Application Proof of

MTT GROUP HOLDINGS LIMITED
數科集團控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

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(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

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If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

MTT GROUP HOLDINGS LIMITED
數科集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares comprising [REDACTED] [REDACTED] and [REDACTED] [REDACTED] (subject to [REDACTED] and the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares comprising [REDACTED] [REDACTED] and [REDACTED] [REDACTED] (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED] plus [REDACTED] of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and Financial Reporting Council transaction levy of 0.00015%) (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$[0.01] per Share**
[REDACTED]	**:**	**[•••]**

Sole Sponsor

Innovax Capital

[REDACTED] and [REDACTED]
[REDACTED]

A copy of this document, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Documents on Display" in Appendix V to this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The [REDACTED] is expected to be determined by an agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company (for ourselves and or behalf of the [REDACTED]) on the [REDACTED]. The [REDACTED] is expected to be on or around [[REDACTED], [REDACTED]], and in any case no later than [[REDACTED], [REDACTED]]. The [REDACTED] will be not more than HK$[REDACTED] per [REDACTED] and is currently expected to be not less than HK$[REDACTED] per [REDACTED] unless otherwise announced. If our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) are unable to reach an agreement on the [REDACTED] by [[REDACTED], [REDACTED]], the [REDACTED] (including the [REDACTED]) will lapse and will not proceed. In such case, a notice will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.mttgholdings.com**.

Prior to making an investment decision, prospective investors should carefully consider all of the information set forth in this document, including the risk factors set forth in the section headed "Risk Factors" in this document.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] below that stated in this document (which is HK$[REDACTED] to HK$[REDACTED] per Share) at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] will be published on the website of our Company at www.mttgholdings.com and on the website of the Stock Exchange at www.hkexnews.hk. Further details are set forth in the sections headed "Structure and Conditions of the [REDACTED]" and "How to Apply for [REDACTED]" in this document.

The obligations of the Hong Kong [REDACTED] under the [REDACTED] to subscribe for, and to procure applicants for the [REDACTED] for, the [REDACTED], are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the [REDACTED]. Please see the section headed "[REDACTED] — [REDACTED] arrangements and expenses — [REDACTED] — Grounds for termination" in this document for further details. It is important that you refer to that section for further details.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be [REDACTED], sold, pledged or transferred within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable state securities laws in the United States. The [REDACTED] are being [REDACTED] and sold only outside of the United States in offshore transactions in reliance on Regulations S of the U.S. Securities Act.

ATTENTION

We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this document or printed copies of any [REDACTED] to the public in relation to the [REDACTED]. This document is available on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.mttgholdings.com**. If you require a printed copy of this document, you may download and print from the website addresses above.

IMPORTANT

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This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to subscribe for or buy any security other than the [REDACTED] by this document pursuant to the [REDACTED]. This document may not be used for the purpose of, and does not constitute, an [REDACTED] to sell or a solicitation of an [REDACTED] to subscribe for or buy any [REDACTED] in any other jurisdictions or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] and sale of the [REDACTED] in other jurisdictions are subject to restrictions, and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

*You should rely only on the information contained in this document to make your investment decision. Our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorised by our Company, any of our or their respective affiliates or any of our or their respective directors, advisers, officers, employees, representatives or agents or any other person or party involved in the [REDACTED]. Information contained in our Company's website (**www.mttgholdings.com**) do not form part of this document.*

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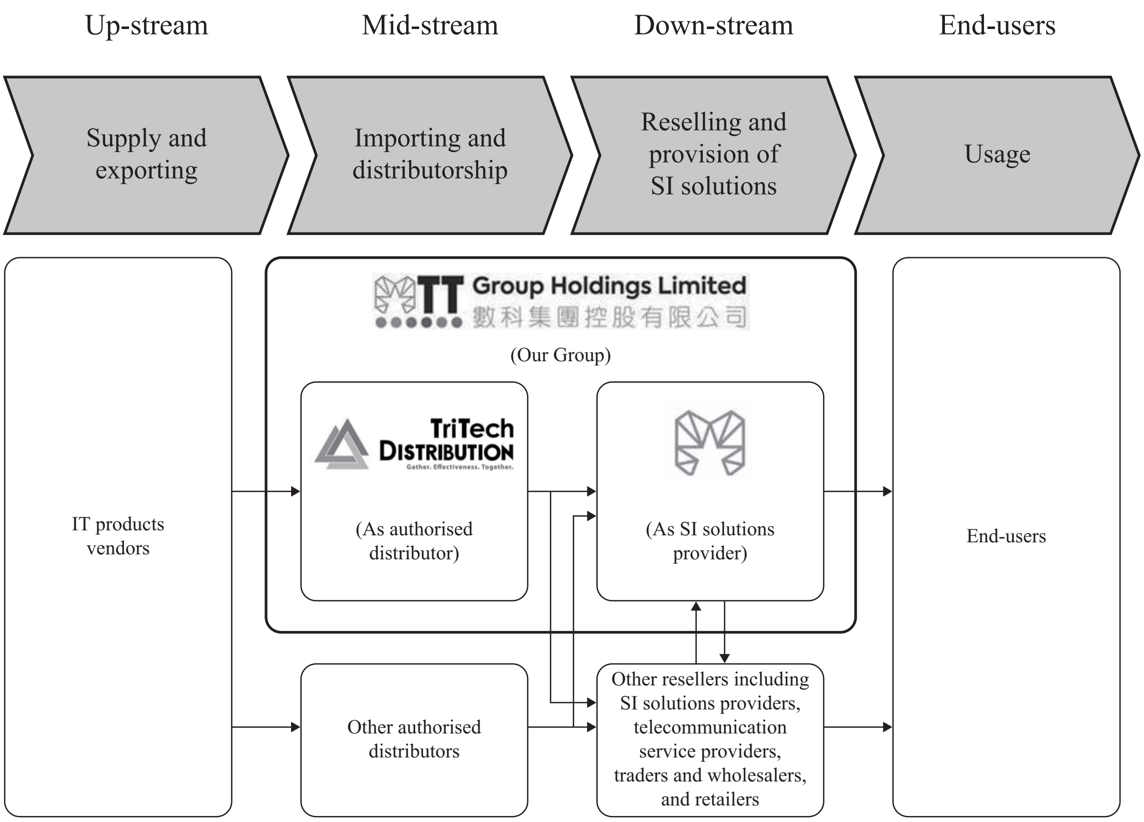
CONTENTS

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

OVERVIEW

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



The essential players in the IT industry are IT products vendors, distributors, resellers and end-users. At the up-stream of the value chain, IT products vendors are manufacturers of IT products comprising hardware, software and auxiliary products (which covers a range of computer and networking parts and accessories such as power supplies, control and adaptor units). They usually engage authorised distributors to sell and distribute their IT products to resellers within a geographical region through the distributors' own distribution channels and networks, with specific rights and obligations set out in the distribution agreements. At the down-stream of the value chain, resellers are SI solutions providers, telecommunication service providers, traders and wholesalers, and retailers, which procure IT products for the purpose of resale to end-users. End-users are consumers of the IT products, which are individuals and corporations from private and public sectors. We consider our vertically integrated business model to be one of our competitive strengths which distinguishes us from other competitors which are either distributors or resellers. Our dual role as both distributor and reseller in the IT industry has not only enabled us to capture business opportunities in the whole value chain of the IT industry, but also benefitted us through close and direct interaction with all essential players, creating synergy between our distribution and SI solutions businesses. In the role of distributor, we are able to leverage on our in-depth understanding of end-users' needs in IT products and awareness of unfulfilled requests and demand of end-users gained through direct interaction with end-users in our SI solutions business, and provide valuable feedback to IT products vendors to localise their IT products for applications in Hong Kong market. On the other hand, in the role of SI solutions provider, we are able to leverage on our technical knowledge on IT products and awareness of the latest IT products trends and technological development gained through direct interaction with IT products vendors in our distribution business, and provide customised SI solutions with latest technology to end-users. This synergy created allows us to add value to our suppliers and customers in both levels of the value chain of the IT industry, and thereby setting us apart from our competitors.

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

CUSTOMERS

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

	FY2019/2020		FY2020/2021		FY2021/2022	
	(HK$'000)	(%)	(HK$'000)	(%)	(HK$'000)	(%)
Hong Kong	322,140	97.1	366,923	94.7	605,013	95.8
The PRC	6,605	2.0	14,231	3.7	20,173	3.2
Macau	3,141	0.9	6,283	1.6	6,326	1.0
Total	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 and traders and wholesalers who usually procure our IT products for sale or provision of services to end-users while our end-user customers primarily include government, public utilities, NGOs and SMEs to large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. During the Track Record Period, approximately 52.5%, 57.0% and 69.1% of our total revenue was derived from our reseller customers, whereas our remaining revenue was derived from our end-user customers. For details, please refer to the section headed "Business — Customers" in this document.

SUPPLIERS

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

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

OUR COMPETITIVE STRENGTHS

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

OUR BUSINESS STRATEGIES

We intend to further enhance our presence and expand our market share in the IT industry in Hong Kong, the PRC and Macau and fortify our competitive strengths by implementing the following business strategies: (i) expand our distribution business by enriching our product portfolio, expanding our service offerings and expanding our workforce and enriching the expertise of our sales, product and technical teams; (ii) expand our SI solutions business by building up our in-house capability in providing digital transformation services and expanding our workforce in sales and technical teams to increase our project capacity; (iii) establish a new centralised service unit for provision of IT maintenance and support services which provides 24/7 technical support services and detection and response support; (iv) upgrade our equipment, software, hardware and ERP systems in support of our business expansion; and (v) strengthen our marketing efforts and improve brand recognition. For details, please refer to the section headed "Business - Our business strategies" in this document.

MARKET AND COMPETITION

In 2019, there were approximately 30 to 40 IT products distributors in the Hong Kong IT products distribution industry, of which less than ten market players were active and only three market players dominated the market which in aggregate is estimated to hold no less than approximately 60% of the market share in terms of revenue in 2019. With the exception of the three dominated market players, the remaining market is observed as fragmented. The revenue from our distribution business in FY2020/2021 amounted to approximately HK$203.5 million, representing a market share of approximately 0.2% in 2020. Competition among distributors in Hong Kong is intensifying. Distributors are also facing competition from IT products vendors that sell directly to traders and wholesalers, retailers and end-users. Distributors mainly position themselves by having divergent focus in terms of different brands, product types and/or IT solutions. Besides, some of the distributors in the industry are extending their operations with offering value-added services that are able to differentiate themselves from their competitors.

In 2019, there were approximately 2,000 companies offering SI solutions in the Hong Kong SI solutions industry, characterising the industry as highly competitive and fragmented. An SI solutions provider not only competes with other local industry players but also competes with the international SI solutions providers located in Hong Kong as well as IT products vendors who directly provide similar SI solutions to customers. The SI solutions industry is fragmented, with each of the top five SI solutions providers accounting for less than 3% of the total industry revenue in 2019. The revenue from our SI solutions business in FY2020/2021 amounted to approximately HK$183.9 million, representing a market share of approximately 0.4% in 2020. Most of the companies which offer SI solutions are small in scale, with only a small number of large companies operating in the SI solutions industry.

SUMMARY FINANCIAL INFORMATION

Consolidated statements of profit or loss and other comprehensive income

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

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

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

Revenue, gross profit and gross profit margin by business segment

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

	FY2019/2020				FY2020/2021				FY2021/2022			
	Revenue		Gross Profit	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 a relatively high gross profit margin for our IT maintenance and support services of approximately 60.8%, 63.5% and 63.9% respectively. To the best knowledge of our Directors, the relatively higher gross profit margin is mainly attributable to the fact that (a) our Group primarily served a high proportion of end-users for our IT maintenance and support services with revenue contribution from end-users amounting to approximately 98.8%, 98.5% and 98.5% during the Track Record Period, respectively. According to the Ipsos Report, the gross profit margin from end-users is generally higher as compared to resellers mainly because (i) end-users in general may not be familiar with the technical work involved and costs associated with the IT maintenance and support services and hence generally have to rely on the knowhow and resources of the IT maintenance and support services provider, thus in general do not receive complete market pricing information and pay a relatively higher price than resellers as a result; and (ii) resellers in the IT industry generally have higher bargaining power on pricing due to their well-established relationship with end-users and therefore their potential value to bring continuous business opportunities to service providers; and (b) our Group's cost component in relation to our IT maintenance and support services primarily included staff cost since (i) our Group offers a comprehensive range of products and hence have the product and technical knowledge to provide the IT maintenance and support services by our own staff without the need to subcontract such services to other SI solutions providers; and (ii) our Group generally does not incur additional material cost as we usually swap spare parts and/or replace the IT products directly with the IT product vendors.

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

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

* The percentage calculated is less than 0.1%.

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

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

Revenue, gross profit and gross profit margin by customer type

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

	FY2019/2020				FY2020/2021				FY2021/2022			
	Revenue		Gross Profit	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)	(%)
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 for FY2019/2020 to approximately HK$220.8 million for FY2020/2021; and (ii) by approximately HK$215.7 million or 97.7% from approximately HK$220.8 million for FY2020/2021 to approximately HK$436.5 million for FY2021/2022, was mainly attributable to the aforementioned reasons for the increase in revenue of our distribution business during FY2021/2022.

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

Cost of sales and services

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

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

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

Summary of selected information from consolidated statements of financial position

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

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

Summary of selected information from consolidated statements of cash flows

	FY2019/2020	**FY2020/2021**	**FY2021/2022**
	(HK$'000)	(HK$'000)	(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 for FY2020/2021, primarily due to profit before taxation of HK$31.1 million as adjusted by (i) an increase in trade and other receivables, deposits and prepayments of HK$56.7 million mainly due to (a) an increase in revenue and (b) the sales of approximately HK$49.8 million to our major customers, namely Customer B and Customer I, in the fourth quarter of FY2020/2021, the accounts receivables of which were within credit terms as at 31 March 2021; and (ii) a decrease in trade and other payables and accrued charges of approximately HK$24.6 million mainly due to the decrease in trade payables to Kwong Ming Engineering by approximately HK$38.8 million from approximately HK$61.0 million as at 31 March 2020 to approximately HK$22.2 million as at 31 March 2021, primarily due to payments made by the Group and decrease in project needs amid the slow down of smart city infrastructure projects since mid 2019 due to uncertainty brought by the social movement and outbreak of COVID-19. For details of our trade payables to Kwong Ming Engineering, please refer to the section headed "Financial Information — Principal components of our current assets and current liabilities — trade payables" in this document. We further recorded net cash used in operating activities of approximately HK$32.5 million for FY2021/2022, primarily due to profit before taxation of HK$57.7 million as adjusted by the combined effect of (i) an increase in contract liabilities of approximately HK$9.5 million due to an increase in amount of upfront deposits received from customers; and (ii) an increase in trade and other receivables, deposits and prepayments of approximately HK$84.9 million primarily due to (a) an increase in trade receivables by approximately HK$45.4 million from approximately HK$112.4 million as at 31 March 2021 to approximately HK$157.8 million as at 31 March 2022 which in turn is mainly due to the sales of CDN licences of approximately HK$83.6 million to our major customers, namely Customer J, Customer N and Supplier A, in February and March 2022, the trade receivables of which were within credit terms as at 31 March 2022; and (b) the increase in prepayments by approximately HK$40.7 million or 714.0% from approximately HK$5.7 million as at 31 March 2021 to approximately HK$46.4 million as at 31 March 2022 mainly due to our prepayments of approximately HK$33.5 million made to Supplier E to purchase its CDN licences, which was subsequently utilised as at the Latest Practicable Date.

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

Key financial ratios

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

	FY2019/2020	FY2020/2021	FY2021/2022
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	
	2020	2021	2022
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% for FY2019/2020 to approximately 80.4% for FY2020/2021, primarily attributable to the increase in total equity by approximately 162.0% for FY2020/2021 and the decrease in profit by approximately 5.0% for FY2020/2021.

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

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

USE OF [REDACTED]

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

(i) approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] will be used for expanding our distribution business including (a) enriching our product portfolio for distribution by obtaining more authorised distributorship from IT products vendors; (b) expanding our service offerings by launching subscription-based laptop rental services; and (c) expanding our workforce and enriching the expertise of our sales, product and technical teams;

(ii) approximately HK$[REDACTED] or approximately [REDACTED]of the [REDACTED] will be used for expanding our SI solutions business including (a) building up our in-house capability in providing digital transformation services; and (b) expanding our workforce in sales and technical teams to increase our project capacity;

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

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

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

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

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

DIVIDENDS

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

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

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Impact of outbreak of COVID-19 on the IT industry

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

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

Impact of outbreak of COVID-19 on our Group

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

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

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

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

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

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

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

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

Recent Development and no material adverse change

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

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

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

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

[REDACTED]

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

OUR CONTROLLING SHAREHOLDERS AND [REDACTED]

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

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

[REDACTED]

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

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

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

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

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

RISK FACTORS

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

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the report of Deloitte Tohmatsu Touche, the reporting accountants of our Company, the text of which is set out in Appendix I to this document
"affiliate(s)"	with respect to any specific person, any other person(s), directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the articles of association of our Company conditionally adopted on [•••] 2022 and effective on the [REDACTED], as amended or supplemented from time to time, a summary of which is set out in the section headed "Summary of the Constitution of our Company and Cayman Companies Act — 2. Articles of Association" in Appendix III to this document
"associates"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors" or "our Board"	the board of Directors of our Company
"BIS"	Bureau of Industry and Security of the U.S. Department of Commerce
"business day(s)"	a day on which banks in Hong Kong are generally open for normal business hours to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"[REDACTED]"	the issue of [REDACTED] Shares (including the [REDACTED]) to be made upon [REDACTED] of certain sums standing to the credit of the share premium account of our Company upon completion of the [REDACTED], referred to in the section headed "Statutory and General Information — Further information about our Group — 3. Resolutions of the Shareholders" in Appendix IV to this document

"Cayman Companies Act" or "Companies Act"	the Companies Act (2021 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"CO_2"	carbon dioxide
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Company" or "our Company"	MTT Group Holdings Limited (數科集團控股有限公司), a company incorporated in the Cayman Islands on 24 July 2020 as an exempted company with limited liability under the Cayman Companies Act
"Controlling Shareholder(s)"	has/have the meaning ascribed to it/them under the Listing Rules and, in the context of this document refers to Mr. Charlie Ip, Ip Group and IPW Group
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"COVID-19"	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
"CSIL"	China Solar Investment Limited, a company incorporated under the laws of Hong Kong with limited liability on 2 February 2010 and wholly owned by Mr. Charlie Ip, is principally engaged in holding of investment properties
"Deed of Indemnity"	the deed of indemnity dated [•••] executed by Mr. Charlie Ip, our Controlling Shareholder in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries), further details of which are set out in the section headed "Statutory and General Information — Other Information — 14. Tax and other indemnity" in Appendix IV to this document
"Directors" or "our Directors"	the director(s) of our Company
"Distribution Channel Party"	a marketing event held by us in our distribution business gathering IT products vendors and resellers with the aim to share and promote information on the latest IT products available in the market
"extreme conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"ECCN(s)"	Export Control Classification Number(s)
"FY2018/2019"	the year ended 31 March 2019
"FY2019/2020"	the year ended 31 March 2020
"FY2020/2021"	the year ended 31 March 2021
"FY2021/2022"	the year ending 31 March 2022
"FY2022/2023"	the year ending 31 March 2023
"Government"	the government of Hong Kong

"[REDACTED]"	[REDACTED]
"Group", "our Group", "we" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]

"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"Independent Third Party(ies)"	a person(s) or company(ies) who or which, as far as our Directors are aware after having made all reasonable enquiries, is not or are not connected person(s) (as defined under the Listing Rules) of our Company
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]

"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"Ip Group"	Ip Group Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 24 July 2020, which is directly wholly-owned by Mr. Charlie Ip and is one of our Controlling Shareholders
"[REDACTED]"	[REDACTED]
"Ipsos"	Ipsos Asia Limited, an independent market research company
"Ipsos Report"	a report in respect of the IT industry in Hong Kong issued by Ipsos and commissioned by our Company
"IPW Group"	IPW Group Holdings Limited, a company incorporated under the laws of the BVI with limited liability on 28 July 2020, which is directly wholly-owned by Mr. Charlie Ip and is one of our Controlling Shareholders
"IRD"	the Inland Revenue Department of the government of Hong Kong
"IRO"	the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Kwong Ming Engineering"	Kwong Ming Engineering Limited, principally engaged in the telecommunication engineering and cabling business
"Latest Practicable Date"	[18 June] 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"[REDACTED]"	[REDACTED]
"Listing Committee"	the listing committee of the Stock Exchange

"[REDACTED]"	[REDACTED]
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of the PRC
"Macau Legal Advisers"	FCLaw Lawyers & Private Notaries, the legal advisers to our Company as to Macau law
"Main Contractor"	a company listed on Alternative Investment Market (AIM) of the London Stock Exchange whose principal activities are the supply, design, installation and maintenance of CCTV and surveillance systems, and the sale of security related products, which is an independent third party of the Company
"Major Contract"	a major contract awarded to the Main Contractor by a listed company on the Stock Exchange which principally engaged in railway operation in Hong Kong
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company, as amended or supplemented from time to time
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOP" or "Pataca"	Macau Pataca, the lawful currency of Macau
"MOU"	a non-legally binding memorandum of understanding entered into between our Group and the Main Contractor in May 2022 to establish a cooperative framework between our Group and the Main Contractor in relation to the Major Contract
"Mr. Chan"	Mr. Chan Tim Cheung (陳添祥), one of the executive Directors of our Company
"Mr. Charlie Ip"	Mr. Ip Ka Wai Charlie (葉嘉威), the chairman of our Board, our chief executive officer, one of the executive Directors of our Company and one of our Controlling Shareholders
"MTS Group"	MTS Group Limited, a company incorporated under the laws of Hong Kong with limited liability on 17 January 2012, which was wholly owned by Multisoft directly and by Mr. Charlie Ip indirectly before the completion of the Reorganisation, and is wholly owned by Multisoft directly and by Multisoft BVI and our Company indirectly upon completion of the Reorganisation

"MTSM"	MTS Marketing Limited, a company incorporated under the laws of Hong Kong with limited liability on 14 January 2015, was formerly a wholly-owned subsidiary of MTS Group prior to the disposal of its entire equity interests to Mr. Charlie Ip on 6 April 2018
"Multisoft"	Multisoft Limited, a company incorporated under the laws of Hong Kong with limited liability on 18 December 2006, which was wholly owned by Mr. Charlie Ip directly before the completion of the Reorganisation, and is wholly owned by Multisoft BVI directly and by our Company indirectly upon completion of the Reorganisation
"Multisoft BVI"	Multisoft Holding Limited, a company incorporated under the laws of the BVI with limited liability on 24 July 2020, which is a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
"Multisoft Macau"	Multisoft (Macau) Limited, a company incorporated under the laws of Macau with limited liability on 4 December 2013, which was owned in equal shares by MTS Group and Multisoft directly and wholly owned by Mr. Charlie Ip indirectly before the completion of the Reorganisation, and is owned in equal shares by MTS Group and Multisoft directly and wholly owned by Multisoft BVI and our Company indirectly upon completion of the Reorganisation
"Multisoft WFOE"	華譽中信科技(深圳)有限公司, a company incorporated under the laws of PRC on 5 July 2012, which was wholly owned by MTS Group directly and by Multisoft and Mr. Charlie Ip indirectly before the completion of the Reorganisation, and is wholly owned by MTS Group directly and by Multisoft, Multisoft BVI and our Company indirectly upon completion of the Reorganisation
"MWh"	megawatt-hour, a unit of measure of electric energy
"NDRC"	the National Development and Reform Commutation of the PRC (中華人民共和國國家發展和改革委員會)
"New Facilities"	comprising the HK$8.0 million from the Facility A and the amount of HK$25.0 million to be drawn down from the Facility B
"NGO(s)"	non-governmental and non-profitable organisation(s)

"Nomination Committee"	the nomination committee of our Board
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this document only, Hong Kong, Macau and Taiwan
"PRC Legal Advisers"	Jingtian & Gongcheng, the Company's legal advisers as to the PRC law
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration Committee"	the remuneration committee of our Board

"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the reorganisation of our Group in preparation for the [REDACTED], details of which are set out in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this document
"Ruijie Group"	Star-Net Ruijie (Hong Kong) Company Limited and its affiliates, principally engaged in the provision of data communication and systems infrastructure products
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"SGD" or "SG$"	Singapore dollar(s), the lawful currency of Singapore
"[REDACTED]"	[REDACTED]
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on [•••], the principal terms of which are summarised in "Statutory and General Information — Other information — 13. Share Option Scheme" in Appendix IV to this document
"Share(s)" or "our Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of our Company
"SME(s)"	small and medium enterprise(s)
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]

"Sole Sponsor" or "Innovax Capital"	Innovax Capital Limited, a licenced corporation under the SFO permitted to carry on in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the Sole Sponsor of the [REDACTED]
"Solution Day"	a marketing event held by us in our SI solutions business coordinating IT products vendors, IT architects and end-users with the aim to promote IT awareness and the latest industry trend
"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"TID"	Trade and Industry Department of the Government
"Track Record Period"	FY2019/2020, FY2020/2021 and FY2021/2022
"TriTech"	TriTech Distribution Limited (previously known as Mach Distribution Limited), a company incorporated under the laws of Hong Kong with limited liability on 28 February 2014, which was wholly owned by Mr. Charlie Ip directly before the completion of the Reorganisation, and is wholly owned by TriTech BVI directly and by our Company indirectly upon completion of the Reorganisation
"TriTech BVI"	TriTech Distribution Holding Limited, a company incorporated under the laws of the BVI with limited liability on 24 July 2020, which is a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation

"[REDACTED]"	[REDACTED]
"[REDACTED]"	[REDACTED]
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time
"USD" or "US$"	U.S. dollar(s), the lawful currency of the United States of America
"YOA"	year of assessment
"sq. ft."	square feet
"sq. m."	square metre(s)
"%"	per cent

In this document, unless otherwise stated or the context otherwise requires,

- *the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires;*

- *amounts and percentage figures, including share ownership and operating data, may have been subject to rounding adjustments. Where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand respectively, and amounts presented as percentages have been rounded to the nearest tenth of a percent. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items;*

- *translated English names of the PRC natural persons, legal persons, governmental authorities and departments, instructions, facilities, certificates, titles and the like, or any descriptions for which no official English translation exists are unofficial translation from their corresponding Chinese names and included for identification purpose only. In the event of inconsistencies, the Chinese name(s) shall prevail. English translation of names in Chinese or another language which are marked with "*" is for identification purpose only; and*

- *all times and dates refer to Hong Kong local time and dates unless otherwise stated.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document in connection with our Group and our business. Some of these terms may not correspond to standard industry definitions or usage of these terms.

