by our Directors, our Group is in the process of negotiation with various customers for orders of HCI products and AI servers. Furthermore, in May 2022, our Group has entered into a non-legally binding MOU with the Main Contractor, to establish a cooperative framework between our Group and the Main Contractor in relation to the Major Contract awarded to the Main Contractor by a listed company on the Stock Exchange which principally engaged in railway operation in Hong Kong. Pursuant to the MOU, our Group will be engaged by the Main Contractor as its subcontractor to (i) advise, design and implement IT infrastructure for video surveillance and video-data analysis, network security and back-up storage for the CCTV systems installed for the Major Contract; (ii) provide digital transformation services for the CCTV systems installed for the Major Contract by transforming them from traditional analogue systems to digital systems; and (iii) supply data communication and systems infrastructure, cyber security, digital transformation products and AI servers and HCI products that are compatible with the CCTV systems to introduce video-based analytics to big data AI processing, video analytics applications, network security and digital back-up storage to the CCTV systems installed for the Major Contract. The expected contract sum of the abovementioned subcontract arrangement is approximately HK$100 million for a contract term of three years. The definitive agreement is expected to be entered into by our Group and the Main Contractor in or around August 2022. Despite the above, our Directors consider that hosting marketing activities in such a small scale with limitation of financial resources do not enable us to fully capture business opportunities in the fast-growing IT industry, thus constraining the growth of the Expansion Plans.

b. Entering into distribution agreements with multiple market leading brands of HCI products and AI servers, pursuant to which it is expected we will be subject to minimum purchase commitments and be required to deploy upfront costs to acquire certain level of inventories of HCI products and AI servers from IT product vendors before securing orders from downstream customers.

(iii) Longer cash conversion cycle

Our Directors consider that HCI products and AI servers are relatively new to the market and the target downstream customers are diverse, therefore substantial amount of resources and significant period of time will be required to educate the market and promote the benefit and application of HCI products and AI servers. Absence of secured sizeable orders from our major customers prior to entering into distribution agreements for multiple market leading brands of HCI products and AI servers, the cash conversion cycles of the Expansion Plans are bound to be relatively longer and less predictable. Given our current financial status and substantial financial resources will be tied up by the Expansion Plans, we will only be able to fully implement the Expansion Plans by utilising [REDACTED] from the [REDACTED].

(iv) Our internal resources have been further tightened as a result of the prepayment arrangement with Supplier E

We have made a prepayment to Supplier E for the distribution business of CDN licence amounting to approximately HK$33.5 million as at 31 March 2022. For more details of the relationship and prepayment arrangement between Supplier E and our Group, please refer to the section headed "Business — Suppliers — Relationship with Supplier E" in this document. As a result, our internal financial resources have been further tied up. Accordingly, we would need to rely on [REDACTED] from the [REDACTED] to fully implement the Expansion Plans so as to capture the vast business opportunity of the large and fast growing market for HCI products and AI servers.

Impact on our financial position if we commit additional working capital in the Expansion Plans

For illustration purpose, based on the unaudited management accounts for the nine months ended 31 December 2021, the following table sets forth the analysis on the impact on our financial position if we are to commit additional working capital in the Expansion Plans:

				As at 31/12/2021 *(HK$'million)*
(A)	Immediately available liquid resources of our Group			
	Cash and bank balance			2.6
	Unutilised banking facility			5.8
	Outstanding amount due from Director			3.5
				11.9
(B)	Capital requirement for rolling out the Expansion Plans			
	(First phase)	Preliminary capital requirement for rolling out the Expansion Plans		*(HK$'million)*
		(i)	Distribution business segment expansion	
			— Purchase stock for HCI products and AI servers	[REDACTED]
			— Carry out sales enablement marketing activities	[REDACTED]
			— Purchase laptops for subscription-based laptop rental services	[REDACTED]
			— Expand the workforce in the distribution business	[REDACTED]
		(ii)	SI solutions segment expansion	
			— Set up an in-house digital transformation services team	[REDACTED]
			— Capital expenditure for facilitating the work of digital transformation services	[REDACTED]
		(iii)	Centralised service unit for provision of IT maintenance and support services	
			— Specific work labour to launch the centralised service unit	[REDACTED]
			— Capital expenditure for facilitating the launch of the centralised service unit	[REDACTED]
		(iv)	General working capital	[REDACTED]
	Subtotal			[REDACTED]

