

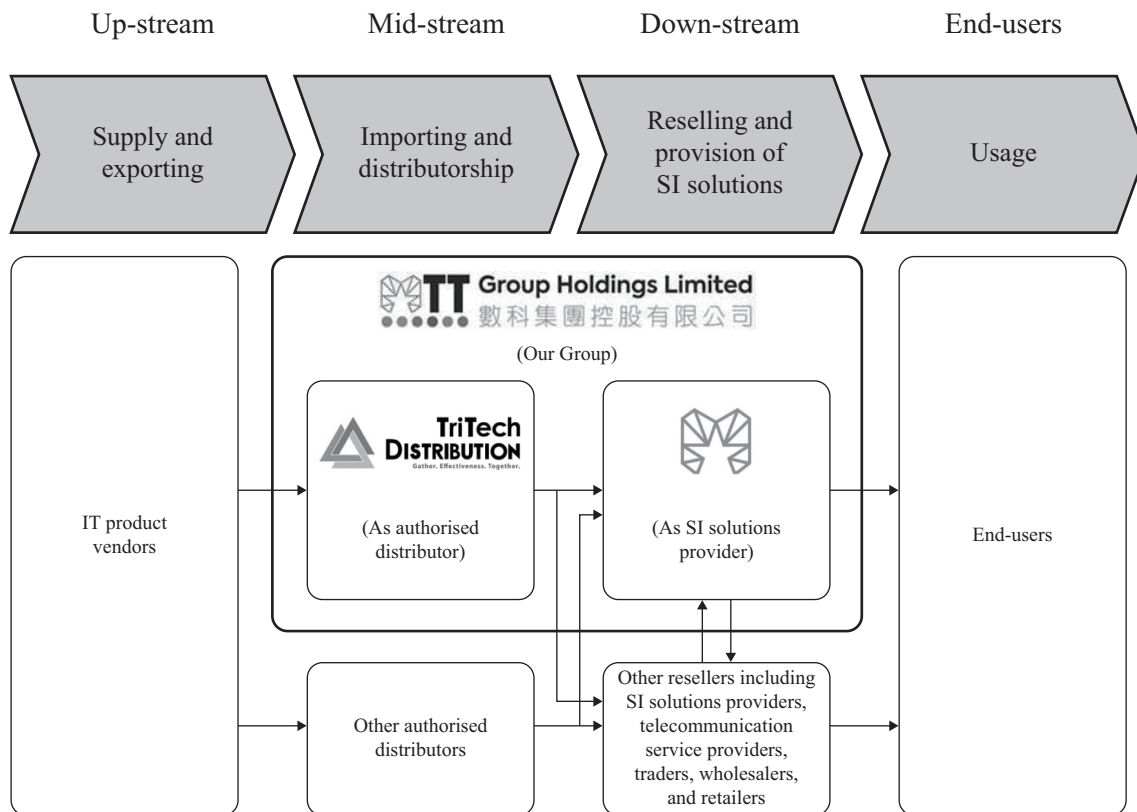


SUMMARY

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

OVERVIEW

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



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

We consider our business model to be one of our competitive strengths which distinguishes us from other competitors which are either distributors or resellers. Our dual role as both distributor and reseller in the IT industry has not only enabled us to capture business opportunities in the whole value chain of the IT industry, but also benefitted us through close and direct interaction with all essential players, creating synergy between our distribution and SI solutions businesses. As a distributor, we are able to leverage on our in-depth understanding of end-users' needs in IT products and awareness of unfulfilled requests and demand of end-users gained through direct interaction with end-users in our SI solutions business; and provide valuable feedback to IT product vendors to localise their IT products for applications in Hong Kong market.