"active CDN user"	a registered CDN user that uses the CDN licence within specific time
"CABD"	communal antenna broadcast distribution, a system installed inside a building to receive free-to-air television/frequency modulation signals transmitted via radio frequencies and distribute them to the audience
"CATV"	community antenna television, a cable system which uses community antenna to receive broadcast signals, which they then retransmit via cables to homes and establishments in the local area subscribing to the service
"CCTV"	closed-circuit television
"CDN" or "content delivery network"	a network of geographically distributed and interconnected servers encompassing various data centres regionally and/or internationally with the aim to reduce the content travel distance in order to reduce network latency and bandwidth to deliver dynamic content and videos to the devices of the end users without delay loading time at a relatively low cost
"cloud" or "cloud computing"	an internet-based computing, in which large group of remote servers are networked to allow centralised data storage and there can be online access to computer services or resources
"cyber security"	computer security, which is to safeguard IT systems including hardware, software and information from attack, damage, unauthorised access as well as disruption and misdirection
"firewall"	a product used to maintain the security of a private network, which blocks unauthorised access to or from private networks and are often deployed to prevent unauthorised parties from gaining access to private networks connected to the internet
"hardware"	physical elements that constitute a computer system, such as central processing unit, monitor, mouse, keyboard and hard disk
"IT"	information technology
"IT infrastructure solutions"	the composite IT systems, network, facilities and related equipment required to serve as the foundation for building an enterprise IT environment

"IT system(s)"	for the purposes of this document, an integrated set of hardware and software components for computing usage
"IT product(s)"	hardware, software and auxiliary products
"registered CDN user"	a user who has registered for CDN licence
"SMATV"	satellite master antenna television, a system installed in multi-storey buildings to receive satellite television signals and distribute them to the audience
"software"	any set of machine-readable instructions that directs a computer's processor to perform specific operations
"SI solutions"	system integration solutions for IT system involving integration of system design, development and/or implementation of hardware and software, hardware and software coordination, system configuration and technical and maintenance supporting services
"user acceptance testing"	formal testing to determine whether or not a system meets the requirements specified in the contract or by the end-uses
"VPN"	acronym for Virtual Private Network, which extends a private network across a public network, enabling users to send and receive data across shared or public networks as if their computing devices were directly connected to the private network
"WLAN"	Wireless local area network

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. When used in this document, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and our operating and future plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend distribution, if any.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in the section headed "Risk Factors" in this document and the following:

- changes in the laws, rules and regulations applicable to us;
- general economic, market and business conditions in Hong Kong, the PRC and Macau, including the sustainability of the economic growth in Hong Kong, the PRC and Macau;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and plans that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risk factors set out in the section headed "Risk Factors" in this document.

In this document, statements of or references to our intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

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

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

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

RISKS RELATING TO OUR BUSINESS AND OPERATIONS

Our Group's business and operations depend on our suppliers' ability to duly perform their obligations to supply IT products to us and our business relationships with our suppliers

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

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

Concentration on a number of key suppliers may affect our operations. Our business and results of operations could be materially and adversely affected should there be any loss of our key suppliers, disruption in their supply or failure of our key suppliers' products to maintain competitiveness

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

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

The quality of IT products provided by our suppliers is beyond our control. If the IT products provided by our suppliers are defective or unable to meet the required standards, our business and reputation may be adversely affected

We provide a variety of hardware, software and/or auxiliary products to our customers in both distribution and SI solutions businesses. We typically rely on our IT products vendors to provide warranty on the IT products we supplied to our customers or involved in our SI solutions. However, the quality of such IT products that we sourced from third party suppliers and resell to our customers is not under our control and may include design or manufacturing defects that could cause malfunctions. Our customers may discover latent defects in our IT products and SI solutions that were not apparent at the point of sales. Such defects may be discovered before or after the warranty period has expired. If the IT products or SI solutions we provided fail to perform as expected and we are unable to resolve the performance issues in a timely manner, our relationships with our customers may be damaged. Any defects in our IT products or under-performance of our SI solutions could cause the loss of customers or revenues, delays in revenue recognition, increased levels of product returns or replacements, damage to our market reputation and significant increases in warranty claims and other expenses, all of which could result in a material decrease in our profitability.

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

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

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

The outbreak of COVID-19 in or around December 2019 has adverse impact to the global economy across different sectors. In response, countries across the world have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus which has disrupted business operations, supply chains and workforce availability across the world, leading to substantial declines in business activity. The COVID-19 pandemic as well as the responses and measures taken by the Governments and society as a whole in response to the COVID-19 pandemic, present challenges to our business operations as well as consumers, suppliers and other participants in our business. These challenges include, but are not limited to, lock-down and mandatory or voluntary social distancing measures, such as work-from-home arrangement, closure of offices and facilities, disruptions to or even suspensions of normal business operations which may adversely affect our ability to deliver products and provide services to our customers. In addition, certain business meetings and pitching activities with our existing and potential customers, to the extent where personal presence was required, had been cancelled or postponed. According to the Ipsos Report, as the outbreak of COVID-19 and the corresponding measures implemented in response to the pandemic has reshaped the IT applications in both commercial activities and daily lives, which leads to a fundamental change in underlying IT needs, commercial organisations have become more conservative in budgeting their IT expenditure and taken more time to observe, analyse and ascertain their IT needs and business performance and hence delayed their spending on IT products.

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

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

Our supply of IT products originated from the U.S. or the PRC may be subject to high tariff rates or trade restrictions under the trade and technology war between the PRC and the U.S., which could adversely affect our revenue, profitability and results of operations

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

Our IT products sourced for our distribution and SI solutions businesses were originated from various countries, including the U.S. and the PRC. During the Track Record Period, approximately HK$125.3 million, HK$125.1 million and HK$135.9 million of the Group's revenue were derived from suppliers originated from the U.S. respectively, while approximately HK$96.3 million, HK$129.6 million and HK$133.1 million of the Group's revenue were derived from suppliers originated from the PRC in the corresponding year. Our procurement of IT products imported from the U.S. or the PRC may be affected by adverse changes and developments in global trade policies and technology protection measures, such as the imposition of new trade barriers, tariffs, sanctions, export controls, boycotts and other measures, which are beyond our control. Although our imports of IT products from the U.S. or the PRC has not been affected by the tariffs, nor by the recent changes in U.S. export control regulations affecting U.S. origin products for exports and reexports to Hong Kong, and transfers within Hong Kong, and that the trade and technology war between the PRC and the U.S. did not lead to material adverse impact on our business as at the Latest Practicable Date, we cannot accurately predict whether any tariffs, quota fees or trade restrictions will be imposed on our supplies in the future and we cannot assure you our supplies of IT products imported from the U.S. or the PRC in the future will remain unaffected. Any tariffs or trade restrictions imposed by the U.S. and the PRC on IT products could significantly increase our customers' purchase costs and preference of our IT products and SI solutions and our supply chain. Any restriction or direct ban by the U.S. and the PRC on the use of IT products from certain IT products vendors will also limit the choice in our product portfolio and solution offerings. Our customers may require us to source from alternative suppliers in order to avoid cost increases resulting from any tariffs or trade restrictions imposed by the U.S. and the PRC. If we cannot successfully secure supply from alternative suppliers to fulfil the demand of such customers in a timely manner or the alternative supplies we sourced do not satisfy the criteria of such customers, our revenue, profitability and results of operations could be adversely affected.

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

We from time to time engage subcontractors to perform certain tasks in our business such as (i) certain labour-intensive work with low skill requirements; (ii) certain installation, implementation and maintenance and support work when particular types of qualifications, skills, resources, spare parts, or equipment are involved; and (iii) certain specialised expertise that we have not yet possessed such as coding and algorithm in digital transformation services. During the Track Record Period, our subcontracting fees amounted to approximately HK$12.4 million, HK$17.5 million and HK$29.4 million respectively, which accounted for approximately 4.7%, 5.8% and 5.7% of our cost of sales and services for the corresponding year. For details of our reasons of such subcontracting and our selection and control system over our subcontractors, please refer to the section headed "Business — Suppliers — Subcontracting arrangements" in this document.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may experience inventories obsolescence if we fail to maintain optimal inventory level for our business operations. Our inventories mainly consisted of (i) hardware and other auxiliary products and (ii) software licenses. As at 31 March 2020, 2021 and 2022, the balance of our inventories amounted to approximately HK$18.2 million, HK$9.8 million and HK$15.8 million respectively. It is our Group's general policy to place orders with our suppliers upon confirmation of orders from our customers on a back-to-back basis. Occasionally, due to the nature of our distribution business, we may procure certain IT products in advance of receiving orders from customers in order to meet the minimum order quantity as stipulated in the distribution agreements or to be entitled to bulk purchase discounts. In addition, we keep a minimal level of inventories as demonstration equipment for our customers so they could have a trial of the effectiveness and efficiency of our IT products under their existing IT infrastructure system before placing orders to us and spare units for prompt replacement of various models of our IT products for our maintenance and support services purposes. For details, please refer to the section headed "Financial Information — Principal components of our current assets and current liabilities — inventories" in this document.

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

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

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

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

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

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

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

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

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

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

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

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

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

We are subject to interest rate risk

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

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

Our high gearing ratio may expose us to liquidity risk

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

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

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

We are exposed to credit risk of our customers

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

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

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

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

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

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

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

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

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

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

Leakage or misappropriation of know-how, confidential information and trade secrets from unauthorised copying, use or disclosure could have an adverse impact on our reputation and business operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO OUR INDUSTRY

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

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

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

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

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

RISKS RELATING TO CONDUCTING BUSINESS IN HONG KONG, THE PRC AND MACAU

Our results of operations and financial conditions are highly susceptible to changes in the political, economic and social conditions in Hong Kong

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

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

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

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

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

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

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

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

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

We face risks associated with our operations in Macau

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

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

RISKS RELATING TO THE [REDACTED]

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

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

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

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

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

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

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

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

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

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

Historical dividends are not indicative of our future dividends

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

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

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

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

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

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

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

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

Additional equity fund raising may cause dilution in shareholding

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Ip Ka Wai Charlie (葉嘉威)	Flat A, 7/F., Block 2A Cullinan West 28 Sham Mong Road West Kowloon Kowloon Hong Kong	Chinese
Chan Tim Cheung (陳添祥)	Room 101, 7/F Bee Sing Mansion 101 Ma Tau Chung Road To Kwa Wan, Kowloon Hong Kong	Chinese
Independent non-executive Directors		
Lam Chi Wing (林至頴)	Flat 1803, 18/F, Block A Elizabeth House 250 Gloucester Road Causeway Bay, Hong Kong	Chinese
Chung Anita Mei Yiu (鍾美瑤)	Flat G, 6th Floor Loong Shan Mansion Taikoo Shing Hong Kong	Chinese
Wu Ching Tung Grace (胡青桐)	Flat 4, 22/F, Hang Sam House King Tin Court Tai Wai, New Territories	Chinese

For further details on our Directors and members of our senior management, please refer to the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Innovax Capital Limited** Room B, 13/F, Neich Tower 128 Gloucester Road Wanchai Hong Kong *(A licensed corporation permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO)*
[REDACTED] and [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
Legal advisers to our Company	*As to Hong Kong law* **Bird & Bird** 6/F, The Annex Central Plaza 18 Harbour Road Hong Kong *As to PRC law* **Jingtian & Gongcheng** 34th Floor Tower 3, China Central Place 77 Jianguo Road Chaoyang District Beijing the PRC

	As to Macau law **FCLaw Lawyers & Private Notaries** Av. Almeida Ribeiro nº 61, Edificio Circle Square 13º, B-E Macau
	As to Cayman Islands law **Harney Westwood & Riegels** 3501 The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law* **P. C. Woo & Co.** Room 1225, 12th Floor, Prince's Building 10 Chater Road Central Hong Kong
Auditors and reporting accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* 35th Floor, One Pacific Place 88 Queensway Hong Kong
Industry consultants	**Ipsos Asia Limited** Room 602, 6/F, China Life Center Tower A One Harbour Gate No. 18 Hung Luen Road Kowloon Hong Kong
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered office	4/F., Harbour Place 103 South Church Street P.O. Box 10240 Grand Cayman KY1-1002 Cayman Islands
Headquarters and Principal place of business in Hong Kong	19/F., Kin Sang Commercial Centre 49 King Yip Street, Kwun Tong Kowloon, Hong Kong
Company's website address	www.mttgholdings.com *(The information contained on the website of the Company does not form part of this document)*
Company secretary	Ms. Yiu Suk Han *(ACIS, ACS)*
Authorised representatives	Mr. Ip Ka Wai Charlie Flat A, 7/F., Block 2A, Cullinan West 28 Sham Mong Road, West Kowloon Kowloon, Hong Kong Ms. Yiu Suk Han *(ACIS, ACS)* Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Audit committee	Ms. Wu Ching Tung Grace *(Chairlady)* Ms. Chung Anita Mei Yiu Mr. Lam Chi Wing
Remuneration committee	Mr. Lam Chi Wing *(Chairman)* Mr. Ip Ka Wai Charlie Ms. Chung Anita Mei Yiu
Nomination committee	Mr. Ip Ka Wai Charlie *(Chairman)* Mr. Lam Chi Wing Ms. Wu Ching Tung Grace
Compliance adviser	Innovax Capital Limited Room B, 13/F, Neich Tower 128 Gloucester Road Wanchai Hong Kong
Principal banker	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong

CORPORATE INFORMATION

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

The information in the section below has been partly derived from various publicly available government sources, market data providers and other independent third-party sources. In addition, this section and elsewhere in the document contains information extracted from the Ipsos Report, for the inclusion in this document. We have no reason to believe that such information is false or misleading in any material respects or that any fact has been omitted that would render such information false or misleading in any material respects. The information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the [REDACTED], and no representation is given as to its fairness, correctness and accuracy. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

The information extracted from the Ipsos Report reflects estimates of market conditions based on samples and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.

SOURCE AND RELIABILITY OF THE INFORMATION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development and competitive landscape of the IT industry in Hong Kong for the period from 2015 to 2024 at a fee of HK$1,077,000. Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 18,000 personnel worldwide across 90 countries. Ipsos conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Ipsos Report, various official government publications and other publications.

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing client consultation to obtain background information of our Group; and (c) conducting primary research by interviewing key stakeholders and industry experts.

The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' inhouse analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

OVERVIEW OF THE IT INDUSTRY IN HONG KONG

Introduction and definition

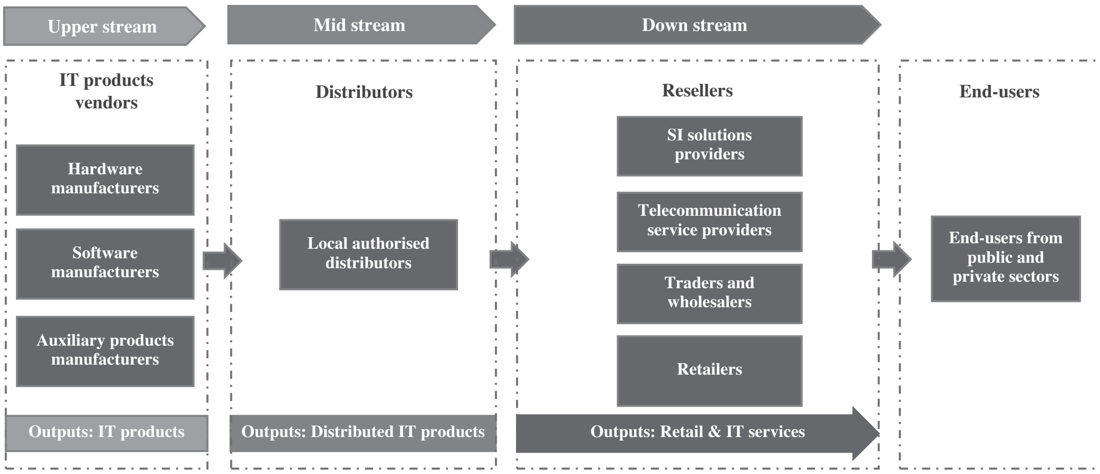
IT industry refers to the industry that comprises all kind of IT companies, which is considered as a broad industry consisting of a number of sub-segment industries. Some of the key sub-segment industries are:

- **IT products distribution industry:** The IT products distribution industry is a sub-segment of the IT industry, in which distributors act as intermediaries by sourcing IT products from varies IT products vendors and distribute them to SI solutions/ telecommunication service providers, traders and wholesalers, and retailers for them to further sell to end-users.

- **SI solutions industry:** The SI solutions industry is a sub-segment of the IT industry which includes companies that provide (i) IT infrastructure solutions services; and (ii) IT maintenance and support services.

Value chain

The figure below highlights the value chain of the IT Industry:



Source: Ipsos research and analysis

The value chain includes the following actors:

- **IT products vendors:** Hardware manufacturers offer Personal Computers (PCs) and network-related products and some of them also offer technology consulting and enterprises IT infrastructure including enterprise server and storage technology, technology support and networking products for enterprises. Besides, software manufacturers offer system software that manages computer applications and application software that are used to perform a specific task, such as Microsoft Office.

- **Distributors:** Authorised distributors meet certain requirements from the IT products vendors to represent their IT products. Requirements vary widely and depend on the specific company and distributorship. In general, distributors rarely offer SI solutions services such as installation.

- **SI solutions providers:** SI solutions providers procure IT products from authorised distributors and resell IT products and offer value-added solutions and supports which vary depending on the system integration solution providers.

- **Telecommunication service providers:** Some telecommunication service providers would mainly enter into an agreement with hardware vendors and/or its authorised distributors to resell IT products, such as smart phones and tablets, to their end customers. The telecommunication service providers may further bundle the IT products with their telecommunication services as a package to sell to its end customers.

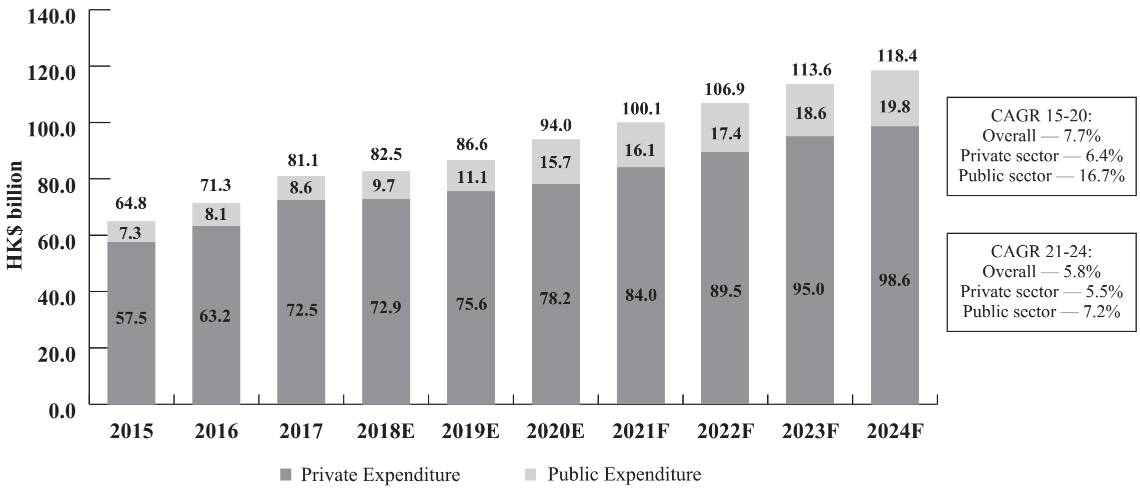
- **Traders and wholesalers:** Traders and wholesalers procure hardware and/or software from IT products vendors and/or authorised distributors and sell these IT products to other actors in the field of 'resellers' in the value chain.

- **Retailers:** IT retailers can be further classified as chained retailers, independent retailers as well as brand's self-owned stores and showrooms. Retailers source products from authorised distributors, resellers and other retailers to individual end-users. In some cases, IT products vendors may also set up their own retail shops, in which case the IT products vendors directly supply IT products to the retail shop for sale to end-users. They usually provide basic services such as delivery, installation and extended warranty options.

- **End-users:** End-users include private companies or organisations, the government and non-government organisations.