(Second phase)		Additional capital requirement for completing the Expansion Plans	
			(HK$'million)
	(i)	Distribution business segment expansion	
		— Purchase stock for HCI products and AI servers	[REDACTED]
		— Carry out sales enablement marketing activities	[REDACTED]
		— Purchase laptops for subscription-based laptop rental services	[REDACTED]
		— Expand the workforce in the distribution business	[REDACTED]
	(ii)	SI solutions segment expansion	
		— Set up a in-house digital transformation services team	[REDACTED]
		— Capital expenditure for facilitating the work of digital transformation services	[REDACTED]
		— Expand the SI solutions team	[REDACTED]
	(iii)	Centralised service unit for provision of IT maintenance and support services	
		— Specific work labour to launch the centralised service unit	[REDACTED]
		— Capital expenditure for facilitating the launch of the centralised service unit	[REDACTED]
	(iv)	Marketing efforts and improving brand recognition	[REDACTED]
	(v)	Equipment, software, hardware and ERP systems upgrade	[REDACTED]
	(vi)	General working capital	[REDACTED]
Subtotal			[REDACTED]
Total capital requirement for the Expansion Plans			[REDACTED]

For the details of the implementation plan of the first phase and the second phase of the Expansion Plans, please refer to the section headed "Implementation Plan" in this section above.

Our Directors consider that it is reasonable for not taking into account the cash flow from operation in assessing the financial resources to implement the Expansion Plans on the following basis:

(i) the gearing ratio of our Group was high during the Track Record Period at approximately 454.8%, 247.8% and 104.3% respectively. The high level of bank borrowings and/or high gearing ratio may require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings. In fact, our cash flow from operation is only sufficient for current scale of operations of our Group before the implementation of the contemplated business strategies and Expansion Plans. As at 31 December 2021, our Group had a cash balance of approximately HK$2.6 million. Further using the cash flow from operation in the Expansion Plans may increase financial risk on our Group as the interest rate for debt financing may fluctuate and our Group may subject to various inherent limitations under debt financing, in particular when market uncertainty arises and under economic downturn situation where the performance of our Group could be adversely affected. For details, please refer to the section headed "Risk factors — Risks relating to our business and operations — Our high gearing ratio may expose us to liquidity risk" in this document. Our Group has been maintaining a disciplined financial strategy to support our business operations and growth to support our existing operations and avoiding excessive gearing. As such, it is prudent for our Group to maintain certain capital buffer from our cash flow from operation to cope with these finance risks;

(ii) our Group had recorded negative cash flow from operating activities in FY2020/2021 and FY2021/2022, and that the historical cash flow from operation activities in certain periods during the Track Record Period was not sufficient to support the existing business operations let alone the Expansion Plans. In fact, during the Track Record Period, we also needed to rely on our financing activities to generate net cash inflow;

(iii) the cash flow from operation is being used to support the existing business operations of our Group with an aim to maintain its current scale and mode of operation. As such, the cash flow from operation is not intended to be used for supporting expansion strategy to scale up the business of our Group. For example, in respect of the distribution business, the cash flow from operation is used to fund the distribution of products under the existing product portfolio and by applying to the general workflow of the distribution business, rather than to enrich product portfolio to bring in new technology to the offerings and expand our revenue stream. As shown in the above analysis, our Directors consider that the internal resources are not sufficient to fund the Expansion Plans without staggering our Group's ability to maintain and support the current scale and mode of business operation and/or expand in other areas of business. Our Directors further consider that it would be necessary and prudent to retain the cash flow from operation to provide a buffer for any unexpected liquidity demands that it may encounter from time to time;

(iv) our financial performance, in particular, our revenue, profit and our cash flow from operation, would be assessed by the banks regularly and when reviewing our financing application. Further utilising our cash flow from operation and increasing our gearing ratio may adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from banks or unfavorable terms, possible higher interest rate and collateral requirement will be imposed on us. Accordingly, maintaining a certain level of our cash flow from operation instead of applying it towards the Expansion Plans is of paramount importance for our Group to obtain banking facilities which support our existing business operations;

(v) IT industry and technologies change rapidly and our future success will depend on, among others, our ability to adapt to rapidly changing technologies and identify new suppliers of IT product. To capture new business opportunities, we may need to deploy significant amount of upfront cost to acquire and maintain certain level of inventories from these new suppliers of IT products for satisfying the annual minimum purchase commitment. As such, it would be ineffective, unpredictable and time consuming for our Group to rely on our cash flow from operation in carrying out our Expansion Plans and we might not be able to react promptly to the current industry landscape; and

(vi) the cash conversion cycles of the Expansion Plans are bound to be relatively longer and less predictable, in particular, for the HCI products and AI servers. For details, please refer to paragraph headed "Reasons for the [REDACTED] and proposed Use of [REDACTED] — Technological trend driven business strategies and expansion plan to strengthen our market position and capture future opportunities — Imminent and genuine funding needs — (iii) Longer cash conversion cycle" in this section above. We might be exposed to a higher liquidity risk given the reduced amount of available cash on hand and face additional operating difficulties if our cash flow from operation is further utilised in the Expansion Plans.