We are a value-added distributor with broad and diversified product portfolio of IT products to resellers to meet the diverse needs in the IT products distribution industry. The IT products offered in our product portfolio cover a wide range of functions and usages at different price levels. Our broad spectrum of product portfolio attracts customers from various sectors with different needs and preferences while the diversified product origins in our portfolio allows us to easily replace and continue to supply IT products in the event of any trade restrictions is imposed on IT products of a particular origin by any other particular country. We attribute our broad and diversified product portfolio of IT products to our value-added services to the IT product vendors, which give us competitive edges over our competitors in the following three ways: (i) we have a broad portfolio of new-to-market niche brands of which we have enjoyed a sizeable market share; (ii) we strategically identify and focus on PRC brands with market potential; and (iii) we attract internationally renowned brands to achieve optimum brand mix. For further details of our competitive edges in our distribution business, please refer to the section headed "Business — Our competitive strengths — We are a value-added distributor with broad and diversified product portfolio of IT products of both internationally renowned brands and new-to-market niche brands to resellers in our distribution business" in this document. However, it is also possible that our suppliers and customers may choose to deal with one another directly. For details of such risks, please refer to the section headed "Risk factors — Risks relating to our business and operations — Our suppliers and customers may choose to deal with one another directly" in this document.

On the other hand, as an SI solutions provider, we are able to leverage on our technical knowledge on IT products and awareness of the latest IT product trends and technological development gained through direct interaction with IT product vendors in our distribution business, and provide customised SI solutions with the latest technology to end-users. This synergy created allows us to add value to our suppliers and customers in both streams of the value chain of the IT industry, thereby setting us apart from our competitors.

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According to the Ipsos Report, there are approximately 2,000 SI solutions providers in the IT industry in Hong Kong and less than ten of which are operating a business model by engaging in both SI solutions and distribution businesses. Having considered the synergy and benefits enjoyed by our Group, Ipsos is of the view that our business model is rare and unique and is intrinsically different from the traditional SI model or traditional distribution model engaged by most of the market players in the IT industry in Hong Kong. For further details of our business model, please refer to the section headed "Business — Our business model" in this document.

CUSTOMERS

As we operate a business model which encompasses both distribution and SI solutions businesses, we are engaged by customers from different segments of the value chain of the IT industry and thereby enjoy a broad customer base. We served over 1,000 customers for each of the three years ended 31 March 2022. Our geographical presence covers Hong Kong, the PRC and Macau. The following table sets forth the breakdown of our revenue by geographical locations for the financial years indicated:

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

Our customers are mainly divided into two categories, namely, resellers and end-users. Our reseller customers primarily include SI solutions providers, telecommunication companies, traders and wholesalers who usually procure our IT products for sale or provision of services to end-users while our end-user customers primarily include government, public utility companies, NGOs, SMEs, large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. During the Track Record Period, approximately 52.5%, 57.0% and 69.1% of our total revenue was derived from our reseller customers respectively in the corresponding year, whereas our remaining revenue was derived from our end-user customers. For details, please refer to the section headed "Business — Customers" in this document.

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SUPPLIERS

All of our IT products are sourced from our suppliers, primarily comprising (i) IT product vendors; (ii) authorised distributors; and (iii) other service providers. IT product vendors are overseas-branded or PRC-branded hardware, software and auxiliary product manufacturers who engage distributors to market and distribute their IT products in local markets. As at the Latest Practicable Date, we entered into non-exclusive distribution agreements with 38 IT product vendors, with origins spanning across different countries and regions such as the PRC, the U.S., India, Japan and the European region. In our business model, we, as authorised distributor in our distribution business, can procure IT products from IT product vendors directly, whereas we, as reseller in our SI solutions business, procure IT products from the authorised distributors of IT product vendors, including from our distribution business. Besides, we engage subcontractors to perform certain tasks in our businesses from time to time such as (i) certain labour intensive work with low skill requirement; (ii) certain installation, implementation, maintenance and support work where particular types of qualifications, skills, resource, spare parts or equipment are involved; and (iii) certain specialised expertise that we have not yet possessed.

During the Track Record Period, our cost of sales and services amounted to approximately HK\$262.7 million, HK\$301.2 million and HK\$515.4 million respectively and our five largest suppliers in each year during the Track Record Period accounted for approximately 45.9%, 48.2% and 58.6% of our cost of sales and services respectively. For details, please refer to the section headed "Business — Suppliers" in this document.