Market value of IT industry in Hong Kong

The chart below sets forth the market value of IT industry in Hong Kong from 2015 to 2020, with a forecast from 2021 to 2024:



Notes: *1. The market value of IT industry in Hong Kong refers to the total IT expenditure published by the Census and Statistics Department, HKSAR. 2. 2015 to 2017 data of the market value in the private sector are actual figures published by the Census and Statistics Department, HKSAR. Due to data unavailability, 2018 and 2019 data were calculated and estimated by Ipsos. 3. 2015 to 2018 data of the market value in the public sector are actual figures published by the Census and Statistics Department, HKSAR. The 2020 data was an estimated figure published by the Office of the Government Chief Information Officer. 4. The market value in the public sector refers to the total IT expenditure of (1) Bureaus and Departments of the Hong Kong Government; (2) Housing Authority; (3) Hospital Authority; and (4) subverted schools. 5. The estimation and forecast of market value of IT industry is based on (1) the forecast on the total IT expenditure in the public sector; and (2) the forecast on the total IT expenditure in the private sector.*

Sources: *Census and Statistics Department, HKSAR; Ipsos research and analysis*

The market value of IT industry in Hong Kong experienced an increase from 2015 to 2020, from HK$64.8 billion in 2015 to HK$94.0 billion in 2020, representing a CAGR of approximately 7.7%. The market value in the private sector accounted for the largest proportion of the market value of IT industry in Hong Kong, recording growth from HK$57.5 billion to HK$78.2 billion at a CAGR of 6.4% during the said period. As for the public sector, the market value increased rapidly from 2015 to 2020, growing from HK$7.3 billion to HK$15.7 billion at a CAGR of 16.7%. Market value in the public sector consists of public spending on IT services from different areas of the public service including housing, health and education. The government doubled its expenditure on the Innovation and Technology Fund in 2020, and it has contributed to the significant increase in public expenditure in the same year to a large extent.

During the forecast period from 2021 to 2024, it is expected that the market value of IT industry will continue to increase from HK$100.1 billion to HK$118.4 billion at a CAGR of approximately 5.8%. The IT industry in Hong Kong is expected to be supported by the rising demand for the emerging technologies in the industry. It is predicted that the market value in the private sector will remain as the largest proportion of the market value of IT industry in Hong Kong. The market value in the private sector is expected to grow at a moderate pace at a CAGR of 5.5%, increasing from HK$84.0 billion to HK$98.6 billion. During the same period, the market value in the public sector is expected to increase at a CAGR of 7.2%, increasing from HK$16.1 billion in 2021 to HK$19.8 billion in 2024.

OVERVIEW OF THE IT PRODUCTS DISTRIBUTION INDUSTRY IN HONG KONG

Introduction and definition

The IT products distribution industry is one of the sub-segments of the IT industry. IT products distribution industry refers to distributors conducting wholesale activities of IT products. IT products distributors play a vital role in fluidly connecting IT products vendors and resellers. The IT products distribution industry includes three types of products (i) hardware; (ii) software; and (iii) auxiliary products:

- **Hardware:** IT hardware includes a broad range of products such as desktop/laptop computers, monitors, keyboards and signage display, and peripherals like printers and scanners, as well as specialised or industrial items such as webcams and data storage devices used by corporations.

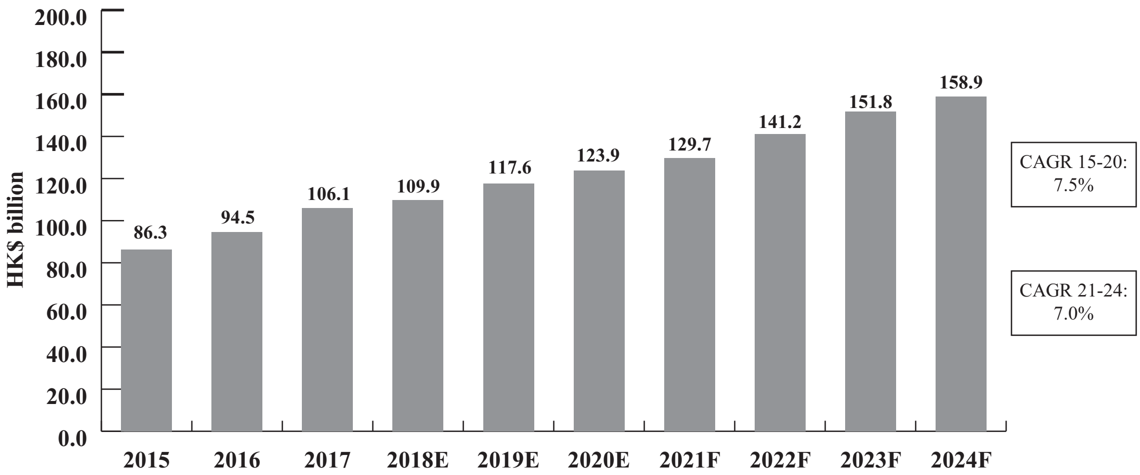
- **Software:** An IT software is a type of programmes which enable the users to perform some particular specific task or used to operate their computer. It essentially directs all of the peripheral devices on the entire computer system. A software application plays a key role of a mediator between the user and the computer hardware.

- **Auxiliary products:** IT auxiliary products includes a range of computer and networking parts and accessories such as power supplies, control and adaptor units, display cards and memory cards, etc.

In the IT products distribution industry, other than simply distributing IT hardware and software to resellers, distributors are providing more value-added services. For IT products vendors, distributors act as promoters by selling IT products to potential resellers. Especially for mid-tier IT products vendors, distributors perform as an essential medium to portray the brand image of the IT products vendors in the local market by holding marketing events.

Market value of the IT products distribution industry

The chart below sets forth the market value of the IT products distribution industry in Hong Kong from 2015 to 2020, with a forecast from 2021 to 2024:



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The market value of the IT products distribution industry increased from HK$86.3 billion in 2015 to HK$123.9 billion in 2020, at a CAGR of approximately 7.5%. The market value of the IT products distribution industry in Hong Kong recorded a significant increase during the historical period, generally attributed to the increasing adoption and upgrade of information technology in various business sectors. Despite the economic downturn and uncertainties in 2020 due to the outbreak of the COVID-19 pandemic, the demand for IT products from both the public and private sector still remained robust, supporting the IT products distribution industry.

During the forecast period, the market value of the IT products distribution industry is expected to increase at a CAGR of approximately 7.0% from 2021 to 2024. The industry is expected to maintain its growth at a CAGR of 7.0% as it is expected to be driven by the increasing demand for cloud and cyber security. Also, some business segments, such as sales of PCs and setup of video conferencing, recorded a notable increase in the first half of 2020 due to the remote working arrangement, and it is expected to be persisted in the future. The adoption of remote working arrangement during the outbreak of COVID-19 speeds up the digital transformation progress during the forecast period, illustrating sustainable demand for IT products in the future.

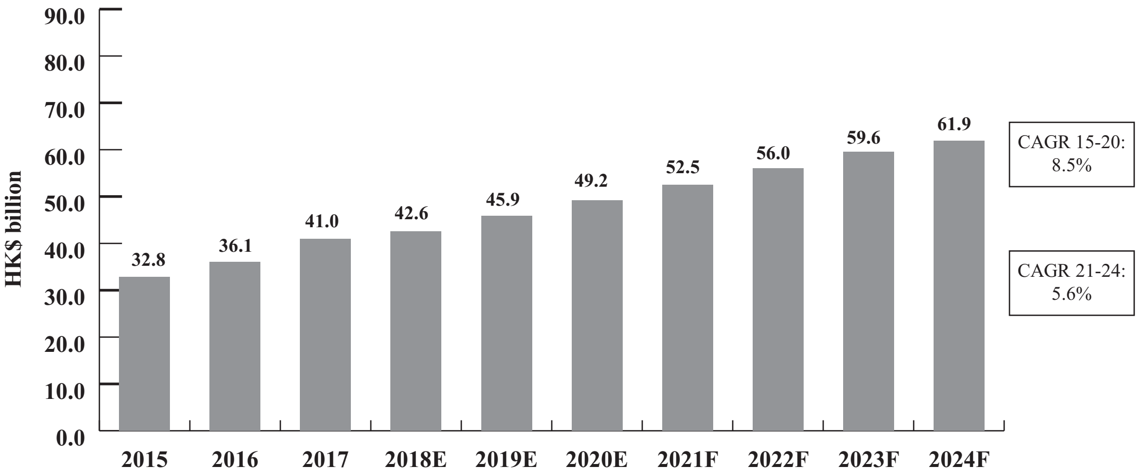
OVERVIEW OF THE SI SOLUTIONS INDUSTRY IN HONG KONG

Introduction and definition

The SI solutions industry, which is also commonly known as IT infrastructure solutions industry, is one of the sub-segments of the IT industry. SI solutions refer to solutions that include (i) IT infrastructure solutions, such as the assessment and design of new IT infrastructure, procurement of IT products, implementation, integration and installation of IT products; and (ii) IT maintenance and support services, such as joint support services, system maintenance support services, IT outsourcing, cabling, helpdesk services and secondment services.

Market value of the SI solutions industry

The chart below sets forth the market value of SI solutions industry in Hong Kong from 2015 to 2020, with a forecast from 2021 to 2024:



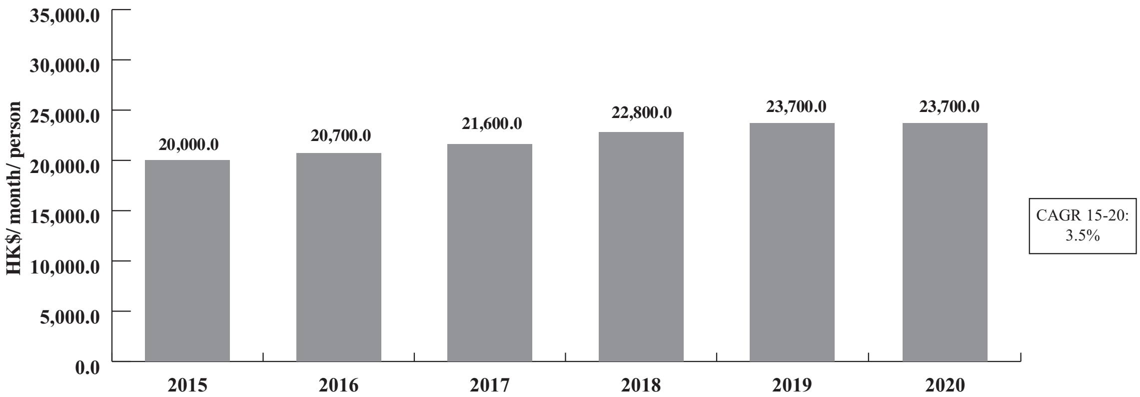
Source: Census and Statistics Department, HKSAR; Ipsos research and analysis

The market value of SI solutions industry recorded an overall increase from HK$32.8 billion in 2015 to HK$49.2 billion in 2020, at a CAGR of approximately 8.5%. The private sector has been the major contributor to the market value of SI solutions industry in Hong Kong, accounting for a share of approximately 90% to the total market value of SI solutions industry during the period from 2015 to 2020. Due to the increasing competition under globalisation, the private sector in Hong Kong has pursued the improvement of operational efficiency through the intensive adoption of information technology, transforming the needs as the demand for the SI solutions in Hong Kong. The market value of SI solutions industry in Hong Kong recorded a significant increase in 2019 mainly due to the rising demand for SI solutions, especially cloud computing and cyber security services, as a result of increasing digitisation in the private sector.

During the forecast period from 2021 to 2024, the market value of SI solutions industry is expected to increase at a CAGR of approximately 5.6%, increasing from HK$52.5 billion to HK$61.9 billion during the said period. The overall expenditure on system integration during the forecast period is expected to achieve a notable growth rate from 2021 to 2024, in which the industry is expected to be driven by the increasing adoption of emerging technologies such as cloud and big data management. In particular, the demand for some specific types of SI solutions such as cyber security services, remote working and communication tools and systems as well as cloud computing services, are expected to grow under the introduction of social distancing measures as a result of COVID-19 outbreak.

Historical labour cost in the IT industry

The chart below sets forth the historical labour cost in the IT industry in Hong Kong from 2015 to 2020:



Note: Median monthly salary refers to the median monthly salary of employees engaged in the information and communications sector in Hong Kong, data published by the Census and Statistics Department. Among all publicly available data, the information and communications sector is the most related to the IT industry.

Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The median monthly salary of employees in the information and communications sector in Hong Kong increased at a CAGR of approximately 3.5%, from HK$20,000.0 in 2015 to HK$23,700.0 in 2020. The excess demand for IT professionals in Hong Kong was one of the reasons contributing to the growing average annual salaries for IT professionals. In 2020, the median monthly salary remains unchanged as compared to the median monthly salary recorded in 2019. The outbreak of COVID-19 pandemic has deeply plagued Hong Kong's economy, which has offset the constant growth of monthly salary of employees in the information and communications sector.

COMPETITIVE ANALYSIS OF THE IT INDUSTRY IN HONG KONG

Competitive landscape of the IT products distribution industry

In 2020, there were approximately 30 to 40 IT products distributors in Hong Kong, of which less than ten market players were active in the industry. The IT products distribution industry is consolidated, with three market players dominated the market which in aggregate is estimated to hold no less than approximately 60% of the market share in terms of revenue in 2020. With the exception of the three dominated market players, the remaining market is observed as fragmented. The revenue from our distribution business in FY2020/2021 amounted to approximately HK$203.5 million, representing a market share of approximately 0.2% in 2020. Competition among IT products distributors in Hong Kong is intensifying. IT products distributors are also facing competition from IT products vendors that sell directly to resellers, retailers and end-users. IT products distributors mainly position themselves by having divergent focus in terms of different brands, product types and/or IT solutions. Besides, some of the distributors in the industry are extending their operations with offering value-added services, such as effectively marketing new products to the target audience and offering spare unit of certain IT products to end-user for their temporary use and/or swapping that are able to differentiate themselves from their competitors.

Competitive landscape of the SI solutions industry

In 2020, there were approximately 2,000 companies offering SI solutions in Hong Kong, characterising the industry as highly competitive and fragmented. An SI solutions provider not only competes with other local industry players but also competes with the international SI solutions providers located in Hong Kong as well as IT products vendors who directly provide similar SI solutions services to customers. The industry is fragmented, with each of the top five SI solutions providers accounting for less than 4% of the total industry revenue in 2020. The revenue from our SI solutions business in FY2020/2021 amounted to approximately HK$183.9 million, representing a market share of approximately 0.4% in 2020. Most of the companies who offer SI solutions services are small in scale, with only a small number of large companies operating in the industry.

Top five players in SI solutions industry in 2020

The table below sets forth the top five SI solutions service providers in Hong Kong in 2020:

Rank	**Company**	**Headquarter Location**	**Revenue in 2020** *(HK$ million)*	**Market Share**
1	Company A	Hong Kong	1,571.8	3.2%
2	Company B	Hong Kong	1,365.3	2.8%
3	Company C	Hong Kong	1,199.9	2.4%
4	Company D	South Africa	851.5	1.7%
5	Company E	Hong Kong	556.6	1.1%
	Our Group (SI solution business)	Hong Kong	183.9	0.4%
	Others		43,511.0	88.4%
	Total		**49,240.0**	**100.0%**

Notes: 1. Percentages may not sum up to 100% due to rounding. Some totals may not correspond with the sum of the separate figures due to rounding. 2. Revenue figures provided represent revenue from SI solutions services in Hong Kong only and thus may be different from figures disclosed in the respective companies' annual reports. 3. The revenue of the top five players refers to their revenue in fiscal year 2020.

Source: Ipsos research and analysis

Key factors of competition

- **Reputation:** Reputation is one of the major competitive factors for retaining existing customers and attracting new customers in the IT industry as the IT industry in Hong Kong in a highly fragmented industry, companies that establish a better reputation can differentiate themselves from competitors since they can provide clients with the confidence of offering reliable services in a timely manner.

- **Customer relationships:** The dynamic nature of IT requires customers to continuously upgrade their existing computer systems, update software as well as implement new IT tools and systems including cloud storage and data management systems. Therefore, maintaining good customer relationships is vital to bring return business from existing customers, stabilising revenue by receiving business from existing customers for future IT projects.

- **Product and service variety:** SI solutions providers, who can offer a wider range of products and services in terms of price, solutions and origin, will be more competitive in the market since they can offer more comprehensive and all-rounded services to the customers. Different customers have different requirements and budgets towards their IT needs, and therefore require a different kind of IT products to fulfil with. SI solutions providers who can provide a greater variety of IT products and services are, therefore, easier to capture different markets with different customer preference. For instance, SI solutions providers who can also provide mid-tier IT products with competitive pricing on the top of the top-tier IT products are facing a broader potential customer base by offering a wider range of products and services. In addition, SI solutions providers who are able to cooperate with new-to-market niche brands and offer emerging technologies and IT solutions to their customers not only can stand out from their counterparts by offering a greater variety of products and services, but also be able to penetrate new markets while the market presence of these niche brands is yet to build.

Key drivers and opportunities

- **Implementation of emerging technologies and IT solutions (i.e. hyper-converged infrastructure (HCI), artificial intelligence (AI), and Device-as-a-service (DaaS)):** Business corporates in various sectors are seeking to transform their business through emerging technologies such as HCI and AI and IT solutions, such as DaaS. In recent years, a notable increase in the demand for these products and services are witnessed, driven by the initiatives to improve business operation efficiency through the application of these emerging technologies. The market size of HCI in Asia-Pacific was valued at US$1,738.5 million in 2020, with the expectation that the market will continue to grow during the forecast period from 2021 to 2024 at a CAGR of 36.4%. The remarkable growth opportunities of HCI in the Asia-Pacific region is also expected to be observed in Hong Kong over the forecast period. It is observed that there is an increasing trend of HCI adoption in both the public and private sectors in Hong Kong. It is observed that there is an increasing trend of HCI, AI and DaaS adoption in the private sector, such as the insurance sector, the banking and finance sector and the education sector, for setting up the virtual desktop infrastructure, assist data collection and enable data analytics to improve organization-wide decision-making process. And the market of AI infrastructure in Asia-Pacific is expected to grow at a fast pace as well, at a CAGR of approximately 34.3% during the forecast period. Besides, there has been an increasing trend in the IT industry of shifting from selling products to customers to offering DaaS, whereby various hardware, software and services (such as ongoing technical support and product exchange) are bundled as a licensed package and offered to customers as a periodic subscription service. The high awareness about DaaS market is generally driven by the significant adoption of contract-based services and solutions, and the escalating need to lower the capital expenditure and operational expenditure by enterprises. Hence, the increasing popularity of emerging technologies is expected to create more business opportunities for the IT industry in Hong Kong.

- **Increasing demand for mobile financial services:** The increasing digitisation in the financial and banking sector will further boost the demand for IT services, especially SI solutions, in Hong Kong. The rising trend of mobile payment services has stimulated the demand for cyber security services as well as digital transformation services, creating an opportunity for the IT industry, especially for the service providers who focus on delivering cyber security solutions and fintech projects.

- **Supportive initiatives from the Government:** The Government has carried out several supporting initiatives which drive the growth of the IT industry in Hong Kong. For instance, according to the 2020-21 Budget, the Government has planned to (i) increase the grant ceiling for the Technology Voucher Programme to HK$600,000 and raise the government's funding ratio to 75% (ii) inject HK$345 millions to a pilot subsidy scheme to encourage logistics industry apply technology to enhance productivity in 2020 to promote industry application for advanced technology in Hong Kong. The Research Grants Council under the University Grants Committee (UGC) aims to increase the level of Research and Development (R&D) in Hong Kong, as it is one of the foundations of the development of Information and Technology (I&T) in Hong Kong. It provides sufficient funding related to the research of new technology and/or uses of new technologies. Throughout the process of the R&D, research teams need to procure IT systems and infrastructure to support their researches. While for those R&D projects with a direct focus on technologies, new products developed will require the implementation of new IT components and infrastructures as a part of the productisation process, thereby benefiting SI solutions providers and IT products distributors in Hong Kong. Regarding the re-industrialisation funding scheme under the Innovation and Technology Fund, it was launched to promote the "re-industrialisation" of Hong Kong industries to develop advanced manufacturing industries that are based on new technologies and smart production. The RFS subsidises manufacturers to set up new smart production lines in Hong Kong. The re-industry requires digitalisation and the implementation of IT network infrastructures and related technologies such as cloud platforms, automation systems, smart sensors, and IoT networks, and security systems to provide smart manufacturing re-industrialisation mandated by the Government.

- **Increasing the use of cloud computing:** The cloud service market in Hong Kong had a strong development during the past few years. In 2020, the estimated spending on cloud in Hong Kong was approximately HK$8,264.0 million, with the expectation that the spending will increase at a CAGR of approximately 20.0% from 2021 to 2024. The increase in the popularity of deploying cloud will increase the demand for the cloud infrastructure building and related cloud security control, contributing to the development and the evolution of the IT industry in Hong Kong.

- **Increasing importance of IT solutions and services in business operation:** Under the social distancing measures adopted under the global COVID-19 outbreak, business organisations discovered that traditional business and operation models are hard to sustain and operate under COVID-19 pandemic. Many organisations have then undergone digitisation to enable remote working arrangement while retailers have tried to launch e-commerce platforms to safeguard their business. Such change has spiked an increase in demand for SI solutions as well as the demand for IT products, such as VPN services, real-time communication tools as well as remote working software. The shift to IT solution, triggered by the outbreak of COVID-19, is expected to sustain even in the post-COVID-19 era and creating an opportunity to the IT industry in Hong Kong.

- **Emerging demand for content delivery network (CDN):** Due to the increasing demand for the rich media and video streaming over the website, the size of content to be delivered on the network and hence the demand for high-speed network has been driven up in the recent years. CDN, which accelerates web delivery speed by setting up geographical pick-up spots for data, has therefore become necessary for content distributors. In Hong Kong and even across all countries, CDN is not just a fundamental IT architecture to reduce network latency for general businesses, but also to support service for latency-sensitive devices for providers types such as autonomous driving, remote surgery, and mission critical communications. With the 5G communication technology gradually being implemented in various industry for different use cases in Hong Kong, such technology will be crucial to avoid bottlenecking at the stage of content distribution. Hence, the distribution of CDN services is expected to be one of the major drivers of the IT industry in Hong Kong in the foreseeable future.

Threats and challenges

- **Shortage of human resources:** IT industry requires numerous skilled, knowledgeable and experienced employees to provide quality and speedy services to customers. Solid knowledge on technical issues in various types of system integration projects across different sectors is essential in the sector. According to the latest Manpower Survey of the IT Sector conducted by Vocational Training Council (VTC) in 2018, approximately 44.7% of the employers were found to have experienced difficulties in attracting experienced candidates to apply for existing vacancies. Consequently, the shortage of human resources in the industry poses a threat to the IT industry, which adversely affects the capacity as well as the future development of the sector.

- **Cyber security fears amongst potential customers:** Cyber security is a major public concern. IT services, such as cloud and mobile applications, are often being questioned on the data security during the deployment. While the concern on cyber security could create extra demand for IT security control, such cyber security fears and the potential additional cost on IT security control would become the push factors from the customers' point of view, reducing the willingness to adopt any new IT technologies.

Entry barriers

- **Unestablished reputation:** Establishing a good reputation through the provision of high service quality is important for players in the IT industry to compete successfully in the industry. However, reputation can only be built up through customer satisfaction in former or current projects. Hence, new entrants with reputation yet to establish may encounter difficulties to attract customers and capture market share in the sector.