As shown in the analysis, if we are to carry out the Expansion Plans with our financial resources available. We would require approximately HK$[REDACTED] to carry out the first phase of the Expansion Plan, covering the minimum viable start-up cost for distribution of HCI products and AI servers, setting up in-house team for providing digital transformation services and provision of 24/7 technical support service; and approximately HK$[REDACTED] for the second phase, covering the rest of the Expansion Plan to bring it to the desired scale. Based on the financial resources immediately available to our Group of approximately HK$11.9 million as at 31 December 2021, assuming that our Group is operating at the current scale, i.e. level of working capital including account receivables and account payables is estimated to be kept at consistent level, we would be short of approximately HK$[REDACTED] to even carry out the first phase of the Expansion Plans. As such, our Directors consider that there is genuine funding needs in implementing the Expansion Plans.

Nevertheless, given the growth engines for our business has been identified, we would still carry out the Expansion Plans irrespective of availability of the [REDACTED] from the [REDACTED]. In fact, our Group had been carrying out some of the Expansion Plans utilising our working capital during the Track Record Period. Due to the constraints in financial resources as demonstrated above, it was not be feasible for us to carry out the Expansion Plans at the most desirable scale and pace. As such, we had conducted relatively small-scale marketing activities to promote HCI products and AI servers during the Track Record Period. However, even though we had managed to increase our sales of HCI products, AI servers and digital transformation services during the Track Record Period, our Directors believe that we will not be able to accomplish our business strategies in full in long run based on the current scale of the Expansion Plans. Our Directors therefore consider it essential for us to obtain [REDACTED] from the [REDACTED] to commence the Expansion Plans at full scale in order to maximise our chance in capturing the business opportunities in the fast-growing industry. For details of the foregone prospective loss of revenue of our Group in respect of carrying out the Expansion Plans solely utilising our Group's working capital, please refer to the below cost and benefits analysis on carrying out the Expansion Plans utilising our Group's working capital as compared to utilising the [REDACTED] from the [REDACTED].

The cost and benefit analysis on carrying out the Expansion Plans utilising our Group's working capital as compared to utilising the [REDACTED] from the [REDACTED]

Our cash generated from operating activities and bank borrowings are only sufficient for maintaining the scale of our existing business operations. For the year ended 31 March 2021, our average monthly operating costs, including selling and distribution expenses and administrative expenses (excluding [REDACTED]), amounted to approximately HK$3.5 million. Our cash and cash equivalents and amount due to a director as at 28 February 2022 in an aggregate amount of HK$9.0 million, is only able to fund our operating costs for approximately 2.6 months based on our present operation scale. Further, the unutilised bank facilities as at 28 February 2022 of HK$4.3 million and cash generated from operations are applied for our cost of sales and services to support our present scale of operations.

Notwithstanding the above, for illustration purpose, we assess the cost and benefit on carrying out the Expansion Plans utilising our Group's working capital as compared to utilising the [REDACTED] from the [REDACTED] by assuming that the internal financial resources of our Group was applied to the Expansion Plans. The internal financial resources immediately available to our Group as at 28 February 2022 for the Expansion Plans was amounted to approximately HK$3.75 million (the "**Internal Resources**"), comprising of (i) approximately HK$8.0 million from our cash and cash equivalents and (ii) approximately HK$1.0 million from amount due from a Director, and partially offset by approximately HK$5.25 million, being the amount only sufficient to support our average monthly operating cash outflow including selling and distribution expenses and administrative expense for around one and a half month to provide a buffer for any unexpected liquidity demands that it may encounter from time to time. Assuming that (i) the present scale of operations is maintained when we carry out the Expansion Plans, and (ii) the economic situation remains steady without sudden downturn that may drive up our cash and reduce our cash generated from operations, for the purpose of this cost and benefit analysis, we considered it appropriate to apply one-and-a-half-month average monthly operating cost as buffer for unexpected liquidity demands. In our cost and benefit analysis, we have not taken into account of the unutilised bank facilities as at 28 February 2022 of HK$4.3 million and the cash generated from operations as they are applied for our costs of sales and services to support our current scale of operations and will not be utilised for the Expansion Plans. Even if there were surplus unutilised bank facilities, they would have been applied to implement the Expansion Plans and thus their cost and benefit impact would be neutral.

As mentioned in the section headed "Implementation Plan" in this section, we would require approximately HK$[REDACTED] to carry out the first phase of the Expansion Plans and approximately HK$[REDACTED] for the second phase. Accordingly, our Group will be significantly short of capital to carrying out the Expansion Plans to the most desirable scale and pace if we cannot but solely rely on the Internal Resources to carry out the Expansion Plans.