OUR COMPETITIVE STRENGTHS

We believe our success is attributed to, among other things, the following competitive strengths: (i) our business model which has enabled us to operate business efficiently and differentiate ourselves from our competitors; (ii) our role as a value-added distributor with broad and diversified product portfolio of IT products of both internationally renowned brands and new-to-market niche brands to resellers; (iii) our proven track record of providing comprehensive, integrated, up-to-date and customised SI solutions to end-users; (iv) our broad customer base; (v) our well established relationships with IT product vendors and authorised distributors which have enabled us to maintain our competitiveness in the industry; and (vi) our experienced management team, supported by our dedicated sales team and strong technical team. For details, please refer to the section headed "Business — Our competitive strengths" in this document.

OUR BUSINESS STRATEGIES

We intend to further enhance our presence and expand our market share in the IT industry in Hong Kong, the PRC and Macau and fortify our competitive strengths by implementing the following business strategies: (i) expand our distribution business by enriching our product portfolio, expanding our service offerings and 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 providing IT maintenance and 24/7 technical support services, as well as detection and response support; (iv)

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upgrade our equipment, software, hardware and ERP systems in support of our business expansion; and (v) strengthen our marketing effort and improve brand recognition. For details, please refer to the section headed "Business — Our business strategies" in this document.

MARKET AND COMPETITION

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

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

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

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SUMMARY FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

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

Our total revenue increased by approximately HK\$55.5 million or 16.7% from approximately HK\$331.9 million in FY2019/2020 to approximately HK\$387.4 million in 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 in FY2019/2020 to approximately HK\$203.5 million in FY2020/2021, primarily attributable to (i) the increase in sales to certain telecommunication companies including Customer D and Customer F, and (ii) the construction and setting up of data centre to support their expansion of their loyalty points platform for Customer G, offset by the combined effect of (i) the outbreak of the COVID-19 pandemic 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 A, which is a company listed on the Stock Exchange and principally engaged in provision of residential broadband services and business broadband services in Hong Kong, amounting to

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approximately HK\$24.0 million recognised in FY2019/2020. The revenue from our SI solutions business increased by approximately HK\$16.5 million or 9.9% from approximately HK\$167.4 million in FY2019/2020 to approximately HK\$183.9 million in FY2020/2021. Such increase was primarily attributable to the increase in sales to Customer B, which involved the setting up of virtual desktop infrastructure and upgrade of existing storage.

Our total revenue increased by approximately HK\$244.1 million or 63.0% from approximately HK\$387.4 million in FY2020/2021 to approximately HK\$631.5 million in FY2021/2022, primarily attributable to the significant increase in revenue of 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 in FY2021/2022 to approximately HK\$427.1 million in FY2021/2022, primarily attributable to the increase in sales of CDN licence, with sales amount derived from the sales of CDN licence amounted to approximately HK\$244.8 million in the FY2021/2022, mainly driven by five of our customers, namely Customer G, Customer F, Customer H, Customer D and Customer L. For details of the total revenue of FY2020/2021 compared to FY2019/2020, and the total revenue of FY2021/2022 compared to FY2020/2021, please refer to the respective section headed "Financial information — Review of results of operations" in this document. In FY2020/2021, we recognised government grant of approximately HK\$5.3 million. For details of the government grant, please refer to the section headed "Financial information — Description of major components of our results — Other income" in this document.