- **Difficulties in hiring experienced IT professionals:** The IT industry faces a shortage of experienced IT professionals. New entrants with little capital and resources may encounter difficulty in attracting professionals. Furthermore, experienced IT professionals generally prefer to work in structured and large companies, in which the companies can offer competitive remuneration packages and are able to capture large and complex projects.

- **Unestablished relationship with IT products vendors:** It is important for players in the IT industry to establish good relationship and wide connections with IT products vendors. For instance, IT products distributors in the industry that have well-established relationships with IT products vendors could face a higher chance in obtaining distributorship rights of a certain brand and maintain a high level of products. For IT SI solutions providers, maintaining stable and sustained business relationships with IT products vendors could receive benefits such as rebates and marketing funds. However, new entrants with unestablished relationship with suppliers may find it difficult to procure internationally renowned brands or to provide wide range of products to fulfil customers' requirements and investment budget on IT systems.

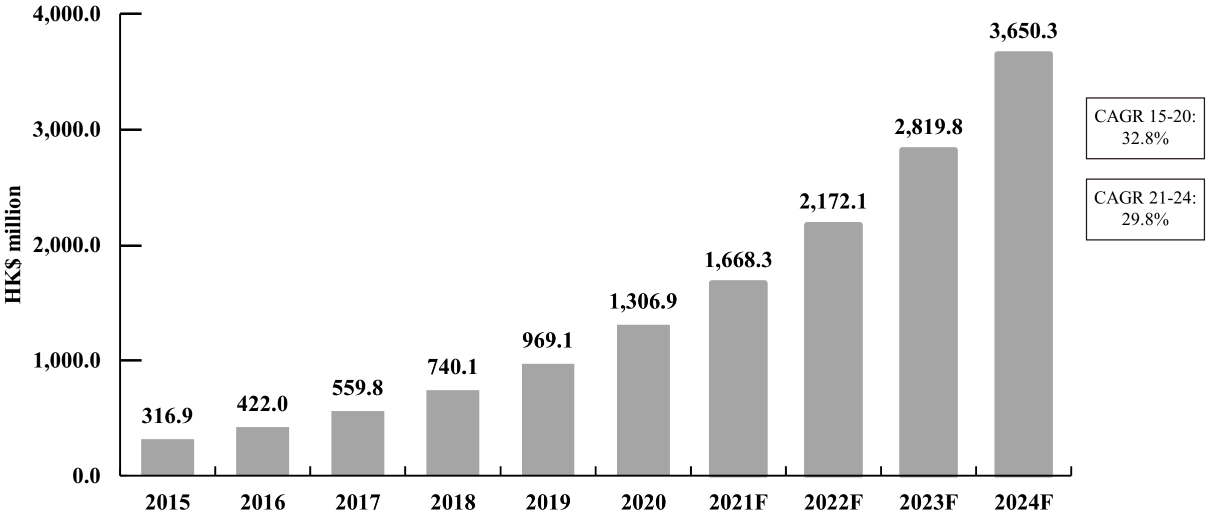
Competitive advantage of our Company

Please refer to the section headed "Business – Our competitive strengths" for a detailed discussion of our Company's competitive strengths.

OVERVIEW OF THE HCI AND AI INFRASTRUCTURE MARKET IN HONG KONG

Market value of HCI in Hong Kong

The chart below sets forth the market value of HCI in Hong Kong from 2015 to 2020, with a forecast for 2021 to 2024:



Source: Ipsos research and analysis

Notes:

1. The forecast of the market value of HCI in Hong Kong is based on the assumptions that (i) the global economy and that of Hong Kong remains in steady growth across the period from 2021 to 2024; (ii) there is no external shocks, such as financial crises or natural disasters (as regards COVID-19, it is assumed there is no significant escalation), that will influence the demand and supply of the HCI market in Hong Kong from 2021 to 2024; (iii) the secondary statistics and reports reference are true and accurate and did not omit critical information; and (iv) the information being shared by key stakeholders and industry experts in Ipsos's primary research are of their best knowledge to the market, and is valid with no significant deviations from the actual figures/situations.

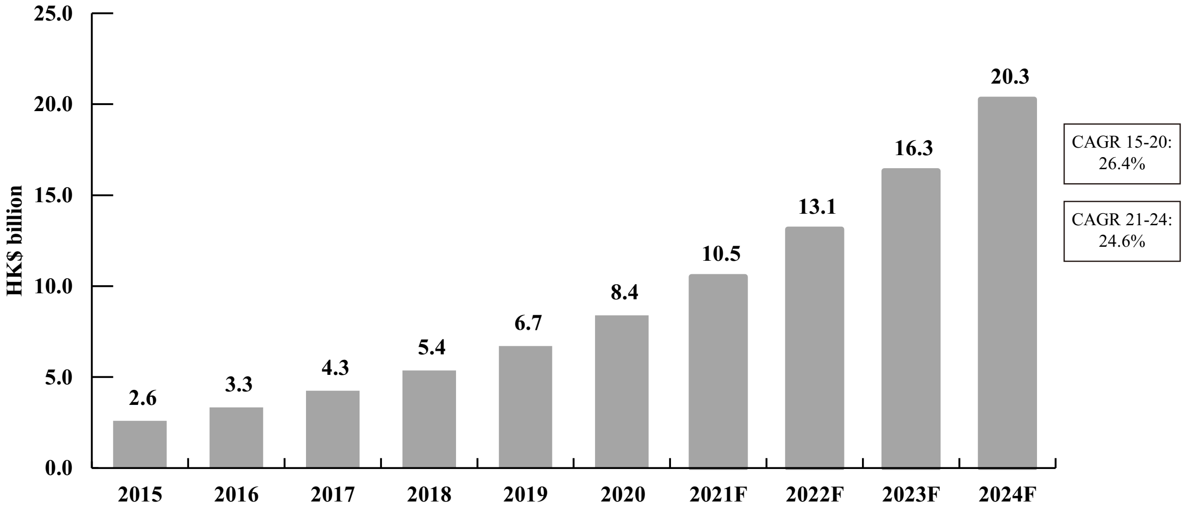
2. The forecast of the market value of HCI in Hong Kong is estimated based on the historical trend and growth momentum of IT expenditure on HCI in Hong Kong derived from (i) desk research covering government and regulatory statistics, industry reports and analyst reports published by product vendors and market researchers, and other online sources and data from the research database of Ipsos; and (ii) comprehensive primary research by interviewing key stakeholders and industry experts from leading HCI product vendors and distributors in Hong Kong, who have extensive knowledge in the HCI market in the Hong Kong. The information and data collected from the abovementioned methodology have been verified, analysed and cross-checked by Ipsos.

The market value of HCI in Hong Kong recorded a sharp growth from HK$316.9 million in 2015 to HK$1,306.9 million in 2020, at a CAGR of approximately 32.8%. The growth of the market value of HCI was due to the growing number of data centres, rise in demand for data protection & recovery, and the increased adoption of virtual desktop infrastructure in Hong Kong. HCI has a strong competitive advantage over the traditional three-tier architecture, as it is simpler to deploy, more scalable, and of lower maintenance costs than the traditional architecture. Therefore, there is an increasing number of organisations that are willing to deploy HCI to increase their operational efficiency and to lower the cost of IT maintenance. Acknowledged the benefits of HCI over traditional infrastructures, new branches and companies set up in Hong Kong were generally keen on adopting HCI as part of their IT infrastructure. Financial service institutions, education institutions, governmental institutions, and conglomerates were the top segments in Hong Kong that contributed the most to the growth in market value over the historical period. As supported by various segments and newly set-up companies, the market value of HCI in Hong Kong has increased exponentially by more than two times over the historical period.

During the forecast period from 2021 to 2024, the market value of HCI in Hong Kong is expected to increase from HK$1,668.3 million in 2021 to HK$3,650.3 million in 2024, at a CAGR of approximately 29.8%. It is expected that HCI will continue to gain popularity in Hong Kong as enterprises are more willing to invest in upgrading IT infrastructures for cloud computing, data security, and virtualisation, especially when their old IT infrastructures run out of warranty. In addition, the banking and financial sector is one of the main contributors to the growth in the market value of HCI in Hong Kong during the historical period, and the sector is expected to expand moderately throughout the forecast period. Since the beginning of 2021, Goldman Sachs, Citigroup, UBS, and other international investment banks and financial institutions have expanded their staff in Hong Kong, reconfirming their commitment to Hong Kong as an international financial center. The continued expansion of the banking and financial sector could potentially drive up the spending in IT infrastructure, as well as that of HCI. Besides, the trend of remote working and digital transformation started in 2020 due to the outbreak of COVID-19 has encouraged the commercial sector to upgrade IT infrastructures for the increasingly necessary deployment of virtualisation in the future, which is expected to further stimulate the demand for HCI in Hong Kong. In this relation, the HCI market in Hong Kong is expected to continue with exponential growth throughout the forecast period.

Market value of AI infrastructure in Hong Kong

The chart below sets forth the market value of AI infrastructure in Hong Kong from 2015 to 2020, with a forecast for 2021 to 2024:



Source: Ipsos research and analysis

Notes:

1. The forecast of the market value of AI infrastructure in Hong Kong the is based on the assumptions that (i) the global economy and that of Hong Kong remains in steady growth across the period from 2021 to 2024; (ii) there is no external shocks, such as financial crises or natural disasters (as regards COVID-19, it is assumed there is no significant escalation), that will influence the demand and supply of the AI infrastructure market in Hong Kong from 2021 to 2024; (iii) the secondary statistics and reports that Ipsos took reference are true and accurate and did not omit critical information; (iv) the information being shared by key stakeholders and industry experts in Ipsos's primary research are of their best knowledge to the market, and is valid with no significant deviations from the actual figures/situations.

2. The forecast of the market value is estimated based on the historical trend and growth momentum of IT expenditure on AI infrastructure in Hong Kong derived from (i) desk research covering government and regulatory statistics, industry reports and analyst reports published by product vendors and market researchers, and other online sources and data from the research database of Ipsos; (ii) comprehensive primary research by interviewing key stakeholders and industry experts from leading AI infrastructure product vendors and distributors in Hong Kong. Interviewees cover or have extensive knowledge in the AI infrastructure market in the Hong Kong. The information and data collected from abovementioned methodology have been verified, analysed and cross-checked by Ipsos.

The AI infrastructure market in Hong Kong recorded a sharp growth from HK$2.6 billion in 2015 to HK$8.4 billion in 2020, at a CAGR of approximately 26.4%. The growth in the market value of AI infrastructure in Hong Kong was due to the increasing adoption of AI technology in Hong Kong, as the deployment of AI technology requires investment in AI infrastructure such as AI server, AI storage, AI applications and AI system infrastructure software. There is an increase in the number of businesses in Hong Kong started to adopt big data analytics, cloud computing and machine learning, enabling themselves to identify lucrative customer segments, make products and services more personalized, and run their operations more efficiently. As companies and institutions from different industry verticals such as financial institutions, logistics companies, retail brands and enterprises have started to realize the need to store and maintain massive amount of data which is required for training and building their own AI algorithms, many of them have started to invest in AI infrastructures by building on-premises AI servers and purchasing on-cloud AI servers.

During the forecast period from 2021 to 2024, the market value of the AI infrastructure in Hong Kong is expected to increase from HK$10.5 billion in 2021 to HK$20.3 billion in 2024, at a CAGR of approximately 24.6%. It is expected that the market value of AI infrastructures in Hong Kong will continue to grow as various organizations and businesses including governments, financial intuitions, technology and innovation businesses, travel and logistics firms and retail businesses are adapting to the use of AI. With a majority of retail banks in Hong Kong have already adopted or plan to adopt AI applications in 2020, the total amount of capital expenditure on AI by the retail banking sector in Hong Kong is expected to increase by more than two-third throughout the forecast period. As AI is moving toward the adoption stage in Hong Kong, it is becoming more resources demanding in terms of computing power and storage capacity. Hence, many of these companies are expected to continue investing in upgrading their AI infrastructure, such as AI servers and AI storage to improve their AI performance.

COMPETITIVE ANALYSIS OF THE HCI AND AI INFRASTRUCTURE MARKET IN HONG KONG

Competitive landscape of the HCI market

The HCI market in Hong Kong is concentrated, with over 10 brands of HCI products actively available as at 2020. The major customers of HCI products in Hong Kong encompass the public sector, including (i) government, (ii) education; and (iii) healthcare, and the private sectors, including (i) banking, finance services and insurance, (ii) retail; and (iii) trading and logistics. The following table sets forth the top five HCI products brands and their respective market share in terms of revenue in Hong Kong in FY2020:

Rank	HCI product brands	Revenue in 2020 *(HK$ million)*	Market Share
1	Brand C	519.4	39.7%
2	Brand D	237.8	18.2%
3	Brand A	110.2	8.4%
4	Brand E	72.6	5.6%
5	Brand F	49.9	3.8%
	Others	317.0	24.3%
	Total	**1306.9**	**100.0%**

Competitive landscape of the AI infrastructure market

The AI infrastructure market in Hong Kong is relatively fragmented with over 400 brands available as at 2020. The major customers of AI infrastructure in Hong Kong encompass the public sector, including (i) government, (ii) education and (iii) healthcare, and the private sectors, including (i) banking and finance; (ii) professional services (such as accounting, legal and consulting); and (iii) transportation and logistics. The following table sets forth the top five AI infrastructure brands and their respective market share in terms of revenue in Hong Kong in FY2020:

Rank	AI infrastructure product brands	Revenue in FY2020 (HK$ million)	Market Share
1	Brand G	2,587.6	30.9%
2	Brand H	349.3	4.2%
3	Brand I	170.8	2.0%
4	Brand J	163.9	2.0%
5	Brand D	156.7	1.9%
	Others	4,956.7	59.1%
	Total	**8,385.0**	**100.0%**

Key drivers and opportunities

- **Rise in the adoption of HCI in data centers:** Data centres are the backbone of online business operations and consumers. There was a growth in data centres in Hong Kong and it was aided by the increased internet usage for personal and business purposes by consumers through smartphones and high-speed broadband connectivity. Moreover, the adoption of cloud-based services by enterprises and the increasing use of social media by consumers aid in constructing hyper-scale data centers by organizations such as Facebook, Google, Amazon Web Services (AWS), and Microsoft. In addition, the enormous data growth is leading to increased IP traffic in both traditional and cloud data centres. Due to the competitive advantage of HCI over traditional infrastructure that HCI is more flexible, scalable, and easier to manage, HCI is becoming mainstream in most data centres. Also, with many organisations already looking at hyper-converged solutions as part of their long-term infrastructure strategy, HCI is expected to have a massive opportunity to grow and expand in the future. The capacity, scalability, and efficiency of data centres have also emerged into the spotlight as the COVID-19 pandemic led to an increase in remote working, causing various industries to scale up investments in building new IT infrastructures or updating existing IT infrastructures. Hence, as the adoption of HCI is increasingly popular in data centres, the demand for HCI is expected to be driven up by the rise in investments related to data centre infrastructures.

- **Potential cost-saving for the deployment of HCI:** The deployment of HCI lowers the total cost of ownership and operating expenses for backup and disaster recovery, as it reduces the requirement of separate deduplication devices, backup software, and storage arrays by combining storage and server. As such, the deployment of hyper-converged technologies could yield tremendous annual discounted benefits and significant return on investment. Moreover, HCI enables memory duplication and compression, which can be used to enhance the utilisation levels of available resources. With more companies starting to realise such cost-saving potential and migrate from traditional infrastructure to HCI, the demand for HCI in Hong Kong is likely to remain robust in the future.

- **Increase in the need for AI server for better computing power:** AI applications empowered by machine learning and deep learning are effective tools for identifying hidden market trend and consumer preferences. Many enterprises in Hong Kong have started to notice the benefits of machine learning and deep learning. Banks, in particular, have started to deploy AI in identifying suspicious cases of money laundering based on transaction patterns and customer profiles. The applications of AI can be used for Know-Your-Client (KYC) and Anti-Money Laundering (AML) checks, which normally requires weeks of human resources to finish tasks such as read through documents and data entry. With the help of machine learning and other AI technologies such as natural language processing and speech recognition, automated solutions are now able to handle cognitive processes such as reading a document or listening to a recording and potentially reduce the work hours to days or hours instead of weeks. As the amount of data-intensive workload grows, these AI applications demand constant upgrade on AI server to avoid bottleneck in processing. Hence, the demand for AI infrastructure in Hong Kong is expected to be driven by the wide application of AI computing by the enterprises especially for the financial sector.

- **Rise in demand for AI storage:** With the robust computing power of AI that it could bring massive added-value to businesses, a wide range of businesses in Hong Kong have started their adoption of digital technologies with corporates leading the way in terms of digital investments and innovation. With the necessity to store massive amount of customer data for AI analytics, corporates will have to invest in AI infrastructure such as storage infrastructures for AI. Some corporates would choose to invest in building on-premises AI storage to mitigate the risk of data leakage. On the other hand, some corporates would store their less sensitive data in various cloud service providers or data centers. As more investment in AI storage would be required for matching the surging demand for AI computing power, the market value of AI infrastructure including AI storage in Hong Kong is expected to expand rapidly throughout the forecast period.

RECENT TREND AND DEVELOPMENT

The outbreak of COVID-19 in or around December 2019 has adverse impact on the global economy and across different industry sectors. In response, countries across the world have imposed widespread lockdowns, closure of work places and restrictions on mobility and travel to contain the spread of the virus which has disrupted business operations, supply chains and workforce availability across the world, leading to substantial declines in business activities. Despite these disruptions, the impact of COVID-19 on the IT industry in Hong Kong is believed to be as comparatively mild and short-term than that on other sectors. The market promptly recovered subsequently by the second half of 2020. According to the Ipsos Report, amid the impact brought by the outbreak of COVID-19, the market value of the IT products distribution industry and of the SI solutions industry in Hong Kong is only estimated to record a drop at a year-on-year rate of approximately 0.7% and 0.6% between 2019 and 2020 respectively, being significantly lower than other industry sectors such as property, retail and hospitality and tourism industries, which have recorded a drop at a year-on-year rate of approximately 11.1%, 28.7% and 63% between 2019 and 2020 respectively. The SI solutions industry in Hong Kong has swiftly recovered since April 2020 as the social distancing and work-from-home practice has hastened the growth in demand of IT needs in the areas of digital transformation, real-time collaboration and communication platform, cloud services and security control. Driven by the downstream demand in the SI solutions industry, the IT products distribution industry in Hong Kong has also gradually recovered since June 2020.

In general, the outbreak of COVID-19 has impacted on the IT industry in Hong Kong in the following two ways: (i) the mandatory or voluntary social distancing measures implemented by the Government, public organisations and private enterprises to contain the spread of the virus such as work-from-home arrangement, closure of offices and facilities, disruption to or even suspension of normal business operations have deferred the provision of on-site implementation services and thereby delayed the execution and implementation of various IT projects; and (ii) as the outbreak of COVID-19 and the corresponding social distancing measures have reshaped the IT applications in both commercial activities and daily lives causing fundamental changes in the underlying IT needs, commercial organisations have become more conservative in budgeting their IT expenditure and taken more time to observe, analyse and ascertain their IT needs and business performance and hence delayed their spending on IT products. Nevertheless, under the social distancing measures adopted during the outbreak of COVID-19, business organisations discovered that traditional business and operation models are hard to sustain and operate under COVID-19 pandemic. Many organisations have then undergone digitisation to enable remote working arrangement while retailers have tried to launch e-commerce platforms to safeguard their business. Such change has spiked an increase in demand for SI solutions as well as the demand for IT products, such as VPN services, real-time communication tools as well as remote working software. The shift to IT solution, triggered by the outbreak of COVID-19, is expected to sustain even in the post-COVID-19 era and creating an opportunity to the IT industry in Hong Kong.

Besides, the Government announced on 8 April 2020 a HK$137.5 billion package of relief measures to help businesses stay afloat, keep workers in employment and relieve financial burdens of individuals and businesses. Supporting measurements for the IT industry include (i) a Distance Business Programme under Innovation and Technology Bureau of approximately HK$500 million to support enterprises in adopting technology to continue business with technology adoption and related training for employees and (ii) encouraging the development of 5G by subsidising 50% of the costs for 5G-related projects, subject to a cap of HK$500,000 for each project.

This section sets out a summary of certain aspects of the laws and regulations of Hong Kong, the PRC, Macau and the U.S. which are relevant to the operations and business of our Group. The principal objective of this summary is to provide potential investors with an overview of the key laws and regulations applicable to us. This summary does not purport to be a comprehensive description of all the laws and regulations applicable to our business and operations and/or which may be important to potential investors. Investors should note that the following summary is based on laws and regulations in force as at the date of this document, which may be subject to change.

HONG KONG LAWS AND REGULATIONS

There are no specific industry-related qualifications, licences or permits needed to be obtained or major industry-related statutory requirements needed to be complied with by our Group for carrying on our businesses in Hong Kong, with the exception of (i) the general legal requirement for applying and obtaining a valid business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong); (ii) the specific statutory requirement to obtain a valid licence to cover the import and export of certain strategic commodities from the Director-General of Trade and Industry by our Group; (iii) certain licence conditions requiring approvals to be obtained from the Director-General of Trade and Industry by our Group for the subsequent resale, transfer or disposal of the licensed strategic commodities; and (iv) the statutory requirements under Producer Responsibility Scheme on Waste Electrical and Electronic Equipment.

Business registration

The Business Registration Ordinance requires every person carrying on any business to make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid, issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Supply of goods

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) which aims to codify the laws relating to the sale of goods provides that:

(a) Under section 15, where there is a contract for the sale of goods by description, there is an implied condition that the goods shall correspond with the description;

(b) under section 16, where a seller sells goods in the course of a business, there is an implied condition that the goods supplied under the contract are of merchantable quality, except that there is no such condition (i) as regards to defects specifically drawn to the buyer's attention before the contract is made; (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract for sale by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and

(c) under section 17, where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality; (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample; and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination by sample.

Where any right, duty or liability would arise under a contract for sale of goods by implication of law, it may (subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong)) be negatived or varied by express agreement or by course of dealings between the parties or by usage if the usage is such as to bind both parties to the contract.

Supply of services

The Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) which aims to consolidate and amend the laws with respect to the terms to be implied in contract for the supply of services (including a contract for the supply of a service whether or not the goods are also transferred or to be transferred or bailed or to be bailed by way of hire), provides that:

(a) where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill; and

(b) where the supplier is acting in the course of a business, the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

Where a supplier is dealing with a party to a contract for the supply of a service who deals as consumer, the supplier cannot, by reference to any contract term, exclude or restrict any of his liability arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Otherwise, where a right, duty or liability would arise under a contract for the supply of a service by virtue of the Supply of Services (Implied Terms) Ordinance, it may (subject to the Control of Exemption Clauses Ordinance) be negatived or varied by express agreement or by the course of dealing between the parties or by such usage that binds both parties to the contract.

Control of exemption clauses

The Control of Exemption Clauses Ordinance which aims to limit the extent to which civil liability for breach of contract or for negligence or other breach of duty, can be avoided by means of contract terms and otherwise provides that:

(a) under section 7, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his liability for negligence except in so far as the term or notice satisfies the requirements of reasonableness;

(b) under section 8, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (iii) claim to be entitled in respect of the whole or any part of his contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness;

(c) under section 9, a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and

(d) under section 11, as against a person dealing as consumer, liability for breach of the obligations arising from sections 15, 16 and 17 of the Sale of Goods Ordinance cannot be excluded or restricted by reference to a contract term, but only in so far as the terms satisfying the requirement of reasonableness.