Without the [REDACTED] of the [REDACTED] and solely relying on our Internal Resources, our Directors believe that:

(i) it would not be feasible for us to carry out the Expansion Plans at the desired scale and pace as illustrated above considering our Group having insufficient Internal Resources to carry out the Expansion Plans in full;

(ii) our Expansion Plans in relation to (a) establishing a new centralised service unit for provision of IT maintenance and support services; (b) upgrading our equipment, software, hardware and ERP systems and (c) strengthening our marketing efforts and improving brand recognition will have to be aborted;

(iii) taking into account the working capital and reserve required to (a) maintain the current scale of operations and high quality services of our Group; and (b) the cope with and capture the anticipated business growth in the near future with respect to our existing distribution business and the SI solutions business, the other Expansion Plans would have to be scaled down notably;

(iv) for instance, while our Group had commenced deploying capital, attention and resources in conducting relatively smaller scale marketing activities to promote HCI products and AI servers during the Track Record Period as part of the Expansion Plans, our Group would have to be more conservative and less proactive in sourcing and distributing these and other new IT products due to the additional time and efforts required to educate the market which result in longer cash conversion cycle. In addition, our Group would have to scale down its investment in the subscription-based laptop rental services;

(v) we will need to continue our subcontracting arrangement with third party services providers in the provision of our digital transformation services instead of building up our in-house capability of digital transformation services and our cost of sales and services will be adversely affected. For details, please refer to the section headed "Reasons for the [REDACTED] and proposed use of [REDACTED] — Technological trend driven business strategies and expansion plan to strengthen our market position and capture future opportunities — Manpower needs — (ii) Digital transformation services" in this section below;

(vi) Out banking facilities have been substantially utilised and we do not have sufficient surplus cash from bank borrowings for our business expansion. The unutilised banking facility of HK$4.3 million as at 28 February 2022 would have to be reserved and utilised as working capital for payment of various operating expenses including costs of sale and services to support our business at current scale and as driven by the growing demand of our existing services and products, resulting in these facilities not being available to support our Expansion Plans;

(vii) it would be difficult for us to obtain additional banking facilities prior to [REDACTED], as banks would normally require the provision of personal guarantee and securities by directors/controlling shareholders to support the lending. The existing bank borrowings of our Group and the New Facilities (save for our Group's unsecured bank borrowings obtained from banking facilities granted under the SME Financing Guarantee Scheme and guaranteed by HKMC Insurance Limited) were all secured by, among other things, the assets owned by Mr. Charlie Ip and his related companies and/or guaranteed by Mr. Charlie Ip. As a privately-owned company. Mr. Charlie Ip and his related companies do not have additional collaterals to provide for our Group to obtain additional banking facilities to support the Expansion Plans. Therefore, our Group cannot rely on debt financing to support the Expansion Plans. In addition, our banking facilities are short-term in nature, and are subject to fluctuation in interest rates and other macro-economic factors, in particular when market uncertainty arises and under economic downturn situation that may prevent us from obtaining and/or rolling-over our bank borrowings upon maturity in which case our performance could be adversely affected; and

(viii) the [REDACTED], on the other hand, will not only bring about our Group with the [REDACTED] from [REDACTED] to fund the implementation of our business strategies, but will enhance our funding capabilities by providing us better access to the capital markets and enabling us to seek banking facilities with more favourable terms. As a result, our Group would be able to obtain more funding under both streams to fuel our long-term need.

In light of the above, assuming that our Group is funded solely by the Internal Resources without the [REDACTED] from the [REDACTED], our Group is expected to have foregone a prospective loss of revenue of approximately HK$118.7 million in a 12-month period in which case our Group would only be able to carry out the significantly scaled-down Expansion Plans solely utilising our Group's limited working capital. In addition, our Group will be deprived of the benefits of the [REDACTED] that will enhance our funding capabilities by providing us better access to capital markets and enabling us to seek banking facilities with more favourable terms.

Having considered the above and the analysis on the impact on our financial position if we were to commit the limited available working capital in the Expansion Plans, our Directors are of the view that it is essential to raise additional funding for the [REDACTED] to facilitate the implementation of the Expansion Plans and our business strategies.