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

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Revenue, gross profit and gross profit margin by business segment

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

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

During the Track Record Period, our Group recorded relatively high gross profit margin for our IT maintenance and support services of approximately 60.8%, 63.5% and 63.9% respectively. To the best knowledge of our Directors, the relatively higher gross profit margin is mainly attributable to the fact that (a) our Group primarily served a high proportion of end-users for our IT maintenance and support services with revenue contribution from end-users amounting to approximately 98.8%, 98.5% and 98.5% during the Track Record Period, respectively. According to the Ipsos Report, the gross profit margin from end-users is generally higher as compared to resellers mainly because (i) end-users in general may not be familiar with the technical work involved and costs associated with the IT maintenance and support services and hence generally have to rely on the knowhow and resources of the IT maintenance and support services provider, thus in general do not receive complete market pricing information and pay a relatively higher price than resellers as a result; and (ii) resellers in the IT industry generally have higher bargaining power on pricing due to their well-established relationship with end-users and therefore their potential value to bring continuous business opportunities to service providers; and (b) our Group's cost component in relation to our IT maintenance and support services has been primarily included in our 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.

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

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

* The percentage calculated is less than 0.1%.

Revenue, gross profit and gross profit margin by customer type

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

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

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

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

Cost of sales and services

The following table sets forth a breakdown of our cost of sales and services for the financial 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	<u>262,725</u>	<u>100.0</u>	<u>301,181</u>	<u>100.0</u>	<u>515,447</u>	<u>100.0</u>

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

Summary of selected information from consolidated statements of financial position

	As at 31 March		
	2020 (HK\$'000)	2021 (HK\$'000)	2022 (HK\$'000)
Non-current assets			
Property and equipment	4,579	7,519	5,073
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
	<u>13,188</u>	<u>16,694</u>	<u>18,448</u>

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	As at 31 March		
	2020	2021	2022
	(HK\$'000)	(HK\$'000)	(HK\$'000)
Current assets			
Inventories	18,150	9,754	15,822
Trade and other receivables, deposits and prepayments	68,864	123,099	209,693
Contract assets	770	361	561
Amount due from a director	65,647	24,407	—
Amounts due from related companies	20,389	20,949	149
Pledged bank deposits	—	9,778	8,445
Bank balances and cash	8,259	7,376	17,166
	<u>182,079</u>	<u>195,724</u>	<u>251,836</u>
Current liabilities			
Trade and other payables and accrued charges	106,554	78,687	74,866
Contract liabilities	14,428	15,113	24,636
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
Tax payables	8,162	10,109	9,658
Lease liabilities	2,168	3,977	2,583
Bank borrowings	49,680	69,800	77,008
	<u>181,602</u>	<u>178,279</u>	<u>191,763</u>
Net current assets	<u>477</u>	<u>17,445</u>	<u>60,073</u>
Net assets	<u>11,759</u>	<u>30,805</u>	<u>76,958</u>

We recorded net assets of approximately HK\$11.8 million, HK\$30.8 million and HK\$77.0 million as at 31 March 2020, 2021 and 2022 respectively. The increase in net assets as at 31 March 2021 was primarily attributable to the decrease in dividend declared in FY2020/2021 of approximately HK\$14.0 million which was partially offset by a decrease in profit in FY2020/2021 of approximately HK\$1.3 million. The increase in net assets as at 31 March 2022 was primarily attributable to the increase in profit in FY2021/2022 of approximately HK\$22.5 million.

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Our net current assets were approximately HK\$477,000, HK\$17.4 million and HK\$60.1 million as at 31 March 2020, 2021 and 2022 respectively. The increase in net current assets as at 31 March 2021 was primarily attributable to (i) an 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. The increase in net current assets as at 31 March 2022 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 G, Customer H and Customer L, 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 Conversant 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.

Summary of selected information from consolidated statements of cash flows

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

We recorded net cash used in operating activities of approximately HK\$38.3 million in FY2020/2021, primarily due to profit before taxation of approximately HK\$31.1 million as adjusted by (i) an increase in trade and other receivables, deposits and prepayments of approximately 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 D and Customer F, in the fourth quarter of FY2020/2021, the trade 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

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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 the uncertainty brought by the social movement and the outbreak of the COVID-19 pandemic. For details of our trade payables to Kwong Ming Engineering, please refer to the section headed "Financial information — Principal components of our current assets and current liabilities — Trade payables" in this document. We further recorded net cash used in operating activities of approximately HK\$32.5 million in FY2021/2022, primarily due to profit before taxation of approximately HK\$57.7 million as adjusted by the combined effect of (i) an increase in contract liabilities of approximately HK\$9.5 million due to an increase in the 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 mainly due to the sales of CDN licences of approximately HK\$83.6 million to our major customers, namely, Customer G, Customer H and Customer L, 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 Conversant to purchase its CDN licences, which were subsequently utilised as at the Latest Practicable Date.