Sections 7, 8 and 9 of the Control of Exemption Clauses Ordinance do not apply to any contract so far as it relates to the creation or transfer of a right or interest in any patent, trademark, copyright, registered design, technical or commercial information or other intellectual property or relates to the termination of any such right of interest.

In relation to a contract term, the requirement of reasonableness for the purpose of the Control of Exemption Clauses Ordinance is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regarded to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

Strategic commodities

The Import and Export Ordinance (Chapter 60 of the Laws of Hong Kong) requires that the import and export of the articles contained in the schedules to the Import and Export (Strategic Commodities) Regulations (Chapter 60G of the Laws of Hong Kong) (the "**Regulations**") must be covered by valid licences issued by the Director-General of Trade and Industry.

Licensing applications should be made for the import and export of the strategic commodities and be submitted to the Strategic Trade Controls Branch of the Trade and Industry Department. Since it is the policy of Hong Kong to maintain a licensing system complementary to the export control arrangement of its trading partners, Trade and Industry Department will only approve licences to cover shipments that are in full compliance with the export control regulations of the originating/supplier/foreign exporting country. The originating/supplier/foreign exporting country of encryption products, especially if it is a member of the Wassenaar Arrangement, may impose export control over the products by ways of individual licence, general licences, licence exceptions or other mechanisms. To ascertain such compliance, licence applicants are required to provide additional supporting documents to the Trade and Industry Department, including but not limited to the relevant government authorities' determination/classification result indicating that the goods have been reviewed and classified to be eligible for export to the proposed destination(s)/end-user(s), individual export licence, the review request/notification submitted by the products' manufacturer to the relevant government authorities, manufacturer's certification letter etc..

On issuing of a licence by the Trade and Industry Department, apart from the standard licence conditions, the Director-General of Trade and Industry may, depending on circumstances of individual cases, impose special and additional conditions on approved licences. For U.S.-origin encryption products, common special licence condition is that the licence only authorises import of the goods for civil end-use by non-government end-users. Any further reexport, resale or transfer of the goods for the use by government end-user(s) requires prior notice to and approval from the Director-General of Trade and Industry.

We had imported approximately 42 encryption products (i.e. articles falling under Category 5, Part 2 - Information Security as contained in Schedule 1 of the Regulations to which the import and export are subject to the licensing control) with category 5A002 during the Track Record Period for sale to our customers or for maintenance of minimal level of inventories as demonstration equipment to our customers. We had also imported approximately 17 encryption products with category 5A002 during the Track Record Period for the purpose of replacement of encryption products with defects as replacement units as requested by customers or for swapping eligible types of encryption products with the newer version as requested by customers as part of a hardware refresh program provided by one of the IT products vendors. All such encryption products subject to the Regulations were imported from the U.S. and were controlled under ECCN 5A002. Licensing applications had been made and the import licences had been obtained for the import of the said encryption products and we believe we had complied in material respects with the licensing requirements and conditions under the Regulations as at the Latest Practicable Date. During the Track Record Period, the revenue attributable to these encryption products for sale to our customers was approximately HK$3.7 million, HK$513,000 and HK$336,000, respectively, whereas the gross profit was approximately HK$0.5 million, HK$38,000 and HK$33,000, respectively, and the gross profit margin was approximately 13.5%, 7.4% and 9.7%, respectively. The decrease in the Group's gross profit margin attributable to U.S. imported encryption products from 13.5% for FY2019/2020 to 7.4% for FY2020/2021, was principally attributable to the sale of eight encryption products, which the Group imported from a U.S. supplier for demonstration equipment before the Track Record Period, to Customer B in FY2020/2021. Given that such encryption products were imported by the Group for quite some time before the sale, to avoid such encryption products from becoming obsolete, the Group sold such products to Customer B at relatively lower price.

During the Track Record Period, we had also handled the subsequent resale, transfer or disposal of encryption products covered by import licences. We believe we had complied in material respects with the licence conditions and obtained the written approvals from the Director-General of Trade and Industry (where required) before proceeding with the resale, transfer or disposal of the products as at the Latest Practicable Date.

Producer Responsibility Scheme on Waste Electrical and Electronic Equipment

The Product Eco-responsibility Ordinance (Chapter 603 of the Laws of Hong Kong) aims to introduce measures to minimise the environmental impact of certain types of products and to provide for related matters. In July 2017, the Legislative Council of Hong Kong passed the subsidiary legislation titled the Product Eco-responsibility (Regulated Electrical Equipment) Regulation (Chapter 603B of the Laws of Hong Kong) under the Product Eco-responsibility Ordinance to provide for certain operational details of the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment ("**WPRS**").

The WPRS has been fully implemented in 2018. Starting from 1 August 2018, suppliers of air-conditioners, refrigerators, washing machines, televisions, computers, printers, scanners and monitors (collectively referred to as "**regulated electrical equipment**" or "**REE**") must be registered with the Environmental Protection Department before distributing REE. Under the WPRS, supplier means the manufacturers of REE in Hong Kong or the importer of REE into Hong Kong for distribution in the course of his business. Registered suppliers must fulfill other statutory obligations, including the submission of returns to the Environmental Protection Department and payment of recycling levies, as well as providing recycling labels when distributing REE.

At the same time, a seller must have a removal service plan endorsed by the Environmental Protection Department for selling REE. Under the WPRS, seller means a person who carries on a business of distributing REE to consumers. A seller must not distribute REE in the absence of a removal service plan that has been endorsed by Environmental Protection Department. When a seller sells REE and if requested by the consumer, the seller should arrange for the consumer a free removal service to dispose of the same class of equipment abandoned by the consumer in accordance with the endorsed plan. When a seller distributes REE to a consumer, the seller must notify the consumer in writing of the arrangements of the statutory removal service and the relevant terms of service so that the consumer can make a choice according to his/her own needs, provide to the consumer appropriate recycling labels to consumers purchasing REE and provide to the consumer receipts with the prescribed wording to inform consumers about the recycling levy payable by registered supplier in respect of an item of REE under the scheme. The seller must also keep a record of the requests for statutory removal services for the ease of future review.

Multisoft is a seller of IT hardwares, including computers, printers, monitors and scanners which are REE. The removal service plan of Multisoft has been endorsed by Environmental Protection Department. During the Track Record Period and up to the Latest Practicable Date, we had arranged for our consumers free removal service to dispose of the same class of equipment abandoned by the consumers in accordance with the endorsed plan. We believe we had also complied in all material respects with the statutory requirements as a seller for distributing REE to consumers under the WPRS as at the Latest Practicable Date.

Mandatory Provident Fund

Under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) ("**MPFSO**"), employees must participate in a Mandatory Provident Fund, which is a defined contribution retirement plan administrated by independent trustees, for its employees employed under the Hong Kong Employment Ordinance.

Pursuant to the MPFSO, the employer and its relevant employee, are each required to make contributions to the scheme at 5% of the relevant employees' relevant income, including any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by the employer to the relevant employee in consideration of his employment.

Minimum Wage

The prescribed minimum hourly wage rate (currently set at HK$37.5 per hour) during the wage period for every employee is govern by the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) ("**MWO**"). Any provision of employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee under the MWO is void.

PRC LAWS AND REGULATIONS

The operation of our business in China shall strictly obey the laws and regulations of the PRC. This section summarizes the main relevant laws and regulations which impact the key aspects of the industry in which our business operates.

Laws and Regulations Relating to Foreign Investment

In accordance with the Foreign Investment Law of the PRC (the "**Foreign Investment Law**"), which came into force on 1 January 2020, the State applies the administrative system of pre-establishment national treatment plus foreign investment negative list to foreign investment. A foreign investor shall not invest in a field which is prohibited by the negative list and shall meet the investment conditions set out in the list for the purpose of investing in a field restricted by the list. For fields outside of the negative list, investment administration shall be conducted under the principle of equal treatment to domestic and foreign investment. According to the Special Administrative Measures for the Access of Foreign Investment (2021 version) (the "**Negative List**"), which was jointly issued by the MOFCOM and NDRC on 27 December 2021 and became effective on 1 January 2022, our Group which currently provides integrated IT solution does not fall into the Negative List.

Laws and Regulations Relating to Computer Security Products

The Administrative Measures for Testing and Selling License of Special Products Used for the Security of Computer Information Systems (the "**Measures**"), which took effect on 12 December 1997, regulates the testing and selling of special hardware and software used to protect the security of computer information systems (the "**Computer Security Products**"). Under the Measures, the producers shall, before their products come into the market, obtain selling licenses and mark a "Permitted to Sale" label on the products. Any unity or individual is not allowed to sale Computer Security Products that do not have a "Permitted to Sale" label. The Regulations of the PRC on Protecting the Safety of Computer Information Systems which was last amended on 8 January 2011 and the Ministry of Public Security's Response on Punishment of Units that Sell Computer Information System Security Special Products Without Selling License which took effect on 12 March 1999, specify that, those sell Computer Security Products without Selling License or "Permitted to Sale" label may be subject to a warning or a fine up to RMB15,000; in case there is illegal income, additional fine of 1 to 3 times of the illegal income may be imposed and the illegal income will be confiscated.

Laws and Regulations Relating to Network Products, Key Network Equipment and Specialised Cybersecurtiy Products

The Cybersecurity Law of the PRC (the "**Cybersecurity Law**"), which became effective on 1 June 2017, is a law enacted to regulate the construction, operation, maintenance and use of the network within the PRC. Pursuant to the Cybersecurity Law, the key network equipment and specialized cybersecurity products shall, in accordance with the compulsory requirements of relevant national standards, pass the security certification conducted by qualified institutions or meet the requirements of security detection before being sold or provided.

Pursuant to the Cybersecurity Law, network product providers shall meet their obligations as to: (i) shall not install malware; (ii) shall immediately take remedial measures, inform users in a timely manner and report to the competent department in the case when a provider discovers any risk such as security defect and vulnerability of its network products; and (iii) shall continuously provide security maintenance for their products. If any violation of the above obligations occurs, the competent government authority may have the rights to order the provider to take corrective action. And, if the provider refuses to take corrective action or consequences such as endangering cybersecurity are caused, the providers may be subject to a fine up to RMB500,000 and their directly responsible person in charge may be fined for no more than RMB100,000.

Laws and Regulations Relating to Customs, Import and Export

The Foreign Trade Law of the PRC (the "**Foreign Trade Law**"), which was last amended on 7 November 2016 and the Measures for the Filing and Registration of Foreign Trade Business Operators, which was last amended on 10 May 2021, require that foreign trade operators who engage in the import or export of goods or technologies must register in accordance with the rules and obtain the Registration Form of Foreign Trade Business Operators. In accordance with the Customs Law of the PRC (the "**Customs Law**"), which was last amended on 29 April 2021, the Regulation of the PRC on the Administration of the Import and Export of Goods, which took effect on 1 January 2002, and the Provisions of the PRC on the Administration of Recordation of Customs Declaration Entities, which become effective on 1 January 2022, a consignee or consignor of imported/exported goods may make customs declaration by themselves after being filed with the Customs or entrust it to a customs declaration agent which has been filed with the Customs for making declaration.

Laws and Regulations Relating to the Intellectual Property Rights

Trademark Law

Pursuant to the Trademark Law of the PRC (the "**Trademark Law**"), which was last amended on 1 November 2019 and the Regulation on the Implementation of the Trademark Law of the PRC, which was last amended on 1 May 2014, a registered trademark means a trademark that has been approved by and registered with the trademark office, including goods trademarks, service trademarks, collective trademarks and certification trademarks. Twelve months prior to the expiration of the 10-year term, an applicant can renew the application and reapply for trademark protection. A registered trademark is valid for 10 years commencing on the date of registration approval.

Copyright Law and Regulation on Computers Software Protection

According to the Copyright Law of the PRC (the "**Copyright Law**"), which took effect on 1 June 1991 and last amended on 1 June 2021, copyright includes computer software and the Copyright Protection Centre of China provide voluntary register system for copyright. According to the Regulation on Computer Software Protection, which took effect on 1 October 1991 and last amended on 1 March 2013, the software copyright shall exist from the date on which its development has been completed and software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council.

Laws and Regulations Relating to the Labor and Social Insurance

According to the Labor Law of the PRC (the "**Labor Law**"), which became effective on 1 January 1995 and was last amended on 29 December 2018, the employer shall establish and perfect its system for labor safety and sanitation, strictly abide by State rules and standards on labor safety and sanitation, educate labours in labor safety and sanitation, prevent accidents in the process of labor and reduce occupational hazards. Labor safety and sanitation facilities shall meet State-fixed standards.

The Labor Contract Law of the PRC (the "**Labor Contract Law**"), which came into effect on 1 January 2008 and was amended on 1 July 2013, and the Regulation on the Implementation of the Labor Contract Law of the PRC, which became effective on 18 September 2008, stipulate that labor contracts shall be concluded if labor relationships are to be established. An employer and an employee may enter into a fixed-term labor contract, an at-will labor contract or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Contract Law and subsisting within the validity period thereof shall continue to be honoured. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums which was last amended on 24 March 2019, the Regulation on Work Related Injury which was last amended on 1 January 2011, the Regulations on Unemployment Insurance which became effective on 22 January 1999 and the Trial Measures on Employee Maternity Insurance of Enterprises which came into effect on 1 January 1995, Chinese enterprises shall provide their employees with benefit programs including basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration at the local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law which was last amended on 29 December 2018, for employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they fail to do so, employers have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Where an employer fails to pay social insurance premiums in full or on time, the social insurance premium collection agency shall order it to pay or make up the balance within a prescribed time limit and shall impose a daily late fee at the rate of five-ten thousandths of the outstanding amount from the due date; if still failing to pay within the time limit prescribed, a fine of one time to three times the amount in default will be imposed on them by the relevant administrative department.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds which was last amended on 24 March 2019, an enterprise shall make deposit registration of housing provident funds with the housing provident fund management centre and shall, after the housing provident fund management centre has checked the registration, open the housing provident fund account with an entrusted bank for its employees. An enterprise shall, within 5 days of paying wages to an employee each month, remit the housing provident fund deposited by the enterprise and that withheld for the employee into the special housing provident fund account and the entrusted bank shall deposit the said funds into the employee's housing provident fund account. Where an enterprise fails to deposit the housing provident fund within the time limit or under-deposits the fund, it shall be ordered by the housing provident fund management centre to deposit the fund or the deficit within a time limit.

Laws and Regulations Relating to Taxation

Enterprise Income Tax

Under the Enterprise Income Tax Law of the PRC (the "**EIT Law**"), which was last amended on 29 December 2018 and the Regulation on the Implementation of Enterprise Income Tax Law of the PRC, which was last amended on 23 April 2019, resident enterprises are set up in the PRC under the PRC laws or are set up in accordance with the law of the foreign country (region) whose actual administration institution is in the PRC. A resident enterprise shall pay EIT on its income originating from both inside and outside the PRC at an EIT rate of 25%. A withholding tax at the rate of 10% is applicable to dividends payable to investors that are non-resident enterprises (those who do not reside or have a place of business in China or those that reside or have a place of business but to whom the relevant income tax is not actually associated) to the extent such dividends from sources within China unless there is an applicable tax treaty between the jurisdiction of non-resident enterprises and China, which may reduce or provide an exemption for the tax. Similarly, any gain realized on the transfer of shares by such investors is subject to 10% of the PRC income tax rate (or lower treaty rate if applicable) if such gain is regarded as income from sources within China.

Dividend Tax

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, which took effect in the PRC on 1 January 2007 and the Protocol V of it, which came into effect on 6 December 2019, the PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to the PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends.

Value-added Tax

According to the Interim Regulation of the PRC on Value Added Tax (the "**Interim Regulation on Value Added Tax**"), which was last amended on 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulation of the PRC on Value Added Tax, which was last amended on 1 November 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services and the importation of goods within the territory of the PRC shall pay value-added tax. According to the Notice of the State Council on Effectively and Comprehensively Promoting the Pilot Program of Replacing Business Tax with Value-Added Tax, which took effect on 1 May 2016, the pilot practice of levying VAT in lieu of business tax was extended nationwide to the sale of services, intangible assets or property.

City Maintenance and Construction Tax and Educational Surcharges

According to the Notice of the State Council on Extending the Urban Maintenance and Construction Tax and Educational Surcharges from Chinese to Foreign-funded Enterprises, which came into effect on 1 December 2010, since 1 December 2010, the Interim Regulation of the PRC on Urban Maintenance and Construction Tax (the "**Interim Regulation on Urban Maintenance and Construction Tax**") and the Interim Provisions on the Collection of Educational Surcharges (the "**Interim Provisions on Educational Surcharges**") shall apply to foreign-funded enterprises, foreign enterprises and individuals of foreign nationalities. The payment of city maintenance and construction tax is based on the actual amount of consumption tax, VAT and business tax paid by the taxpayers and shall be paid respectively at the same time along with the consumption tax, VAT and business tax. If the location of the taxpayer is in city downtown area, the tax rate shall be 7%; if the location of the taxpayer is in a county or town, the tax rate shall be 5%; the tax rate shall be 1% for taxpayer located out of city downtown area, country or town. the tax rate of education surcharges shall be 3% of the actual amount of consumption tax, VAT and business tax paid by the entities and individuals and paid at the same time respectively along with the VAT, business tax and consumption tax.

Laws and Regulations Relating to Foreign Exchange

In accordance with the Regulation of the PRC on Foreign Exchange Administration (the "**Regulation on Foreign Exchange**"), which was last amended on 5 August 2008, RMB is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless prior approval/registration of the State Administration of Foreign Exchange is obtained. In accordance with the Regulations on the Sale and Purchase of and Payment In Foreign Exchange, which took effect on 1 July 1996, a foreign invested enterprise is allowed to process the sale and purchase of and payment in foreign exchange for capital account items after submitting valid commercial documents and getting approval from the State Administration of Foreign Exchange (the "**SAFE**"). According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, which took effect on 1 June 2015, certain of the aforementioned approval rights of the SAFE are authorised to designated banks.

According to the Notice of the SAFE on Reforming and Regulating the Policies for the Administration of Foreign Exchange Settlement under the Capital Account, which came into effect on 9 June 2016, the settlement of foreign exchange receipts under the capital account (including foreign exchange capital, external debts, funds repatriated from overseas [REDACTED], etc.) entitled to discretionary settlement according to relevant policies, shall be conducted in the banks as actually needed for business operation. The RMB funds obtained by a domestic entity from its discretionary settlement of foreign exchange receipts under the capital account shall be included in the account pending for foreign exchange settlement and payment. The discretionary exchange settlement ratio of foreign exchange receipts under the capital account of domestic entities is tentatively set as 100%. The SAFE may adjust the above ratio in due time in accordance with the balance of international payment status. Foreign exchange receipts under the capital account of domestic entities and its capital in RMB obtained from foreign exchange settlement shall not be directly or indirectly used for payments outside its business scope.

MACAU LAWS AND REGULATIONS

Laws and regulations in relation to the activities of trading, installation and maintenance services of computer software and hardware

Under the Macau law, there is no special regulation governing the trading, installation and maintenance services of computer software and hardware.

However, pursuant to article 85 of the Macau Commercial Code, product importers and, in the case that there is no Macau manufacturer or importer, the retailers shall be liable to the damages as incurred due to the defects of the products that they import or retail from the perspective of civil compensation.

Moreover, pursuant to article 6 of the Administrative Regulation no. 17/2008 dated 7 July 2007 on product safety, distributors of products are obligated to:—

(i) Refrain from distributing unsafe products that distributors are aware of or should be aware of, due to professional reasons or information that the distributors possess;

(ii) Contribute, within the scope of the respective activity, to the safety control of products as placed on the market, namely, providing consumers with all information about the risks;

(iii) Promote and collaborate in actions developed to eliminate the risks of products, namely, removal of the products from the market; and

(iv) Deliver a sample of the product for safety test, as requested by the competent entity.

Laws and regulations in relation to Importation

Importation

In Macau, the importation and exportation of commercial products are mainly regulated by the Law no. 7/2003 dated 12 June 2003, also known as External Commerce Law (the "**ECL**").

In accordance with article 9 paragraph 1 item (2) of ECL and Schedule II Table B (Importation Table) ("**Importation table**") as approved by the Dispatch of the Chief Executive no. 487/2016 dated 15 December 2016, importation of computer software and hardware is not subject to importation license of the Macau Economic and Technological Development Bureau.

However, for the importation of products which are out of the list of Importation Table (including computer software and hardware), the importation of such product is not subject to importation license, but it is required, pursuant to article 10 of ECL, to submit an importation/exportation declaration to Macau Custom in the case that:—

(i) the value of importation is higher than five thousand Macau Patacas (MOP$5,000.00); or

(ii) such particular importation is part of a whole importation activity with value higher than five thousand Macau Patacas (MOP$5,000.00) although the value of such particular importation is less than five thousand Macau Patacas (MOP$5,000.00).

In either the application of importation license or importation/exportation declaration, it is required to submit the following documents to the Macau Custom, for clearance, on the receipt day of the related goods in Macau:

(i) Importation license or importation/exportation declaration;

(ii) Bill of lading;

(iii) Identity document of the applicant/importer;

(iv) Invoice;

(v) List of goods; and

(vi) Power of attorney (in case that the goods taker is not the approved importer).

Laws and regulations in relation to labour

The labor legal framework of Macau is regulated by Law no. 7/2008 dated 18 August 2008 ("**Law no. 7/2008**") and the regime of hiring non-resident workers is governed by Law no. 21/2009 dated 27 October 2009 ("**Law no. 21/2009**").

Pursuant to article 17 of Law no. 7/2008, employment of a local adult is not subject to written form and can be made by verbal contract. However, under the Macau labour laws, a fixed-term employment is an exceptional regime based on the temporary necessity of the enterprise subject to written contract in which the rationale of temporary necessity must be specified.

Furthermore, the remuneration of employees must be paid by the legal tender of Macau, i.e. the Macau Patacas.

Pursuant to Decree Law no. 40/95/M dated 14 August 1995, it is mandatory for employer to insure labour insurance against the occupation accidents and diseases of the employees under the consolidated policy as set forth in the Order no. 237/95/M dated 14 August 1995.

Regarding the working environment, an employer must comply with the rules provided under the Decree Law no. 37/89/M, in order to provide a safe and clean working environment for its employees. Failure to comply with those rules may result in the application of fines to the employer, according to the provisions set out by Decree Law no. 13/91/M (the "**Sanctions for the Incompliance of Regulation on Occupational Safety and Hygiene in Commercial Establishment office and Labor Establishments**").

Moreover, our Group must comply with the rules provided under Law no. 4/2010, which defines social security system and retirement pension. All employers who maintain employment relationships shall make registration with society security fund and make contribution therefore.

Regarding the employment of non-residents, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of non-resident workers is subject to strict regulations as prescribed under Law no. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers.

A standardised condition or burdens of permitting the employment of non-resident workers are set out in Administrative Regulation no. 13/2010, which includes, regular body check, designated working locations, compliance with the minimum number of resident workers hired, acceptance for reassessment on the allowed number of non-resident workers and other conditions and burdens as the approval authority may require.

Non-compliance with the Law no. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a certain period of time.

Tax issues

Industrial Tax

Pursuant to the Regulation of Industrial Tax, as approved by Law No. 15/77/M dated 31 December 1977, all entities who exercise any commercial or industrial activities are subject to the Industrial Tax.