Manpower needs

We believe that our success depends heavily on our ability to hire and cultivate experienced, motivated and well-trained members of our workforce. Although we have a stable workforce with dedicated and strong members of staff, our Directors consider that our existing workforce is not sufficient in carrying out the Expansion Plans and supporting our business growth at the intended rate for the reasons set out as follows:

(i) ***Number of staff is in line with our growth rate:*** During the Track Record Period, we had increased our number of staff to facilitate our business growth. The following table sets forth the number of staff sales, technical and product staff of our Group as at the date indicated:

	As at 31 March		
	2020	**2021**	**2022**
Sales	38	47	42
Technical	37	37	48
Product	8	9	9
Total	83	93	99

Compared to 31 March 2020, our Group had hired additionally four sales, 11 technical and one product staff to accommodate our business growth during the Track Record Period. Meanwhile, our total revenue had increased from approximately HK$331.9 million for FY2019/2020 to approximately HK$387.4 million for FY2020/2021 and increased further to approximately HK$631.5 million for FY2021/2022. Our Group plans to hire additionally three sales, six technical and two product staff for carrying out our operations and support our business expansion. Our Directors believe such hiring of additional staff is reasonably justified in view that (a) the Group had been newly engaged by two new IT products vendors, namely Microsoft and Fujifilm as authorised distributors in April 2021 and will use part of the [REDACTED] from the [REDACTED] to introduce a range of HCI products and AI servers; and (b) our Group's sales, technical and product staff had an increasing workload in terms of the average number of orders and number of customers throughout the Track Record Period, of which the number of orders increased to approximately over 5,500, 5,800 and 7,300 for the three years ended 31 March 2022 respectively, while the number of customers increased to approximately 1,280, 1,350 and 1,520 for the corresponding year. Thus, our Directors believe that the new headcounts would allow us to engage in more sales activities obtain more distribution rights from IT products vendors and undertake more projects. Our Directors believe that the hiring of additional staff had facilitated our Group to achieve such business growth and will be vital for facilitating our forthcoming business expansion.

(ii) ***Brand and product specific:*** Under our distribution business model, each product specialist is responsible for managing certain number of brands. Their duties include learning the technical aspects of IT products, undergoing product training, liaising and building business connections with IT products vendors for product specification and quotations, and sales consultation with customers on product technicality, specification and application etc. Depending on the sales volume and popularity of the brands as well as the number of products under each brand, our current product specialists are responsible for managing approximately two to 14 brands. Considering the foreseeable complexity of the new products and the expected time taken for a product specialist to build up connection with new IT products vendors and targetted customers with reference to our experience, our Directors consider that our existing product specialists do not have sufficient capacity to manage the brand new range of HCI products and AI servers and it would be more effective to hire additional staff with knowledge of the new technologies and familiarity with the brands to be introduced.

(iii) ***Specific technical knowledge:*** In respect of digital transformation services of our SI solutions business, our existing staff lack the expertise in coding and algorithm, which is a specialised knowledge and one of the key components of digital transformation services and for which we had to subcontract to independent third-party service providers to complete the relevant part of our digital transformation services during the Track Record Period. In addition, while external trainings can be provided to our existing staff to enrich their knowledge in coding and algorithm, our Directors consider that hiring of additional staff with the relevant knowledge and practical experience would allow us to leverage on their skills to provide a complete scope of services in a more efficient manner.

(iv) ***Additional headcounts to enhance capacity:*** Our Directors are aware that our sales, technical and products staff had an increasing workload in terms of the average number of orders they were responsible for and/or were involved in throughout the Track Record Period. Accordingly, our Directors consider that our current workforce had been fully deployed. Therefore, if we are to introduce new IT products and services, the work capacity of our staff would be even further occupied and accordingly they may not be able to properly deliver the work and services expected by our customers. This may affect our results of operation and hinder our expected business growth. Therefore, the additional headcounts would allow us to engage in more sales activities and undertake more projects.

(v) ***Night shift:*** The demand for our IT maintenance and support services is expected to continue to grow with our widened customer base. During the three years ended 31 March 2022, there is an increasing number of customers requiring our Group's IT maintenance and support services which increased to 398, 427 and 465 customers. Our Directors projected the number of customers will continue to grow in light of (i) our business growth as aforementioned; (ii) the projected increase in the number of laptop rental services; and (iii) the increasing number of organisations operating around the clock due to internationalisation of business and extended service hours. Our existing staff only work in day time given that we did not offer 24/7 services to our customers during the Track Record Period. In order to provide round-the-clock IT maintenance and support services under our centralised service unit without causing disruptions to our day time workforce and the services provided by them, we intend to hire night shift staff with the required technical skills for providing technical support services and expertise and expertise in cyber security.

On the other hand, our Directors are of the view that it is in the best interest of our Group not to rely on subcontractors for our planned expansion with basis as below:

(i) ***HCI products and AI servers:*** It is imperative to have our in-house staff to understand the technical aspects of these IT products in order for us to effectively introduce, market and distribute and provide the technical support and training to resellers and end-users in the local market that the IT products vendors may expect us to take on. In addition, we are generally required to undergo product training and maintain a certain number of staff with such training as one of the criteria to act as product distributor. Based on our operating experience, IT products vendors may be reluctant in granting us distribution right over their IT products if we were to subcontract out the technical function.