Key financial ratios

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

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

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

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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 outweighing the increase in bank borrowings and lease liabilities for the years.

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

USE OF [REDACTED]

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

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

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

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DIVIDENDS

We declared the dividends of approximately HK\$20.0 million, HK\$6.0 million and nil during the Track Record Period respectively, settled through setting off an amount due from a director. Subsequent to the Track Record Period, we had declared a dividend of HK\$4 million in August 2022, which had been used partially for offsetting an amount due from MTSM and amount due from CSIL.

We do not have a dividend policy or any pre-determined dividend distribution ratio. The declaration of dividend is subject to the discretion of our Board. We may distribute dividend 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 dividend 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 dividend may or may not reflect our historical declarations of dividend.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Impact of outbreak of the COVID-19 pandemic on the IT industry

The outbreak of the COVID-19 pandemic in or around December 2019 has adverse impact on the global economy and across different industry sectors. Despite these disruptions, the impact of the COVID-19 pandemic on the IT industry in Hong Kong is believed to be comparatively mild and short-term than that on the other sectors. The market promptly recovered by the second half of 2020. According to the Ipsos Report, amid the impact brought by the outbreak of the COVID-19 pandemic, the market values of the IT product distribution industry and the SI solutions industry in Hong Kong were only estimated to record a drop at a year-on-year rate of approximately 0.7% and 0.6% between 2019 and 2020 respectively. The SI solutions industry in Hong Kong has swiftly recovered since April 2020 as social distancing and work-from-home practice has hastened the growth in demand of IT needs in the areas of digital transformation, real-time collaboration and communication platform, cloud services and security control. Driven by the downstream demand in the SI solutions industry, the IT product distribution industry in Hong Kong has also gradually recovered since June 2020.

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

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Impact of outbreak of the COVID-19 pandemic on our Group

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

- (i) **Business operation:** Due to the outbreak of the COVID-19 pandemic and the implementation of corresponding social distancing measures by the Government, public organisations and private enterprises resulting in deferred provision of on-site implementation services, we experienced minor delays in approximately 70 orders during the Track Record Period. The delayed orders amounted to approximately 3.7% of our Group's total revenue in FY2020/2021. As at 31 March 2021, we completed all of the relevant orders. Despite the aforesaid delays, we were able to discharge our obligations under all existing contracts. Notwithstanding tougher social distancing measures being imposed by the Government in light of the occurrence of the highly transmissible Omicron Variant in the fourth quarter of FY2021/2022, our Group had not experienced any delay in orders and there was no material adverse impact on our business operations during the period and up to the Latest Practicable Date.

As to the supply of IT products, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption which had affected our operations.

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

In line with the industry, our business performance has basically resumed to normal since June 2020 due to the lesser impact of the COVID-19 pandemic and the new IT needs stimulated by the measures and alternative work arrangements under the pandemic. Further, the spread of Omicron variant during the fifth wave of the COVID-19 pandemic in Hong Kong in the fourth quarter of FY2021/2022 did not have any material adverse impact on our financial performance during the period and up to the Latest Practicable Date. For details, please refer to the section headed "Financial information – Review of results of operations".

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In view of the above and having considered our seasonality and our financial performance in FY2020/2021 and FY2021/2022 and up to the Latest Practicable Date, our Directors are optimistic about the sustainable growth of the IT industry and expect our Group to achieve a growth in revenue and net profit (excluding [REDACTED]), and the one-off government subsidy received under the Employment Support Scheme of approximately HK\$5.3 million during FY2020/2021) in FY2022/2023 as compared to FY2021/2022.