Industrial Tax is charged every year based on the fixed rates of the activities as stated in the General Table of Activities as annexed in the same Regulation of Industrial Tax.

However, most of the items subject to Industrial Tax were waived by Macau government in recent years by the budget legislation of each year.

Complementary Income Tax

The Complementary Income Tax shall be considered as profit tax in commercial or industrial activities which charges on the actual profit or estimated profit of the taxpayer pursuant to the article 4 of the Regulation of Complementary Income Tax, as approved by Law no. 21/78/M dated 9 September 1978.

Taxpayers of Complementary Income Tax are classified as either Group A or Group B.

Group A taxpayers are those entities (i) with capital not less than one million Macau Patacas (MOP$1,000,000.00); (ii) average taxable profits in three consecutive years of over one million thousand Macau Patacas (MOP1,000,000.00); or (iii) requesting to change to Group A from Group B by declaration. Besides the above, all other taxpayers are under Group B.

For the Group A taxpayer, the Complementary Income Tax is assessed based on its actual profit and each of the Group A taxpayers, along with a licensed accountant/auditor, is required to submit the following documents to the Macau Financial Bureau within April to June each year:

- Income declaration under the given tax form;
- Copy of the meeting minutes approving the accounts;
- Copies of consolidated balance sheet and profit and loss account in accordance with the Official Plan of Accounting;
- Worksheets due to adjustments and the trial balance;
- Depreciation schedule under the given tax form;
- Usage of reserve fund under the given tax form;
- Supporting documents of bad debts; and
- Technical report in relation to inventory value and the criteria of valuation, general administrative costs and other necessary information for determining the taxable profits.

Group B taxpayer is not required to engage a licensed accountant/auditor nor submit the aforementioned mandatory documents that a Group A taxpayer is required to submit for tax reporting. However, a Group B taxpayer is still required to report its profit or deficit within February to March each year. The Macau Financial Bureau shall determine the estimate profit based on the type and performance of the industry that the taxpayer practices and other factors that the same authority thinks relevant and shall issue the taxpayer an assessment letter in which the estimated profit and the tax amount will be stated on July of the respective year. Should the Group B taxpayer accept the estimate profit and pay the tax amount, the tax duties shall be complied with.

During the Track Record Period, Multisoft (Macau) Limited is a Group B taxpayer under the Complementary Income Tax.

Legal Proceedings

The companies are generally subject to set-off, lawsuit, judgment, judicial proceedings, execution, attachment and other legal process in Macau and are not entitled to claim immunity or privilege with respect to themselves and any of its assets or properties on the grounds of sovereignty or otherwise in Macau.

U.S. LAWS AND REGULATIONS

U.S. export controls regulations

The U.S. export control regime consists primarily of two sets of regulations: the International Traffic in Arms Regulations (22 CFR Parts 120-130) ("**ITAR**"); and the Export Administration Regulations (15 CFR Parts 730-774) ("**EAR**").

The EAR is administered by the BIS. The EAR regulates commercial items, military items, and dual-use items that are not controlled under the ITAR. All items located in the U.S. and foreign made items containing more than a de minimis amount of controlled U.S. content are considered "subject to the EAR". The Commerce Control List ("**CCL**") defines items subject to heightened export controls in 10 categories and, within each category, according to numerous ECCNs. Depending on the ECCN, the corresponding reasons for control, the country of destination, the end-user, and the intended end use, a BIS license may be required to authorise the export, reexport, or transfer (in-country) of items controlled under the EAR. For certain ECCNs, a license exception ("**License Exception**") may authorise the export, reexport, or transfer (in-country) of items that would otherwise require a BIS license. These license exceptions are found in Export Administration Regulations (15 CFR Part 740).

When determining whether a BIS license is required for the export, reexport, or transfer (in-country) of items controlled by a specific ECCN, it is necessary to determine the specific reasons for control listed in the particular ECCN, as well as the country of destination for the item. For example, items controlled under ECCN 5A002 list the following reasons for control: National Security ("**NS**") Column 1; Antiterrorism ("**AT**") Column 1; and Encryption Item ("**EI**"). Thus, in determining whether a BIS license is necessary to export, reexport, or transfer (in-country) a 5A002 item, it is necessary to look at the Commerce Country Chart (Supp. No. 1 to Part 738) to see if there is an "X" marked in the cell next to the country of destination for any of the corresponding reasons of control listed in ECCN 5A002. Because Hong Kong, PRC, and Macau all have an "X" marked in NS Column 1 on the Commerce Country Chart, a BIS license would normally be required for the export, reexport, or transfer (in-country) of items controlled under 5A002. However, items controlled under ECCN 5A002 are eligible for License Exception Encryption Commodities, Software and Technology ("**ENC**") (section 740.17), which authorises the export, reexport, and transfer of, among other things, items classified under ECCN 5A002 to most countries.

Paragraph (b) of License Exception ENC authorises the export, reexport, or transfer of certain encryption items subject to the terms of paragraphs (b)(1), (b)(2), and (b)(3). Paragraphs (b)(1) and (b)(3) both authorise the export, reexport, and transfer of certain ECCN 5A002 items to any end user, subject to the requirements found elsewhere in the EAR prohibiting the export, reexport, or transfer to certain end users or end uses. Paragraph (b)(2) creates a strict liability standard for certain items being exported, reexported, or transferred pursuant to paragraph(b)(2) of License Exception ENC, such that, for certain items that are destined for certain countries, the end user of the item must be either a "less sensitive government end user" or "non-government end user."

As stated above, items that are of U.S.-origin, or foreign-made items that incorporate more than a de minimis amount of controlled U.S. content are subject to the EAR. For example, all items located in the U.S. that are exported to foreign parties located outside the U.S. must comply with the EAR. Further, once those items have been exported from the U.S. to a foreign party, the EAR's export controls continue to follow the item. In practice, this means that a foreign party that receives an item that is subject to the EAR must ensure that any subsequent reexports or transfers also comply with the EAR.

While our Company and our operating subsidiaries, TriTech and Multisoft, are not U.S. entities, our Company nevertheless is responsible for ensuring that the reexport or transfer of any items that are subject to the EAR comply with the terms of the EAR. While we are not responsible for how the items were exported from the U.S. to Hong Kong, TriTech and Multisoft are responsible for how those items are reexported to PRC or Macau or transferred within (i.e. change in end use or end-user of an item within) Hong Kong, in particular with the relevant paragraphs of License Exception ENC pursuant to which the export, reexport or transfer (in-country) of such items are authorised. The consequences of violating the EAR include civil monetary penalties, criminal penalties, or other sanctions as prescribed by the EAR. Additionally, sanctions can be applied such as an export denial order or being designated to the US restricted party lists. Because the requirements of the EAR follow any items which are subject to the EAR, both the US exporter and any non-US persons who subsequently export, reexport, or transfer the items are responsible for complying with the EAR. Any penalties that would be imposed on the parties to a transaction, both US and non-US persons, would depend on the specific facts and circumstances of any violation.

The Final Rule published by BIS in the Federal Register on 31 July 2020 (the "**July 2020 Final Rule**") regarding the suspension of license exceptions for Hong Kong amended the EAR to suspend the availability of certain license exceptions for exports and reexports to Hong Kong, and transfers within Hong Kong of all items subject to the EAR that provided differential treatment from the license exceptions available to the PRC. Specifically, the July 2020 Final Rule suspended 13 license exceptions to the extent that they previously allowed exports or reexports to or from Hong Kong, or transfers within Hong Kong, when they may not be used for exports or reexports to the PRC, or transfers within the PRC. More recently, BIS published a Final Rule on 23 December 2020 (the "**December 2020 Final Rule**") that removed Hong Kong as a separate destination under the EAR, and folds it into the PRC for purposes of export licensing requirements. Now, items subject to the EAR that are destined for Hong Kong are subject to the same licensing requirements as those items destined for the PRC.

Our Company has consulted our U.S. legal advisers to advise on laws relating to U.S. export controls regulations to assess the impact on us as importer of items classified as ECCN 5A002. Having taking into account our U.S. legal advisers' views, as License Exception ENC was not one of the 13 license exceptions that was suspended for exports or reexports to or from Hong Kong, or for transfers within Hong Kong and items classified as ECCN 5A002 continue to be eligible for License Exception ENC after BIS published the July 2020 Final Rule and the December 2020 Final Rule eliminating Hong Kong as a separate destination from the PRC, our Directors expect that by virtue of the continued availability of License Exception ENC, the latest revised control by the July 2020 Final Rule and the December 2020 Final Rule do not have any material adverse impact on our import of encryption products from the U.S..

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Act on 24 July 2020 in preparation for the [REDACTED] and is the holding company of our Group. Our Company was incorporated as part of our Reorganisation, the details of which are set out in the paragraph headed "Reorganisation" below in this section.

Following the Reorganisation, immediately prior to the [REDACTED] and the [REDACTED], our Company is owned as to 90% by Ip Group and 10% by IPW Group. Both Ip Group and IPW Group are wholly owned by Mr. Charlie Ip. For further details on the shareholding structure of our Group companies and our Company, please see the paragraph headed "Corporate History and Shareholding Changes of the Members of our Group" below in this section.

Immediately following the completion of the [REDACTED] and 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 hold [REDACTED] and [REDACTED] of the enlarged issued share capital of our Company respectively.

BUSINESS DEVELOPMENT

History and origin

The history of our Group can be traced back to 2006 when Multisoft was established as a reseller to provide SI solutions to end-users in Hong Kong. In 2012 and 2013, Multisoft WFOE and Multisoft Macau were established in the PRC and Macau respectively to expand our SI solutions business into the PRC and Macau markets and to facilitate our business with customers in the PRC and Macau. Leveraging on our technical expertise gained and the reseller's network established in our SI solutions business, TriTech was incorporated in 2014 as a value-added distributor to help our IT products vendors to build up a customer network in the local market and to distribute IT products to our customers which resellers in the IT industry. The Group (comprising the subsidiaries of the Company at the relevant time) was established by Mr. Charlie Ip with his own funds.

Business Milestones

Set below are the milestones in our business and corporate development:

Year	**Milestone**
2006	Multisoft was incorporated for the provision of SI solutions to end-users in Hong Kong
2009	We held our first Solution Day, an innovative large-scale event coordinating IT products vendors, IT architects and end-users in promoting IT awareness and the latest industry trend

2012	Multisoft WFOE was incorporated in the PRC to expand our SI solutions business into the PRC market and to facilitate our business with customers in the PRC
2013	Multisoft Macau was incorporated in Macau to expand our SI solution business into Macau market and to facilitate our business with customers in Macau
2014	Leveraging on the technical expertise gained and the reseller's network established in our SI solutions business, TriTech was incorporated to engage in the distribution of IT products to resellers in Hong Kong as a value-added distributor
	We held our first Distribution Channel Party, an innovative large-scale event gathering resellers to share and promote information on the latest IT products available in the market
2015	We were awarded the Gold Midmarket Solution Provider by Microsoft
2016	We were awarded the Best Gold Partner by Sangfor
2017	We were accepted by the Government as an approved contractor for supplying network products and enterprise server systems and has remained since then
	We were awarded the Best Distributor by Sangfor and had been awarded the same for two consecutive years in 2018 and 2019
2018	We were awarded the FY18 Top VAR Award by Microsoft
	We became a registered partner of Alibaba Cloud (Singapore) Private Limited
	We were awarded the VMware FY18 Partner of the Year — vSAN by VMware
	We became an authorised distributor of Malwarebytes
	We were engaged by the subsidiary of one of the largest listed PRC-based technology companies specialising in e-commerce and retail in the world on its full scale network revamp project
	We were engaged by a listed Hong Kong-based financial services institution for its project on setting up two-steps verification

2019	We were awarded the Premier Solution Partner, FY19 Partner of the Year and FY19 Outstanding Marketing Award by VMware
	We were awarded the FY18 The Highest Growth VAD by Micro Focus
	We were awarded the Ruijie Cloud Loyalty Partner Award 2019 by Ruijie
	We were awarded the Business Partner — Gold by Lenovo and had been awarded the same for two consecutive years
	We were awarded the Fujitsu Platform Product Partner of the Year FY2018 and ETERNUS Storage Growth Partner of the Year FY2018 by Fujitsu and had been awarded the same for two consecutive years
2020	We became a Direct Cloud Solution Provider of Microsoft
	We were engaged by Tricor for its project on developing a new eIPO mobile application (i.e. the **IPO App**)
	We were engaged by the subsidiary of a listed PRC-based commercial bank for its project on revamping WiFi access point for more than 190 of its Hong Kong branch offices

CORPORATE HISTORY AND SHAREHOLDING CHANGES OF THE MEMBERS OF OUR GROUP

Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on 24 July 2020 with an authorised share capital of HK$10,000 divided into 1,000,000 Shares of HK$0.01 each.

On the date of incorporation, one Share was allotted and issued to the initial subscribing shareholder who transferred the one issued Share at par to Mr. Charlie Ip, and 99 Shares were allotted and issued at par and credited as fully paid to Mr. Charlie Ip. On 30 July 2020, Ip Group acquired 70 Shares from Mr. Charlie Ip and IPW Group acquired 30 Shares from Mr. Charlie Ip. On 31 July 2020, 200 Shares were allotted and issued to Ip Group at par and credited as fully paid.

As a result of the Reorganisation, our Company became the holding company of our Group with our business being conducted through our subsidiaries. For more details, please refer to the paragraph headed "Reorganisation" in this section.

Our subsidiaries as at the Latest Practicable Date

Multisoft BVI

Multisoft BVI was incorporated under the laws of the BVI with limited liability on 24 July 2020 and was authorised to issue a maximum of 50,000 shares of par value of HK$1 each. On the date of incorporation, one ordinary share of HK$1 each in Multisoft BVI was allotted and issued to Mr. Charlie Ip credited as fully paid. On 29 July 2020, one further ordinary share of HK$1 each in Multisoft BVI was allotted and issued to Mr. Charlie Ip credited as fully paid. On 31 July 2020, two ordinary shares of HK$1 each in Multisoft BVI were transferred by Mr. Charlie Ip to the Company in consideration of the allotment and issue of 100 Shares by the Company to Ip Group at the direction of Mr. Charlie Ip.

Following the completion of our Reorganisation, Multisoft BVI became a direct wholly-owned subsidiary of our Company. For more details, please refer to the paragraph headed "Reorganisation" in this section. Multisoft BVI is an investment holding company.

TriTech BVI

TriTech BVI was incorporated under the laws of the BVI with limited liability on 24 July 2020 and was authorised to issue a maximum of 50,000 shares of a par value of HK$1 each. On the date of incorporation, one ordinary share of HK$1 each in TriTech BVI was allotted and issued to Mr. Charlie Ip credited as fully paid. On 29 July 2020, one further ordinary share of HK$1 each in TriTech BVI was allotted and issued to Mr. Charlie Ip credited as fully paid. On 31 July 2020, two ordinary shares of HK$1 each in TriTech BVI were transferred by Mr. Charlie Ip to the Company in consideration of the allotment and issue of 100 Shares by the Company to Ip Group at the direction of Mr. Charlie Ip.

Following the completion of our Reorganisation, TriTech BVI became a direct wholly-owned subsidiary of our Company. For more details, please refer to the paragraph headed "Reorganisation" in this section. TriTech BVI is an investment holding company.

Multisoft

Multisoft was incorporated in Hong Kong with limited liability on 18 December 2006 with authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. All the 10,000 ordinary shares were beneficially owned by Mr. Charlie Ip.

On 29 July 2020, Mr. Charlie Ip transferred 10,000 ordinary shares in Multisoft, representing the entire issued share capital of Multisoft that he held, to Multisoft BVI at the consideration of approximately HK$17.1 million, which was determined with reference to the unaudited net asset value of Multisoft as at 31 May 2020 and settled by the allotment and issue of one ordinary share of HK$1 each in Multisoft BVI credited as fully paid to Mr. Charlie Ip, who subsequently transferred his entire interest in Multisoft BVI to our Company.

Following completion of our Reorganisation, Multisoft became an indirect wholly-owned subsidiary of our Company. For more details, please refer to the paragraph headed "Reorganisation" in this section. Multisoft is our operating subsidiary in Hong Kong and principally engaged in the business of provision of SI solutions to end-users enterprises in Hong Kong.

TriTech

TriTech was incorporated in Hong Kong with limited liability on 28 February 2014 with authorised share capital of HK$10,000 divided into 10,000 shares of HK$1 each. All the 10,000 ordinary shares were beneficially owned by Mr. Charlie Ip.

On 29 July 2020, Mr. Charlie Ip transferred 10,000 ordinary shares in TriTech, representing the entire issued share capital of TriTech that he held, to TriTech BVI at the consideration of approximately HK$28.9 million, which was determined with reference to the unaudited net asset value of TriTech as at 31 May 2020 and settled by the allotment and issue of one ordinary share of HK$1 each in TriTech BVI credited as fully paid to Mr. Charlie Ip, who subsequently transferred his entire interest in TriTech BVI to our Company.

Following completion of our Reorganisation, TriTech became an indirect wholly-owned subsidiary of our Company. For more details, please refer to the paragraph headed "Reorganisation" in this section. TriTech is our operating subsidiary in Hong Kong and principally engaged in the business of distribution of IT products to resellers in Hong Kong as a value-added distributor.

MTS Group

MTS Group was incorporated in Hong Kong with limited liability on 17 January 2012 with authorised share capital of HK$10,000 divided into 10,000 ordinary shares of HK$1 each. All the 10,000 ordinary shares were beneficially owned by Mr. Charlie Ip. On 6 April 2018, for the purpose of streamlining the corporate structure to rationalise the business of the Group, Mr. Charlie Ip transferred the 10,000 ordinary shares owned by him in MTS Group to Multisoft at a consideration of HK$10,000 calculated with reference to par value of the shares.

Following completion of our Reorganisation, MTS Group became an indirect wholly-owned subsidiary of our Company. For more details, please refer to the paragraph headed "Reorganisation" in this section. MTS Group is an investment holding company.

Multisoft Macau

Multisoft Macau was incorporated under the laws of Macau on 4 December 2013 with an equity capital of MOP$25,000. All the two shares, corresponding to the total equity capital in Multisoft Macau were beneficially owned by Mr. Charlie Ip. On 13 April 2018, for the purpose of streamlining the corporate structure to rationalise the business of the Group, (i) one share, corresponding to 50% of the total equity capital of Multisoft Macau was transferred to Multisoft at the consideration of MOP$12,500 calculated based on nominal value of the equity capital of Multisoft Macau; and (ii) one share, corresponding to 50% of the total equity capital of Multisoft Macau was transferred to MTS Group at the consideration of MOP$12,500 calculated based on nominal value of the share capital of Multisoft Macau. As a result of the transfer, Multisoft and MTS Group each held as to 50% in the share capital of Multisoft Macau.

Following completion of our Reorganisation, Multisoft Macau became an indirect wholly-owned subsidiary of our Company. For more details, please refer to the paragraph headed "Reorganisation" in this section. Multisoft Macau is our operating subsidiary in Macau and principally engages in the trading of computer softwares and hardwares, installation and maintenance services.

Multisoft WFOE

Multisoft WFOE was established under the laws of the PRC on 5 July 2012 with an initial registered capital of HK$500,000 which has been fully paid up by MTS Group. In July 2014, the registered capital of Multisoft WFOE was increased to HK$1,000,000 which has been fully paid up by MTS Group.

Following completion of our Reorganisation, Multisoft WFOE became an indirect wholly-owned subsidiary of our Company. For more details, please refer to the paragraph headed "Reorganisation" in this section. Multisoft WFOE is our operating subsidiary in the PRC and principally engages in the sale, import and export of computer softwares, hardwares and peripheral products, installation and maintenance services for computer application systems in the PRC.

Disposed subsidiary during the Track Record Period

MTSM

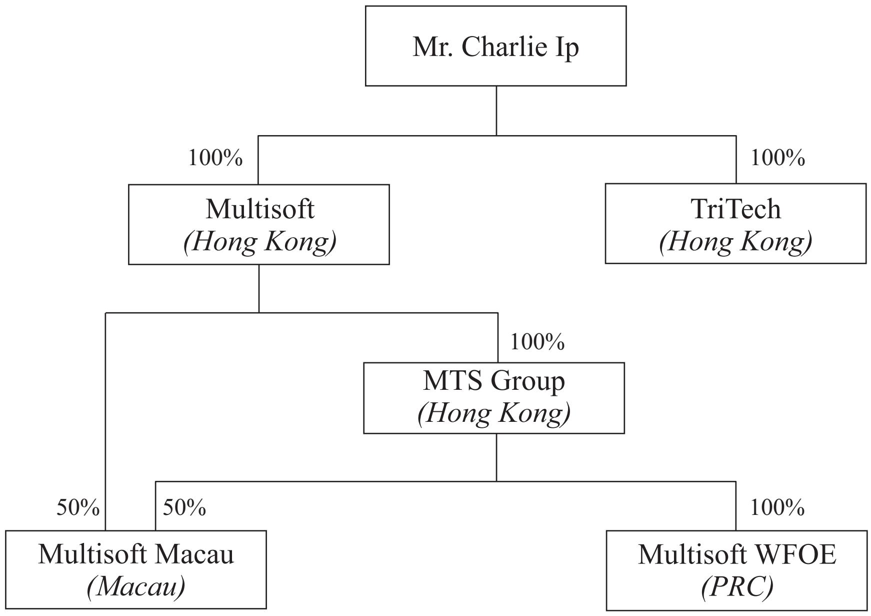
MTSM was incorporated under the laws of Hong Kong on 14 January 2015 and was a wholly-owned subsidiary of MTS Group before its disposal on 6 April 2018. MTSM, together with its wholly-owned subsidiary, Wefi Limited, was principally engaged in the provision of marketing services.

With a purpose to streamline the corporate structure to rationalise the business of the Group, in particular to focus our resources on the distribution and SI solutions businesses, on 6 April 2018, MTS Group disposed to Mr. Charlie Ip its 100% equity interest in MTSM at a cash consideration of HK$10,000 which was determined based on the nominal value of the total issued share capital of MTSM. The disposal was properly and legally completed and settled on the same day. As a result of the disposal, MTSM became wholly-owned by Mr. Charlie Ip and ceased to be part of our Group. In addition, the operation of the provision of marketing services carried out during the Track Record Period had been classified as discontinued operations in the Accountant's Report so to provide a more appropriate presentation. Please refer to the section headed "Financial Information – Disposal of subsidiaries" and note 12 "Disposal of subsidiaries" to the Accountants' Report as set out in Appendix I to this document for further details of the disposal of MTSM.

Save as disclosed above and save as pursuant to the Reorganisation, there has been no major shareholding change in respect of our Group during the Track Record Period.

GROUP STRUCTURE PRIOR TO OUR REORGANISATION

The corporate structure and shareholding structure immediately prior to the commencement of the Reorganisation is set out as below:



REORGANISATION

Our Group underwent the Reorganisation steps to rationalise our Group structure in preparation for the [REDACTED] and the major steps of our Reorganisation are summarised as follows:

(a) Incorporation of Multisoft BVI and TriTech BVI

On 24 July 2020, Multisoft BVI was incorporated under the laws of the BVI with limited liability and was authorised to issue a maximum of 50,000 ordinary shares of a par value of HK$1 each. Upon incorporation, one ordinary share of Multisoft BVI was allotted and issued at par and credited as fully paid to Mr. Charlie Ip.