(ii) ***Digital transformation services:*** During the Track Record Period, in the provision of digital transformation services to our customer, we had subcontracted the coding and algorithm procedure, which is one of the key components of digital transformation services, to third party services providers. According to the Ipsos Report, there were around 10% of the SI solution providers in Hong Kong offering comprehensive digital transformation services such as data transformation, infrastructure transformation and the development and operations of applications and systems and there is no specific licencing requirements for providing digital transformation services. As such, we may engage any of these SI solutions providers in providing subcontracting services. As confirmed by our Directors, we did not experience material difficulties in engaging subcontractors during the Track Record Period for provision of services for part of our Group's digital transformation services. However, the subcontracting arrangement has rendered our tender and/or quotation less appealing to our potential customers as (i) our quoted price is not as competitive in light of our subcontracting cost which is beyond our control; (ii) our services are subject to the availability of qualified subcontractors; and (iii) our project management and execution ability is less efficient given the need to coordinate with a third party service provider. We will generate cost savings from building up our in-house capability of digital transformation services as opposed to subcontracting if we generate a revenue of at least HK$6.0 million annually from our digital transformation services. Our Directors believe such amount would be attainable in view that (i) our digital transformation services had significantly increased to HK$2.4 million for FY2020/2021 as compared to HK$0.8 million for FY2019/2020; and (ii) based on the results for the six months ended 30 September 2021, the unaudited management account for the month ended 31 October 2021 and the confirmed orders as at 31 October 2021, we expect to recognise a minimum of revenue of approximately HK$14.4 million from our digital transformation services for FY2021/2022.

For illustration purpose, based on the results for the six months ended 30 September 2021 and the unaudited management account for the month ended 31 October 2021 and the confirmed orders as at 31 October 2021, the following table sets forth the hypothetical cost saving of our Group's digital transformation services for FY2021/2022 if our Group were to build up our in-house digital transformation services with experienced staff as opposed to subcontracting.

	FY2021/2022	
	Subcontracting	**In-house**
	HK$'000	*HK$'000*
Expected revenue *(Note 1)*	14,400	14,400
Estimated cost of sales and services	10,820	7,739
(i) Cost of inventories *(Note 2)*	3,830	3,830
(ii) Subcontracting fees *(Note 2)*	6,990	—
(iii) Staff costs *(Note 3)*	—	3,000
(iv) Depreciation of hardware and software application development tools and application platform *(Note 4)*	—	909
Estimated gross profit *(Note 5)*	3,580	6,661

Notes:

1) The expected revenue is based on the results for the six months ended 30 September 2021 and the unaudited management account for the month ended 31 October 2021 and the confirmed orders as at 31 October 2021. The amount of revenue to be recognised from the confirmed orders as at 31 October 2021 is based on various assumptions, including but not limited to that there will not be any change, delay or cancellation of orders and the orders will be completed timely and fully recognised in FY2021/2022. As the actual results will depend on risks and uncertainties over which we have no control, under no circumstances should the inclusion of such information in this document be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions.

2) The estimated cost of inventories and subcontracting fees are based on the quotations obtained from the relevant suppliers and subcontractors for the deliver the necessary IT products and/or services, assuming that we will not incur any additional costs other than the quotations received.

3) If we were to hypothetically complete the relevant digital transformation projects solely by in-house staff, approximately HK$3.0 million of staff costs will be incurred, based on the assumption that (i) we will utilise approximately HK$[REDACTED] from the [REDACTED] of the [REDACTED] for two years of salaries of the staff to be recruited to perform digital transformation services; and (ii) the staff to be recruited are capable of undertaking and completing the necessary aspects of the digital transformation projects.

4) Based on our Group's depreciation policy, we assume approximately HK$3.0 million of hardware and software application development tools and application platform will have a useful life of approximately 3.3 years.

5) The estimated gross profit is subject to the assumptions of each component in the table.

Referring to the above table, based on the quotations obtained from the relevant subcontractors, the estimated subcontracting fee for performing the necessary services for the orders completed and received as at 31 October 2021 amounted to approximately HK$7.0 million for FY2021/2022. On the other hand, if we were able to build up our in-house digital transformation services with experienced staff without relying on any subcontracting services, the expected annual cost of sales and services for building up our in-house digital transformation services would be approximately HK$3.9 million for FY2021/2022. Accordingly, we would potentially achieve cost saving of approximately HK$3.1 million for FY2021/2022 if we were to perform the same digital transformation services by our own in-house staff as opposed to subcontracting. In terms of profit margin, the extent of improvement in profit margin will depend on (i) the amount of revenue generated from the relevant projects and (ii) the cost of subcontracting. The expected gross profit is expected to improve as a result of the substantially reduced cost of sales and services from building up our own in-house capability in coding and algorithm, assuming that we would provide the same price quotation to the customers and generate the same amount of revenue in these contracts. Given that the analysis on annual saving and profit margin as shown in the above table have not taken into account of the revenue that will be recognised for the confirmed orders which may be received after 31 October 2021, it is expected that the higher the revenue, the more the cost savings will be (staff cost is a fixed cost) and thus the profit margin will be further improved.