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

Recent development and no material adverse change

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

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

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

Furthermore, in May 2022, our Group entered into a non-legally binding MOU as amended by the Second MOU in July 2022 with the Main Contractor to establish a cooperative framework between our Group and the Main Contractor in relation to the existing and future CCTV system projects of the Main Contractor. Pursuant to the MOU as amended by the Second MOU, our Group will be engaged by the Main Contractor as its subcontractor for the supply of IT products and related IT implementation services in relation to the existing contracts awarded to the Main Contractor by customers such as Government departments, statutory bodies and universities and other future contracts which may be awarded to Main Contractor to provide installation or replacement work on CCTV systems. The service scope by our Company to the Main Contractor will include (i) advising, designing and implementing IT infrastructure for video surveillance and video-data analysis, network security and back-up storage for the CCTV systems installed; (ii) providing digital transformation services for the CCTV systems installed by transforming them from traditional analogue systems to digital systems; and (iii) supplying data communication and systems infrastructure, cyber security, digital transformation products and AI servers and HCI products that are compatible with the CCTV

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systems to introduce video-based analytics to big data AI processing, video analytics application, network security and digital back-up storage to the CCTV systems installed. 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 October 2022.

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

[REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are approximately HK\$[REDACTED] (including (i) [REDACTED]-related expenses of approximately HK\$[REDACTED] and (ii) non-[REDACTED] related expenses of approximately HK\$[REDACTED] which consist of (a) fees and expenses of legal advisors and accountants of approximately HK\$23.4 million and (b) other fees and expenses of approximately HK\$[REDACTED], based on the mid-point of the [REDACTED] of HK\$[REDACTED] per [REDACTED] and assuming no [REDACTED] will be exercised), which are estimated to be approximately [REDACTED]% of the [REDACTED] from the [REDACTED], of which approximately HK\$[REDACTED] and HK\$[REDACTED] have been charged to our profit or loss in FY2020/2021 and FY2021/2022 respectively, approximately HK\$[REDACTED] is expected to be charged to our profit or loss in FY2022/2023, approximately HK\$[REDACTED] is expected to be accounted for as a deduction from equity upon [REDACTED] and the remaining amount of approximately HK\$[REDACTED] will be borne by the [REDACTED]. [REDACTED] incurred for engagement of legal advisors, accountants and other professional parties in connection with the [REDACTED] and the [REDACTED] relating to the [REDACTED] are to be borne by our Company as all professional services rendered in connection with the [REDACTED] are for our Company's benefit and interests to be brought by its [REDACTED] status. Therefore, our Directors are of the view that the abovementioned fees and expenses are ordinarily incurred for the [REDACTED] and are not unusually high.

OUR CONTROLLING SHAREHOLDERS AND [REDACTED]

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

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

[REDACTED]

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

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

Note: Please refer to section headed "A. Statement of unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company" in Appendix II to this document for the calculation basis and assumptions used.

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LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

During the Track Record Period, we had certain non-compliance with the IRO where we (i) failed to file Form IR56E for new hires within the prescribed time limit and failed to file Form IR56F for the cessation of employment of employees; (ii) failed to file profits tax returns within the prescribed time limit; and (iii) failed to make full payment of profits tax within the prescribed time limit. As at the Latest Practicable Date, we have taken remedial actions to rectify the non-compliance incidents and have adopted, or will adopt before [REDACTED], a number of internal control procedures to prevent future occurrence and/or recurrence of the non-compliance incidents. As at the Latest Practicable Date, following the remedial actions taken there is no outstanding penalty, assessment of tax penalty and/or notice of surcharges so far as aware of by our Directors in relation to the abovementioned non-compliance. Our Directors consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules or the suitability of [REDACTED] of our Company under Rule 8.04 of the Listing Rules. For details, please refer to the section headed "Business — Legal proceedings and legal compliance — Legal compliance" in this document.

RISK FACTORS

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