On 24 July 2020, TriTech BVI was incorporated under the laws of the BVI with limited liability and was authorised to issue a maximum of 50,000 ordinary shares of a par value of HK$1 each. Upon incorporation, one ordinary share of TriTech BVI was allotted and issued at par and credited as fully paid to Mr. Charlie Ip.

(b) Incorporation of Company

On 24 July 2020, our Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability to act as the holding company of our Group. The initial authorised share capital of our Company was HK$10,000 divided into 1,000,000 Shares of HK$0.01 each.

On the date of incorporation, one Share was allotted and issued at par and credited as fully paid to the initial subscribing shareholder, which is an independent third party. On the same day, the initial subscribing shareholder transferred the one issued Share at par to Mr. Charlie Ip. On the same day, 99 Shares were allotted and issued at par and credited as fully paid to Mr. Charlie Ip.

(c) Incorporation of Ip Group and IPW Group

On 24 July 2020, Ip Group was incorporated under the laws of the BVI with limited liability and was authorised to issue a maximum of 50,000 ordinary shares of a par value of HK$1 each. Upon incorporation, one ordinary share of Ip Group was allotted and issued at par and credited as fully paid to Mr. Charlie Ip.

On 28 July 2020, IPW Group was incorporated under the laws of the BVI with limited liability and was authorised to issue a maximum of 50,000 ordinary shares of a par value of HK$1 each. Upon incorporation, one ordinary share of IPW Group was allotted and issued at par and credited as fully paid to Mr. Charlie Ip.

(d) Transfer of the entire issued share capital of Multisoft to Multisoft BVI and transfer of the entire issued share capital of TriTech to TriTech BVI

On 29 July 2020, Multisoft BVI acquired 10,000 ordinary shares in Multisoft, representing the entire issued share capital of Multisoft from Mr. Charlie Ip, at a consideration of approximately HK$17.1 million, which was determined with reference to the unaudited net asset value of Multisoft as at 31 May 2020 and settled by the allotment and issue of one ordinary share of Multisoft BVI to Mr. Charlie Ip.

On 29 July 2020, TriTech BVI acquired 10,000 ordinary shares in TriTech, representing the entire issued share capital of TriTech from Mr. Charlie Ip, at a consideration of approximately HK$28.9 million, which was determined with reference to the unaudited net asset value of TriTech as at 31 May 2020 and settled by the allotment and issue of one ordinary share of TriTech BVI to Mr. Charlie Ip.

(e) Transfer of 70% issued share capital of our Company to Ip Group and transfer of 30% issued share capital of our Company to IPW Group

On 30 July 2020, Ip Group acquired 70 Shares, representing 70% of the issued share capital of our Company from Mr. Charlie Ip, in consideration of Ip Group allotting and issuing one ordinary share in Ip Group credited as fully paid to Mr. Charlie Ip.

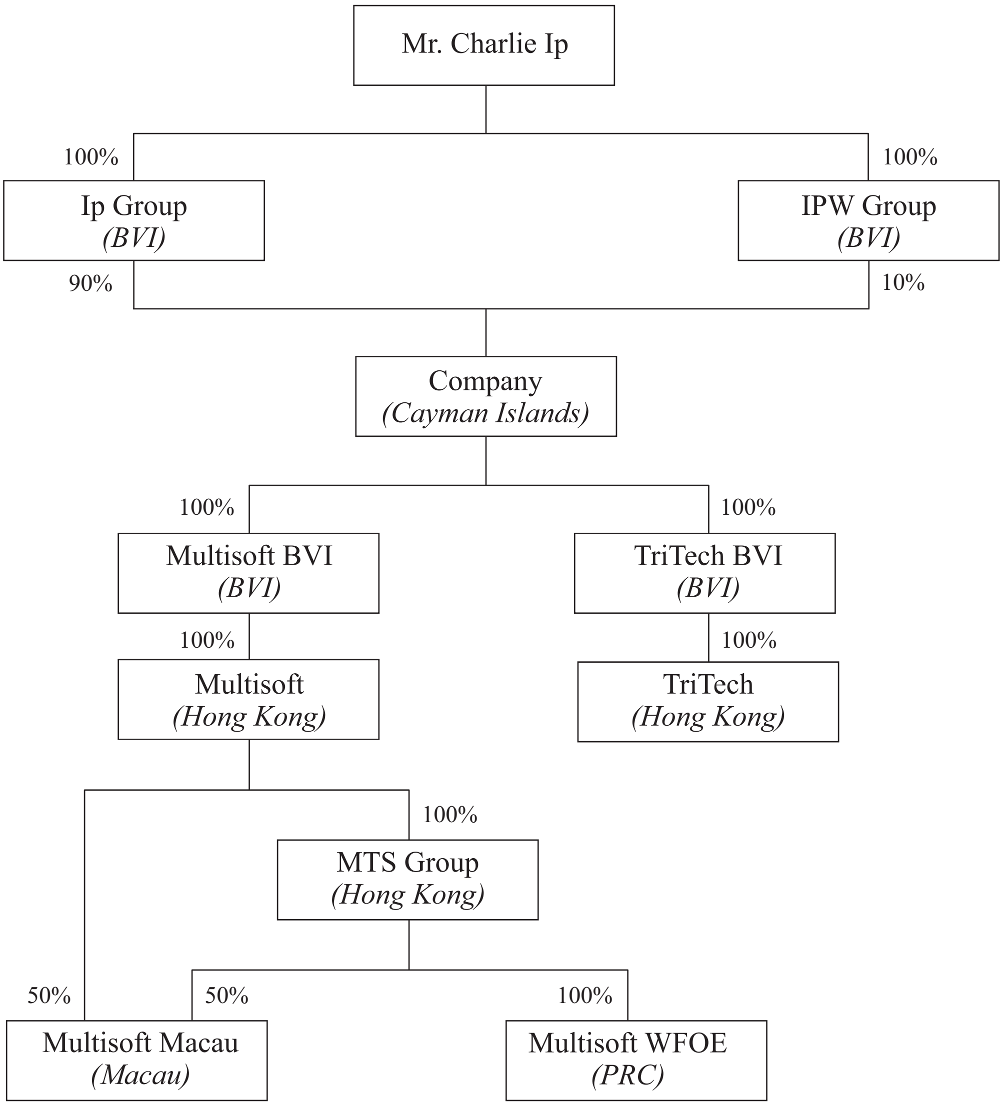
On 30 July 2020, IPW Group acquired 30 Shares, representing 30% of the issued share capital of our Company from Mr. Charlie Ip, in consideration of IPW Group allotting and issuing one ordinary share in IPW Group credited as fully paid to Mr. Charlie Ip.

(f) Transfer of the entire issued share capital of Multisoft BVI to our Company and transfer of the entire issued share capital of TriTech BVI to our Company

On 31 July 2020, our Company acquired two ordinary shares in Multisoft BVI, representing all the issued shares of Multisoft BVI from Mr. Charlie Ip, in consideration of our Company allotting and issuing 100 Shares credited as fully paid to Ip Group at the direction of Mr. Charlie Ip.

On 31 July 2020, our Company acquired two ordinary shares in TriTech BVI, representing all the issued shares of TriTech BVI from Mr. Charlie Ip, in consideration of our Company allotting and issuing 100 Shares credited as fully paid to Ip Group at the direction of Mr. Charlie Ip.

The corporate structure of our Group immediately after completion of the Reorganisation but before the [REDACTED] and the [REDACTED] is set out as below:

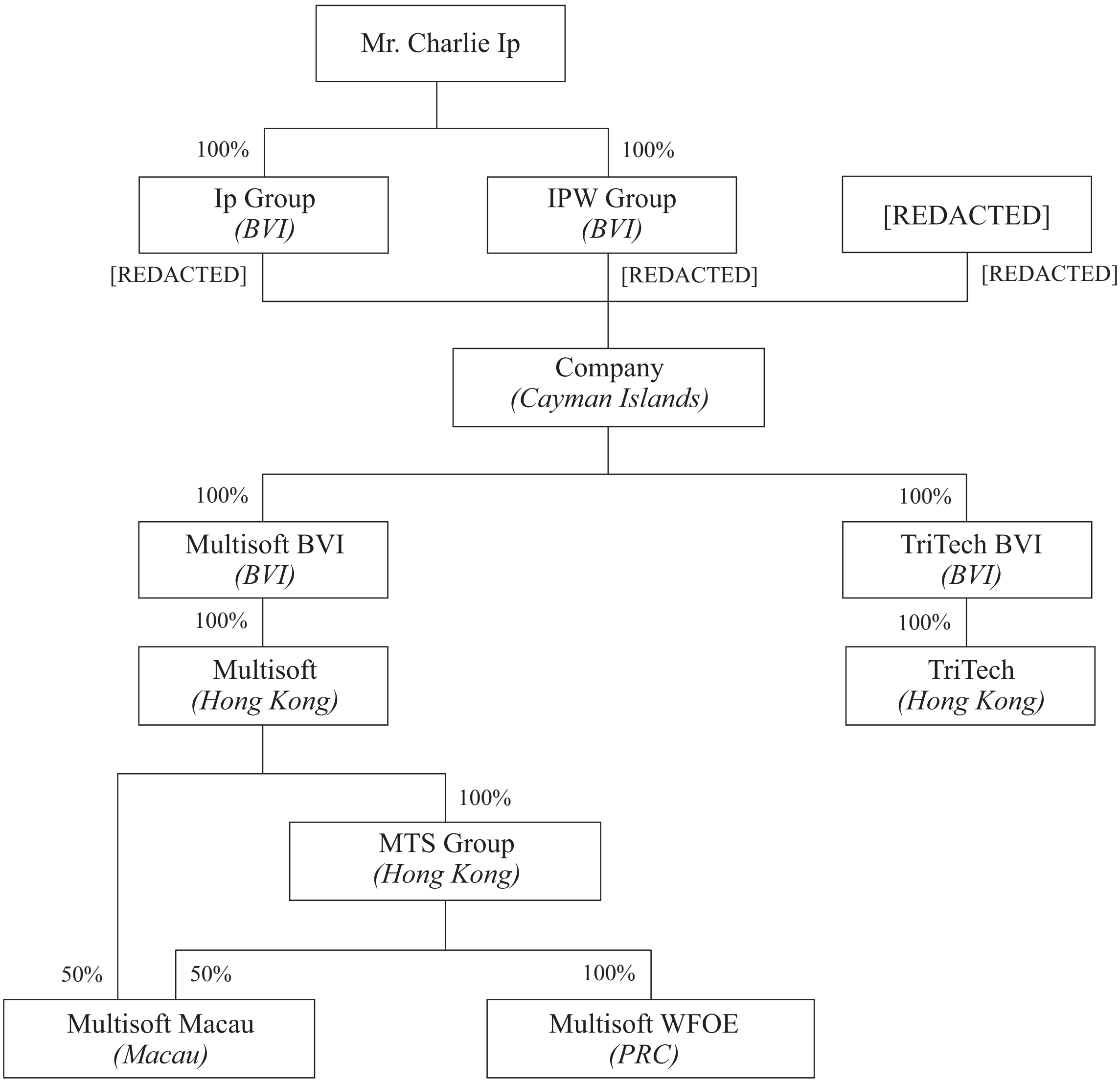


CORPORATE STRUCTURE IMMEDIATELY FOLLOWING COMPLETION OF THE [REDACTED] AND [REDACTED]

Conditional upon the share premium account of our Company being credited as a result of the [REDACTED], our Directors are authorised to capitalise a sum of HK$[REDACTED] standing to the credit of the share premium account of our Company and apply such amount in paying up in full at par for [REDACTED] and issue a total of [REDACTED] Shares (including the [REDACTED]) to holders of Shares whose names appear on the register of members of our Company at the close of business on a date prior to the [REDACTED] (or such other time as our Directors may direct) in proportion to their respective shareholdings in our Company (as nearly as possible without fractions) so that the number of Shares so allotted and issued (excluding the [REDACTED] so allotted and issued), when aggregated with the number of Shares already owned by them, will constitute not more than [REDACTED] of the entire issued shares in our Company immediately after completion of the [REDACTED] and 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). As a result of the [REDACTED], Ip Group holds [REDACTED] Shares (including the [REDACTED]) and IPW Group holds [REDACTED] Shares.

Immediately after the [REDACTED] and [REDACTED] (without taking into account any Shares that may be allotted and issued upon exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme), Ip Group, IPW Group and the [REDACTED] will hold [REDACTED], [REDACTED] and [REDACTED] respectively, of the enlarged issued share capital of our Company.

The corporate structure of our Group immediately after completion of the [REDACTED] Issue and [REDACTED] (without taking into account any Shares that may be allotted and issued upon exercise of the [REDACTED] and any option which may be granted under the Share Option Scheme) is set out as below:



OVERVIEW

We are a vertically integrated IT solutions provider established in Hong Kong, primarily engaged in distribution of IT products in Hong Kong and provision of SI solutions in Hong Kong, the PRC and Macau. In the value chain of the IT industry, we vertically operate in both (i) distribution business as an authorised distributor sourcing IT products from IT products vendors and distributing to down-stream resellers; and (ii) SI solutions business as an SI solutions provider procuring IT products from authorised distributor, integrating into customised SI solutions and reselling to end-users. Due to the distinctiveness of the two segments, we conduct our distribution business and SI solutions business through two different tradenames, namely TriTech and Multisoft, respectively.

According to the Ipsos Report, there are approximately 2,000 SI solutions providers in the IT industry in Hong Kong and less than ten companies are operating a vertically integrated business model by engaging in both SI solutions and distribution businesses. Having considered the synergy and benefits enjoyed by our Group, Ipsos is of the view that our vertically integrated business model is rare and unique and is intrinsically different from the traditional SI model or traditional distribution model engaged by most of the market players in the IT industry in Hong Kong. We take pride in our vertically integrated business model encompassing both distribution and SI solutions businesses, which enables us to capture the business opportunities in the whole value chain of the IT industry and thereby distinguishes us from other competitors.

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

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

We began our SI solutions business in 2006 when Multisoft was established as a reseller to provide SI solutions to end-users in Hong Kong. Our SI solutions mainly include (i) IT infrastructure solutions services encompassing data communication and systems infrastructure, cyber security and digital transformation; and (ii) IT maintenance and support services. As a solutions-driven reseller, we work closely with our customers to understand their IT needs and provide comprehensive, integrated, up-to-date and customised SI solutions to them in accordance with their IT needs and specifications. Throughout our 14 years of operating history, we have proactively sought growth opportunities in our SI solutions business and by accumulating our project experience, customer relationships and reputation in Hong Kong, we have expanded our geographical presence to the PRC and Macau in 2012 and 2013 respectively.

Eyeing on the market potential in the distribution of IT products in Hong Kong, we leveraged on the technical expertise gained and the reseller's network established in our SI solutions business and strategically underwent an expansion by establishing TriTech in 2014 to tap into the IT products distribution industry. As a product-driven distributor, we introduce, market and distribute a broad spectrum of IT products to resellers in Hong Kong. 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. As at the Latest Practicable Date, we were the authorised distributor of 38 IT products vendors, with origins spanning across different countries such as the PRC, the U.S., India, Japan and European region. Ancillary to our distribution of IT products, we also provide IT implementation services to resellers and end-users.

As we operate a vertically integrated business model encompassing both distribution and SI solutions businesses, we are engaged by customers from multi-level and thereby enjoy a diverse and extensive customer base. For each of the three years ended 31 March 2022, we served over 1,000 customers. Our customers are mainly divided into two categories, namely resellers and end-users. Our reseller customers primarily include SI solutions providers, telecommunication companies and traders and wholesalers who usually procure our IT products for sale or provision of services to end-users while our end-user customers primarily include government, public utilities, NGOs and SMEs to large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. We consider that having such broad and multi-level customer base allows us to have a stable and steady line of business and also a diversified revenue sources.

Our ability to provide innovative and up-to-date product portfolio and solution offerings to our customers stem from our strong relationships with our suppliers. Our suppliers mainly include IT products vendors, their authorised distributors and other service providers. With our sterling efforts in delivering quality services and generating business growth for our IT products vendors and their authorised distributors, we are able to maintain good and stable relationships with suppliers and enjoy close collaborations with IT products vendors and therefore obtain a high level of support and resources from them. Riding on our well-established relationships with and long term support from our suppliers, we are able to equip ourselves with the latest technical knowledge on the product and solutions development as well as technological trends and thereby provide innovative and up-to-date IT products and SI solutions to meet the ever-changing IT requirements of our customers in a timely and cost-efficient manner.

Our total revenue increased from approximately HK$331.9 million for FY2019/2020 to approximately HK$387.4 million for FY2020/2021, representing an increase of approximately 16.7%. Our total revenue increased from approximately HK$387.4 million for FY2020/2021 to approximately HK$631.5 million for FY2021/2022, representing an increase of approximately 63.0%. For details of our financial performance during the Track Record Period, please refer to the section headed "Financial Information" in this document.

OUR COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

Our unique vertically integrated business model has enabled us to operate business efficiently and differentiate ourselves from our competitors

We operate a vertically integrated business model in the IT industry and are primarily engaged in distribution of IT products and provision of SI solutions. In our business operation, we have dual roles as both product-driven distributor selling and distributing IT products to resellers and solutions-driven reseller providing SI solutions 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. According to the Ipsos Report, our vertically integrated business model is rare and unique and is intrinsically different from the traditional SI model or traditional distribution model engaged by most of the market players in the IT industry in Hong Kong. We take pride in our vertically integrated business model encompassing both distribution and SI solutions businesses, which enables us to capture business opportunities in the whole value chain of the IT industry and thereby distinguishes us from other competitors.

Leveraging on our competitive advantages gained from the parallel operation of both distribution and SI solutions businesses and with the continuous efforts of our management, we have achieved a balanced development in both distribution and SI solutions businesses. During the Track Record Period, approximately 49.6%, 52.5% and 67.6% of our total revenue was derived from our distribution business, whereas our remaining revenue was derived from our SI solutions business. Our dual roles as both distributor and reseller in the IT industry has also benefitted us through close and direct interaction with the essential players in the whole value chain of the IT industry, creating synergy between the two businesses and thereby setting us apart from our competitors in both levels of the value chain.

As a product-driven distributor, we are able to leverage on our in-depth understanding of the end-users' needs in IT products and awareness of unfulfilled requests and demand of end-users gained through direct interaction with them in our SI solutions business. With such valuable first-hand information, we can strategically focus our attention and resources on what the market demands and introduce IT products that best suit end-users in our distribution business. For instance, in around 2014, through Multisoft's dealings with end-users during provision of SI solutions, TriTech came across a PRC IT products vendor specialised in network security and cloud, namely Sangfor, and identified a growing market acceptance and demand for Sangfor's products. Having considered the limited choice of Asian-based cyber security products in the then IT products distribution industry in Hong Kong to tackle worldwide cyber security threat, TriTech saw the potential of Sangfor's products in Hong Kong and therefore, started to carry Sangfor's products in our distribution business in 2014 and acted as its strategic authorised distributor in localising its products for application in Hong Kong market since then. On top of Sangfor, TriTech has also obtained authorised distributorship of a number of other brands through the introduction of Multisoft after appropriate evaluation on and discussion with the relevant IT products vendors.

On the other hand, as a solutions-driven reseller, we are able to leverage on our technical knowledge on IT products and awareness of the latest IT products trends and technological development gained through direct engagement with IT products vendors in our distribution business. For instance, in around 2015, through our dealings with IT products vendors in our distribution business, we became aware of the rising market popularity and acceptance of PRC-branded IT products, and the price competitiveness of the IT networking products supplied by Ruijie. Eyeing on such competitive advantages enjoyed by Ruijie's products and its market potential, TriTech obtained the authorised distributorship of Ruijie's products in our distribution business in 2015 and then introduced such products to Multisoft for incorporation into solution offerings in our SI solutions business. Besides, HCI products was also introduced by TriTech to Multisoft which the products were incorporated into our SI solutions offerings. Upon introduction to the technology of HCI, Multisoft sourced HCI products of three different brands, including Sangfor and two other brands which are procured from other distributors in the IT industry. Our Directors believe that such information sharing and exchange has facilitated Multisoft in providing more comprehensive, integrated, up-to-date and customised SI solutions to customers. Having such head start over our peers in SI solutions industry, we are more sensitive to the latest technological trends and market development and hence more capable of providing quick response to address end-users' evolving demand in SI solutions business.

With the above benefits in both ends, synergy of such vertically integrated business model crossing over both distribution and SI solutions levels is not only created through transactions involving both TriTech and Multisoft which we could usually enjoy higher gross profit margin, but also through information or intelligence sharing and exchange among our Group. As TriTech and Multisoft have different positions in the market, where TriTech occupies the mid-stream while Multisoft occupies the down-stream of the value-chain of the IT industry, TriTech's business model is product-driven and brand sensitive in nature while Multisoft is solutions-driven and non-brand sensitive in nature. By having such important differentiation in the same value chain, TriTech and Multisoft create synergy through information and intelligence sharing among our Group, in which Multisoft introduces certain brands of IT products to TriTech; and TriTech introduces certain types of IT products (regardless of whether we have authorised distributorship) to Multisoft.

The following table sets forth the amount of revenue generated by our distribution and SI solutions businesses arising from the synergy between the two business segments including (i) revenue generated from transactions involving both TriTech and Multisoft; (ii) revenue generated from brands introduced by Multisoft to TriTech; and (iii) revenue generated from products introduced by TriTech to Multisoft:

	FY2019/2020 *HK$' million*	FY2020/2021 *HK$' million*	FY2021/2022 *HK$' million*
(i) Revenue generated from transactions involving both TriTech & Multisoft	22.3	23.3	17.3
(ii) Revenue generated from brands introduced by Multisoft to TriTech *(Note 1)*	65.8	49.1	72.5
(iii) Revenue generated from products introduced by TriTech to Multisoft *(Note 2)*	5.5	5.9	4.1
Total	**93.6**	**78.2**	**93.9**
Total revenue of our Group	331.9	387.4	631.5
Percentage of revenue generated through synergy to the total revenue (%)	**28.2%**	**20.2%**	**14.9**

Notes:

1. *This excludes sales from TriTech to Multisoft.*
2. *This only includes the amount of revenue generated from sales of IT products introduced to Multisoft but not distributed by TriTech. The revenue generated from sales of IT products distributed by TriTech, namely HCI products of Sangfor, has been taken into account under "Revenue generated from transactions involving both TriTech & Multisoft".*

Having dual roles in the IT industry, we are benefited from the synergy when we gain fast technical knowledge on IT products and latest IT products trends through our distribution business while we also fully understand the end-users' needs in IT products through our SI solutions business. During the Track Record Period, the revenue generated by way of synergy between the two business segments of our Group amounted to approximately HK$93.6 million, HK$78.2 million and HK$93.9 million respectively, representing approximately 28.2%, 20.2% and 14.9% of our total revenue in the corresponding year. Despite fluctuations appearing in the financial results resulting from the synergy between the distribution business segment and SI solutions business segment during the Track Record Period, our overall revenue from distribution business and SI solutions business, whether standalone or in aggregate, has shown an upward trend during the Track Record Period. This is due to the fact that our businesses are on project basis, and therefore the sales of IT products largely depend on deployment in projects of our customers, and hence is of normal business behaviour. In addition, the parallel operation of our distribution business and SI solutions business has diversified our business concentration risk in one particular layer/level in the value chain of the IT industry, allowing us to develop a more balanced and sustainable business operation to capture business opportunities in multi-levels in the value chain of the IT industry.