To the best knowledge of our Directors, customers generally choose IT service providers for provision of digital transformation services primarily based on, among the others, (i) the service price; (ii) the technical capability of the IT service provider in achieving the customers' goal; and (iii) the scope of services offered by the IT service providers. Since we lack in-house capability in coding and algorithm, we had to rely on subcontractors to provide part of our digital transformation services. As illustrated in the above table, the estimated subcontracting cost for the results of the unaudited management account for the month ended 31 October 2021 and the estimated subcontracting cost of the confirmed orders received as at 31 October 2021, which is almost double the estimated annual cost if we were to build up our in-house capability of digital transformation services, despite our effort in negotiating for better pricing from the subcontractors. We are bound to provide a less competitive quotation to our customers in order to cover our subcontracting cost. In the event that a customer is choosing between the quotation of our Group and of other IT service providers offering the same scope of work with comparable technical capabilities but with more competitive pricing, we believe it is likely that the customer will choose the other IT service providers with more competitive pricing over our Group. At the same time, if we prefer to maintain our competitiveness, we would have to lower the quotations, which would have a negative effect on our Group's profitability. By building up our own in-house capability in coding and algorithm, it is expected that we will be able to provide more competitive quotations to our customers, and secure more contracts for digital transformation services. The quotations for the digital transformation services will be determined based on, among other things, (i) the level of complexity of the services required; (ii) the number of hours and manpower required to be allocated; (iii) the timeframe of the project; and (iv) our relationship with the customer.

During the Track Record Period, we had provided quotations for potential digital transformation projects amounting to approximately HK$14.7 million for the three financial years in aggregate which did not materialise. To the best knowledge of our Directors after reasonable enquiries, such loss of business opportunities was mainly due to the pricing of our Group's quotation not being competitive as compared to other IT service providers, which our Directors consider was due to our Group's lack of in-house staff to perform the whole project by ourselves and had to rely on subcontractors, thereby added to the cost of the project. By reducing the cost of sales and services in rendering digital transformation services, it will consistently increase our Group's competitiveness and the chance of obtaining more orders.

In addition to the price competitiveness, our Directors consider that it would be more efficient for our Group to manage the digital transformation service projects in terms of progress and resources if we are capable of executing the whole projects ourselves. Specifically, since we are able to assess the capacity of our own staff and project progress and to closely monitor the service quality, it would be able to make the necessary arrangements and adjustments in terms of resource allocation to ensure that the progress of the projects is on schedule and with service quality. In addition, as the project progress, customers may update their scope of work and/or the timeframe of the project. Having the in-house capability of completing the whole project on our own would reduce the need and time taken for our Group to liaise with the subcontractor in terms of feasibility of changes and obtaining quotation for the additional scope of work, thereby increasing the overall efficiency and flexibility of our Group's service.

As such, our Directors believe that by hiring new staff with relevant technical expertise as opposed to engaging subcontractors, having in-house capability in coding and algorithm would increase the overall profitability of digital transformation services, lower the cost of sales and services in rendering digital transformation services and provide greater management control over the project, thereby increasing customers' satisfaction, the competitiveness of our Group and the chance of obtaining more orders.

(iii) ***Establishment of the new centralised service unit:*** While the provision of 24/7 technical support services and detection and response support will allow us to offer a more comprehensive range of services to customers, it will also help us foster long-term and close relationship with our customers as our staff will work closely with our customers over a certain period of time. Moreover, our Directors believe that it will create synergy for our IT products and services as our customers will entrust us with their issues and allow us to introduce products and solutions to our customers when they encounter any issue. Our Directors believe that the benefit of offering such services can only be maximised if such services are provided by our in-house staff.

(iv) ***Other expansion plans and overall:*** Hiring additional staff as opposed to entering into subcontracting arrangements would increase our competitiveness and improve our profitability as a result of the reduction in our subcontracting costs which generally leads to a higher gross margin. This is evidenced from the fact that, during the Track Record Period, our relatively lower gross profit margin from the provision of IT infrastructure solutions services of approximately 15.5% for the year ended 31 March 2022, as compared to 19.4% and 20.0% for the year ended 31 March 2020 and 2021 respectively, was primarily attributable to the relatively higher subcontracting fees incurred for the specialised work in relation to the increase in orders which required vendors installation and support services and cabling works during FY2021/2022. In addition, our ability to engage subcontractors depends largely on the schedule and availability of the subcontractors and there is no guarantee that we would be able to source quality subcontracting services from our subcontractors which can meet our schedule, standard and requirements. By maintaining a larger pool of staff, our Group could minimise the potential risk of disruption caused by the possible unavailability of subcontracting services at commercially acceptable terms or at all.

As a whole, the [REDACTED] is an important step for the implementation of our business strategies as the [REDACTED] from the [REDACTED] provide us with the necessary additional financial resources, which is interest-free, for financing our retail network expansion plan without having to incur significant interests and financing expenses.

Better financing terms

Private companies without public fund-raising platform usually rely on external debt financing as one of the major sources of financing to fund the working capital requirements for its operations. As at 31 March 2020, 2021 and 2022, our bank borrowings accumulated to HK$49.7 million, HK$69.8 million and HK$77.0 million respectively, while our Group incurred finance cost of HK$1.9 million, HK$2.1 million and HK$2.0 million for the respective year during the Track Record Period. Our Directors consider that debt financing is not desirable as the fund is repayable and not permanent in nature and the interest expenses would impose additional cash flow burden to us. Moreover, the relevant banks generally required our Controlling Shareholders and us to pledge their assets and to provide personal or corporate guarantees to secure the bank borrowings granted to us. In view of the above, our Directors believe that a [REDACTED] status will enable us to have enhanced corporate transparency and creditworthiness to banks to facilitate its future financing needs when necessary. Moreover, the [REDACTED] will provide a platform to us for fund raising activities in the future through equity financing, attract wide and varied body of professional and institutional investors and enhance the liquidity of the Shares which will be freely traded on the Stock Exchange when compared to the limited liquidity of the Shares when they are privately held before the [REDACTED]. Our Directors also believe that the [REDACTED] from the [REDACTED] can finance our current business operation and future expansion plans. This is beneficial to our overall business development and financial performance, which in turn will maximise Shareholders' return.

Strengthening of our corporate profile and enhancing our competitiveness

Our Directors believe that the [REDACTED] will strengthen our corporate profile and enhance our competitiveness. As a [REDACTED] entity, customers and suppliers will have public access to our corporate and financial information and they will have more confidence in the quality of our products and services, our financial strength and credibility, transparency in operations and financial reporting, and our internal control systems. Our Directors believe that having a [REDACTED] status can raise our reputation amongst our competitors, which will expand our customer base and enhance our corporate profile and credibility.

Therefore, our Directors believe that it is of critical and strategic importance to us to achieve a [REDACTED] status in order to enhance our level of competitiveness among our competitors. Our Directors consider the [REDACTED] would bring about the above intangible benefit which justifies the costs, the risks and uncertainties involved in a [REDACTED] application.

Enhancing our ability to recruit, motivate and retain our employees

Our Directors believe that the [REDACTED] status will improve our ability to attract and retain our employees from both operational and remuneration perspective. We believe that our employees engaged by us will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their morale at work. In turn, an expanded workforce with necessary skills and technical expertise will improve the quality of our services and efficiency of our day-to-day operations for the benefit of our long-term development and competitiveness.

In addition, the [REDACTED] will enable us to offer an equity-based incentive programme (such as options that may be granted under the Share Option Scheme) to our employees that more directly correlates to their performance in our business. We would therefore be in a better position to motivate our employees with incentive programmes that are closely aligned with the objective of creating value for our Shareholders. We believe that the [REDACTED] will enable us to reach out to a broader talent pool and provide us with more means for recruitment and retention of employees, such as providing them more reputed employment environment, offering them more career advancement opportunities and granting them with share options.

Other benefits of the [REDACTED]

Our Directors believe that the [REDACTED] will also (i) boost existing and potential customers' confidence in our IT products and service offerings, thereby allowing us to seek more competitive terms, survive competition and maintain profit margins; (ii) allow us to, if appropriate, acquire any potential target company, business or asset through equity considerations instead of cash considerations so as to lower the impact on our liquidity; (iii) serve as an endorsement and recognition of our market position in the IT products distribution industry and SI solutions industry; and (iv) provide us with broader shareholder base for better liquidity in our Shares and access to additional capital for growth from the [REDACTED] and after [REDACTED] to implement our future plans as set out in the section headed "Business — Our business strategies" in this document and this section.

More stringent internal control and corporate governance culture could also be instilled through the [REDACTED] process and continuous compliance with the requirements under the Listing Rules and other applicable laws and regulations.

The possible use of [REDACTED] outlined above may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of [REDACTED] as described above, we will issue announcement and make disclosure in our interim report and/or annual report for the relevant period as required by the Stock Exchange.