Apart from the above quantifiable benefits, we also enjoy other synergistic advantages as an integrated IT service provider, including the fact that we are able to synchronise the operations of the two essential players in the value chain, so as to maximise our overall efficiency and cost effectiveness. For example, being a value-added distributor, TriTech has in-depth knowledge on the functionality of IT products and the necessary technical know-how to implement and integrate the IT products into various SI solutions. As such, at the request of Multisoft, TriTech will assist in installing, configuring and integrating the IT products into the IT environment of Multisoft's customer. From time to time, Multisoft's staff will also invite TriTech's staff to assist in business pitching by way of proof of concept to potential customer to demonstrate that the IT products distributed by TriTech are suitable for the intended purpose. On the other hand, as an SI solutions provider, Multisoft has a well-established sales network of which Multisoft serves as a secured sales channel for TriTech in marketing and selling its new IT products to the market, allowing TriTech to effectively market new products to the target audience and further attract other quality IT products vendors to engage TriTech as distributor. As a whole, we believe that the synergy created through the parallel operation of distribution and SI solutions businesses has provided us with a cutting-edge competitive advantage in the IT industry.

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

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. As at the Latest Practicable Date, we were the authorised distributor of 38 IT products vendors, with origins spanning across different countries such as the PRC, the U.S., India, Japan and European region. The IT products offered in our product portfolio cover a wide array of functions and usages and range 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 imposed on IT products of particular origin by any particular country. We attribute our broad and diversified product portfolio of IT products to our value-added services to the IT products 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 which we have enjoyed sizeable market share

With a view to outperforming our competitors which are generally traditional competitors with main focus on supply chain management, we are specialised in providing additional value-added services to IT products vendors in terms of (a) formulation of product localisation strategy (such as identifying target audience, determining the market positioning of their IT products, providing product enhancement advice, devising marketing plans and preparing customised marketing materials); (b) sales enablement; and (c) for and on behalf of the IT products vendors, provision of technical support services to resellers and product training to resellers and end-users to increase overall satisfaction of the downstream players. For further details of our value-added services in distribution business, please refer to the paragraph headed "Workflow of our business – Distribution business" in this section below. The provision of this value-added services is particularly crucial in developing and bringing in new-to-market niche brands to the local market given the IT product vendors of such brands are generally not familiar with the Hong Kong market needs and requirements and lack resources to effectively market their products or even maintain their own technical staff in Hong Kong. We have carried 20 new-to-market niche brands in our product portfolio as at the Latest Practicable Date. New-to-market niche brands have been one of the key drivers of our business during the Track Record Period, with revenue generated through the sales of IT products amounting to approximately HK$99.3 million, HK$124.3 million and HK$357.1 million respectively, while at the same time generating an income from implementation services of approximately HK$10.4 million, HK$8.2 million and HK$12.2 million respectively. In aggregate, the total revenue generated by new-to-market niche brands amounted to approximately HK$109.7 million, HK$132.6 million and HK$369.3 million respectively, representing approximately 66.7%, 65.2% and 86.5% of our revenue generated from the distribution business segment in the corresponding year.

In particular, apart from the PRC new-to-market niche brands such as Sangfor and Ruijie identified by us as elaborated below, we have strategically identified Supplier E, a new-to-market niche brand from Singapore that supplies CDN licences for access to its network of servers in the Southeast Asia and became its sole authorised distributor in May 2021. Riding on the increasing demand for efficient delivery of dynamic content and videos and with our effective sales and marketing effort, we were able to promote and promptly sell such products to Customer J, Customer I, Customer N, Customer B and Supplier A during FY2021/2022, and, as a result, Supplier E had achieved significant growth in revenue derived from us of approximately HK$200.0 million during the year. At the same time, primarily attributable to the sale of CDN licences from Supplier E, our total revenue derived from sales of new-to-market niche brands increased by approximately HK$236.7 million or 178.5% from approximately HK$132.6 million for FY2020/2021 to approximately HK$369.3 million for FY2021/2022. This highlights our ability to identify new-to-market niche brands with growth potential and our effective marketing strategies to promote products of such brands to our customers.

We have enjoyed numerous competitive advantages in developing and bringing in new-to-market niche brands to local market, including: (a) business opportunities of new-to-market niche brands are abundant given the pricing of the such brands are generally competitive with an aim of gaining acceptance among customers and such brands may offer specialised IT solutions that are yet to be introduced in the local market; (b) we are able to enjoy early-mover advantage of seizing vast of the business opportunities and growth potentials of such new-to-market niche brands at their early stage of growth with limited competition from other distributors in the local market; and (c) we are able to cultivate reliance from the IT product vendors of new-to-market brands to further fend off competition. To the best knowledge of our Directors after reasonable enquiries, certain new-to-market niche brands that we carry have only maintained one to two authorised distributors and our purchases have contributed to majority of their revenue over the years, signifying IT products vendors' considerable reliance on us. We believe such reliance is mainly due to our continuous efforts in product localisation and sales enablement, which has enabled market for the new-to-market niche brands and allowed us to seize the business opportunities before other competitors.

(ii) We strategically identify and focus on PRC brands with market potentials

We place significant focus on PRC brands and strategically seek out for such brands for distribution in Hong Kong. Mr. Charlie Ip, our executive Directors and chairman, together with two members of staff from our product team, who have approximately five to eight years of experience in researching on PRC brands and managing distributorship of PRC brands and PRC business dealings, are responsible for identifying PRC brands which has growth potential in the Hong Kong market. As at the Latest Practicable Date, we were the authorised distributor of 10 IT products vendors from the PRC.

We strategically identify and seek PRC brands with specifications comparable to internationally renowned brands in their respective fields at relatively competitive pricing to fill in the market gap. For instance, Sangfor and Ruijie were major market players within the PRC IT industry but lesser known in Hong Kong at the time when we first became their authorised distributor. Through our persistent product localisation and sales enablement efforts, some resellers and end-users had switched from using internationally renowned brands of IT products to these PRC brands. As confirmed by Sangfor and Ruijie, with our assistance in brands building within the local market, their IT products were successfully localised. Sangfor further confirmed that its sales value in the Hong Kong market in 2019 was approximately 8.1 times as compared to the same in 2013 (prior to entering into distribution agreement with us). Sangfor was our first, second and second largest supplier for the Track Record Period; while Ruijie was one of our suppliers during the Track Record Period. Both Sangfor and Ruijie considered us as their strategic partner in marketing and localising its products in Hong Kong.

According to the Ipsos Report, there are 30 to 40 IT products distributors in Hong Kong, of which less than ten market players were active in the IT products distribution industry. Among the active players, only four players (including our Group) are value-added distributors and we carry the most PRC brands of IT products. Our Directors believe that we have gained a reputation for carrying a comprehensive range of PRC brands over the years and have become the go-to distributor for PRC-branded IT products if resellers and end-users are seeking for one. In addition to our research efforts, in light of (a) our track record in growing PRC brands; (b) our in-depth understanding of the culture of PRC brands; (c) the technical capability of our staff; and (d) wide sales channel including Multisoft, IT products vendors of some PRC brands have proactively reached out our Group to discuss granting of authorised distributorship. Some of our familiar IT products vendors had also referred us to other PRC brands which are searching for a dependable distributor for the Hong Kong market. Given the above, we are able to continue to identify suitable PRC brands to support our continuous business growth and differentiate from our competitors.

(iii) We also attract internationally renowned brands to achieve optimum brand mix

Our value-added service approach and vertically integrated business model are also highly appreciated by the internationally-renowned brands. Through close interaction and communications with the IT products vendors of internationally renowned brands, we have provided valuable information and insight in downstream market to those IT products vendors, which is helpful for their product development and marketing launch. Leveraged on our expertise to assist new-to-market niche brands in local market introduction, we are resourceful and experienced in assisting internationally-renowned brands to introduce new-to-market products to the local market. Besides, with the parallel operation of both distribution business and SI solutions business in our integrated business model, TriTech has also established a broad sales network. During the Track Record Period, TriTech had distributed IT products to approximately 288, 289 and 356 resellers respectively. Our growing sales network provides confidence to internationally renowned brands in entrusting us to distribute their products. As at the Latest Practicable Date, we carried 18 internationally renowned brands. Our Directors believe that we have achieved an optimum brand mix with balanced development of both internationally-renowned brands and new-to-market niche brands, which allows us to offer a wide variety of IT products that suits various solutions from resellers and different request from the end-users. Such healthy mix of brands provide convenience to customers without needing to reach out to various distributors for different brands of IT products, thereby increasing customer loyalty to the Group.

Despite the non-exclusive authorised distributorship arrangement, our Directors believe that the IT products vendors have placed reliance on us in distributing and marketing their IT products, in particular for new-to-market niche brands which have heavily relied on our value-added distribution approach to enter into the Hong Kong market. Going forward, we believe the existing IT products vendors will continue to rely on us as value-added distributor to promote and market its products in Hong Kong.

We attribute the growth in our distribution business to the combined effect of these key drivers. Our healthy mix of new-to-market niche brands and internationally renowned brands had rendered the fluctuation in sales of new-to-market niche brands (due to the fact that our sales from our distribution business are on project basis as mentioned above) being partially offset by the revenue derived from internationally renowned brands, resulting in an overall upward trend in our distribution business during the Track Record Period.

We are a one-stop SI solutions provider with proven track record of providing comprehensive, integrated, up-to-date and customised SI solutions to end-users

We began our SI solutions business in 2006 when Multisoft was established as a reseller to provide SI solutions to end-users in Hong Kong. Since then, we have proactively sought growth opportunities in our SI solutions business and by accumulating our project experience, customer relationships and reputation in Hong Kong, we have expanded our geographical presence to the PRC and Macau in 2012 and 2013 respectively. With over 15 years of operating history in the SI solutions industry, we have developed a solid track record in providing comprehensive, integrated, up-to-date and customised SI solutions to customers.

Our SI solutions mainly refer to IT infrastructure solutions services encompassing data communication and systems infrastructure, cyber security and digital transformation. We offer one-stop SI solutions to our customers, including (i) assessment, consultation and proposal; (ii) procurement of IT products; (iii) provision of professional services comprising technical implementation and integration, performance testing, user acceptance testing and system rollout; and/or (iv) provision of IT maintenance and support services. As an ongoing support to our customers, our IT maintenance and support services comprise hardware and system maintenance and support, system monitoring and IT outsourcing services. As a solutions-driven reseller, we work closely with our customers to understand their IT needs and are able to customise SI solutions in accordance with their IT needs and specifications.

We take a holistic approach in offering SI solutions to our customers and strive to help our customers in maximising the potential of their IT system. On top of the customer's specific requests, during the assessment of the customers' existing IT system and requests, we proactively review the overall infrastructure environment to identify areas of potential risks exposure and limitations which are yet to be known to the customers and offer suggestions in terms of design and products to be used to better achieve the intended results. This not only increases customer confidence but also strengthen our source of revenue. In our customer-oriented approach, customers can choose to procure IT products and/or services from us on a standalone or an integrated basis, rendering great flexibility to our customers in terms of nature and scope of our SI solutions.

We keep abreast of the latest market developments in the SI solutions industry to ensure we provide up-to-date solution offerings. In particular, we have seen a notable growth in the demand on digital transformation services and therefore deployed efforts and resources to develop this services. During the Track Record Period, we were engaged by Tricor for developing a new eIPO mobile application (i.e. the **IPO App**), which serves to streamline the process of making eIPO applications. In addition, we were also engaged in projects on developing email journaling system, which serves to safeguard against email loss and record complete email communications. Given our diverse range of services, we are capable of designing and delivering comprehensive, integrated, up-to-date and customised SI solutions catering for the unique needs and requirements of customers from different industries.

In addition, we strive to promote IT awareness and create underlying IT needs by introducing to our customers the latest market trends and technology through hosting or co-hosting various marketing events with IT products vendors. We regularly organise live webinars, trade show booths, seminars, exhibitions, workshops, trainings and telemarketing to share and promote information on the latest SI solutions or products available in the market to end-users. In particular, we hosted our own marketing campaign, Solution Day, annually since 2009 (except for 2019 and 2020 as we were unable to host our Solution Day due to the social movement in Hong Kong in 2019 and the outbreak of COVID-19 since the end of 2019 in the PRC and the beginning of 2020 in Hong Kong, which hindered certain PRC suppliers of the Group from physically taking part in the event in Hong Kong and limitations imposed by the government on the number of participants that can take part in such event). According to the Ipsos Report, Solution Day is an innovative large-scale event coordinating hundreds of IT products vendors, IT architects and end-users in promoting IT awareness and the latest market trends and technology, which has been well received by the market. Furthermore, according to the Ipsos Report, we are the pioneer in the SI solutions industry to have consecutively held such large-scale marketing event for ten years. Through introducing new market trends and technology to our customers, we are able to create underlying IT needs among our customers and thereby increase business and sales opportunities. These marketing events can not only enhance our market recognition, but also provide an effective platform to gain a better understanding of end-users' needs and preferences and at the same time generating valuable feedbacks to our IT products vendors and distributors, which in turn facilitates us in providing tailor-made and up-to-date SI solutions to end-users and strengthening our position in being a competitive business partner of our IT products vendors and distributors.

We have a diverse and extensive customer base

We enjoy a diverse and extensive customer base mainly due to our vertically integrated business model encompassing both distribution and SI solutions businesses. Our dual roles as both distributor and reseller has attracted customers from multi-level and thereby enabled us to capture the business opportunities in the whole value chain of the IT industry We served over 1,000 customers for each of the three years ended 31 March 2022. Our customers are mainly divided into two categories, namely resellers and end-users. Our reseller customers primarily include SI solutions providers, telecommunication companies and traders and wholesalers who usually procure our IT products for sale or provision of services to end-users while our end-user customers primarily include government, public utilities, NGOs and SMEs to large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. We consider that having such broad and multi-level customer base allows us to have a stable and steady line of business and also a diversified revenue sources.

Apart from our consistent efforts on maintaining close and stable business relationships with our existing customers, we have strived to expand our customer base by winning new customers. We proactively approach new customers through hosting, co-hosting and joining various marketing events to develop new business opportunities. For details of our marketing events, please refer to the paragraph headed "Sales and marketing" below in this section. We are also approached by new customers through word-of-mouth and referrals from our established customer base. Our Directors believe that some of our new customers selected us since we have developed and maintained good reputation in the industry and that our customer portfolio includes reputable and leading enterprises and institutions, which in turn may further attract other companies in the same or similar industries as well as their service providers along the relevant industry value-chains to engage us.

Given that our customers are across different value chain levels and sectors and we are not dependent on any single customer for business, we are less susceptible to changing market conditions and fluctuations, thus providing us greater stability to our business operations and financial performance. Establishment of customer base and building up of reputation take time and effort. We believe our close and stable business relationships with our customers cannot be easily replicated by our competitors.

Our well-established relationships with IT products vendors, authorised distributors and other service providers have enabled us to maintain our competitiveness in the industry

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

During the Track Record Period, we had received various awards from IT products vendors in recognition of our outstanding sales performance as distributor and high-quality services as reseller. We had been awarded with best distributor prizes and highest growth value-added distributor prizes by various IT products vendors in our distribution business and awarded with numerous recognitions in our SI solutions business, such as (i) "Fujitsu Platform Product Partner of the Year" by Fujitsu for two consecutive years since 2019; (ii) "VMware FY18 Partner of the Year — vSAN" by VMware for 2019; (iii) "FY18 The Best New Business Reseller" by Micro Focus in 2019; and (iv) 2020 Partner of the Year Award — Sangfor Best Gold Partner by Sangfor in 2020. We also attained high business partnership rankings, including but not limited to (i) "Gold Cloud Platform", "Gold Small and Midmarket Cloud Solutions" and "Gold Datacenter" by Microsoft for 2019; (ii)"Premier Solution Provider' by VMware for 2019; (iii) "Business Partner — Gold" by Lenovo for two consecutive years since 2019; and (iv) "Premier Partner" by Barracuda for 2021. We believe such awards and recognitions are mainly attributable to our ability to meet certain benchmarks set by the IT products vendors, including service quality and technical capabilities.

Our close relationships with our suppliers and high ranking business partnership has enabled us to obtain more favourable terms and more technical support and opportunities for technical training from our suppliers. In particular, our suppliers provide (i) discount to our cost of procuring IT products pursuant to certain incentive programmes; (ii) funding and technical supporting to us for our hosting or co-hosting of sales and marketing events; and (iii) trainings and workshops with information on the latest technical knowledge of IT products and SI solutions. The level of discount, resources and support provided to us by our suppliers largely depend on our partnership level with them. Leveraging on our well-established relationships with our suppliers and hence the resources and support provided by them, we are able to equip ourselves with the latest technical knowledge on the product and solutions development as well as technological trends and thereby provide innovative and up-to-date IT products and SI solutions to meet the ever-changing IT requirements of our customers in a timely and cost-efficient manner.

We have a visionary and experienced management team, supported by our dedicated sales team and strong technical team

We believe that the vision and extensive experience of our management team is fundamental to our success. We have an experienced and stable management team with extensive technical expertise and substantial experience in the IT industry. Our two executive Directors have an average of over 15 years in the IT industry, during which they have built in-depth understanding of the market trend and gained industry insight. Under their leadership and vision, we had successfully undergone integration in 2014 to tap into the IT products distribution industry to capture the business opportunities in the whole value chain of the IT industry. Our management team has developed effective strategies to partner with both internationally renowned brands and new-to-market niche brands to offer a broad and diversified product portfolio to our customers, which we believe to have differentiated us from our competitors. For biographical details of our Directors, please refer to the section headed "Directors and Senior Management" in this document.

Apart from our management team, our success also relies considerably upon our dedicated sales team and strong technical team. At as the Latest Practicable Date, our sales team consisted of 45 staff and is led by one of our Executive Directors, Mr. Chan Tim Cheung, who has over 18 years of experience in the IT industry. Our sales team possesses understanding of customer needs and is well positioned to provide consultation services to our customers to introduce and advise on the IT products best suit their requirements. Our technical team cooperates with our sales team in assessing the IT environment of our customers so as to identify and propose the suitable IT products. As at the Latest Practicable Date, our technical team consisted of 48 staff and is led by our Senior Technical Manager with over 20 years of experience in the IT industry. Through the combination of the product know-how and technical capabilities possessed by our technical team and deep understanding of market trends and customer needs possessed by our sales team, we have been able to effectively provide IT products and services to our customers. As at the Latest Practicable Date, our sales and technical team obtained approximately 160 certifications and accreditations by completing the trainings and workshops given by the IT products vendors and professional or certification organisations.

We believe that the vision and ability of our management team to identify and respond to market trend together with the understanding of customer needs possessed by our sales team and the technical capabilities of our technical team has provided us with a competitive edge to capture the potential market opportunities in the IT industry and contributed to our growth.

OUR BUSINESS STRATEGIES

We intend to further enhance our presence and expand our market share in the IT products distribution industry and SI solutions industry in Hong Kong and fortify our competitive strengths by implementing the following business strategies:

Expand our distribution business by (i) enriching our product portfolio; (ii) expanding our service offerings; and (iii) expanding our workforce and enriching the expertise of our sales, product and technical teams

(i) Enrich product portfolio for distribution by obtaining more authorised distributorship from IT products vendors

We believe expansion of our existing product portfolio to accommodate the evolving demand and IT trend is crucial to our continuous success and sustainability of our distribution business. With an aim to providing our customers a wider range of choices and broadening our customer base, we plan to further enrich our product portfolio by introducing new brands and new IT products which we consider having promising potential in the IT products distribution industry in Hong Kong in terms of product specifications and pricing. We intend to obtain authorised distributorship of new IT products which fall within our existing product categories in our distribution business, but from other countries, of other qualities and price ranges. For instance, we currently target to introduce a range of hyper-converged infrastructure ("**HCI**") products and artificial intelligence ("**AI**") servers.

(a) HCI products

HCI is a software-defined IT infrastructure that modernises data centres by integrating compute, storage, networking and virtualisation into one solution that is flexible, scalable and easy to manage. HCI transforms the traditional IT operational model with simple and unified management of resources, which results in increased IT efficiency, better storage with lower costs and greater ability to scale up and out to meet specific application needs. This infrastructure will also integrate with cloud and facilitate establishing a cloud-ready infrastructure for building private cloud, extending to public cloud and achieving hybrid cloud. According to the Ipsos Report, HCI is an innovative technology that has been introduced to the global market in around 2014 and has steadily gained traction in the IT industry over the years. In recent years, there has been a notable shift in market preference from discrete hardware-defined infrastructure to the deployment of software-defined HCI products driven by the abovementioned benefits of HCI. The market value of HCI in Asia-Pacific was at approximately US$1,738.5 million in 2020, with the expectation that the market will continue to grow during the forecast period from 2021 to 2024 at a CAGR of approximately 36.4%. As one of the most mature economies in the Asia Pacific region and a leading global financial centre, Hong Kong has also experienced a significant growth in market value. According to the Ipsos Report, the market value of HCI in Hong Kong recorded a sharp growth from approximately HK$316.9 million in 2015 to approximately HK$1,306.9 million in 2020 at a CAGR of approximately 32.8%. The growth of the market value of HCI was due to the growing number of data centres, rise in demand for data protection & recovery, and the increased adoption of virtual desktop infrastructure in Hong Kong. Due to the abovementioned advantages of HCI, there is an increasing number of organisations that are willing to deploy HCI to increase their operational efficiency and to lower the cost of IT maintenance, among which, financial service institutions, education institutions, governmental institutions, and conglomerates were the top segments in Hong Kong that contributed the most to the growth in market value over the historical period from 2015 to 2020. As supported by various segments and newly set-up companies, the market value of HCI in Hong Kong has increased exponentially by more than two times over the historical period from 2015 to 2020.

Furthermore, according to the Ipsos Report, during the forecast period from 2021 to 2024, the market value of HCI in Hong Kong is expected to increase at a CAGR of approximately 29.8%, from approximately HK$1.7 billion in 2021 to approximately HK$3.7 billion in 2024. It is expected that HCI will continue to gain popularity in Hong Kong as enterprises are more willing to invest in upgrading IT infrastructures for cloud computing, data security, and virtualisation, especially when their existing IT infrastructures run out of warranty. In addition, the banking and financial sector is one of the main contributors to the growth in the market value of HCI in Hong Kong during the historical period, and the sector is expected to expand moderately throughout the forecast period. The continued expansion of the banking and financial sector could potentially drive up the spending in IT infrastructure, as well as that of HCI. Besides, the trend of remote working and digital transformation started in 2020 due to the outbreak of COVID-19 has encouraged the commercial sector to upgrade IT infrastructures for the increasingly necessary deployment of virtualisation in the future, which is expected to further stimulate the demand for HCI in Hong Kong. In this relation, the market value of HCI in Hong Kong is expected to continue with exponential growth throughout the forecast period. For further details on the market drivers and opportunities of HCI, please refer to the section headed “Industry Overview — Overview of the HCI and AI infrastructure market in Hong Kong — Key drivers and opportunities” in this document. Based on the foregoing, our Directors consider that HCI technology will attract substantial demand in Hong Kong and there is great potential in enriching our product portfolio in HCI.

In response to the growing market demand on HCI in Hong Kong market, we began to carry and distribute HCI products sourced from a PRC-branded IT products vendor, Sangfor, in 2017. In line with the market value growth of HCI products in Hong Kong, we had also experienced persistent growth in sales of HCI products during the Track Record Period. We had generated revenue of approximately HK$8.2 million, HK$11.2 million and HK$18.3 million from sales of HCI products in our distribution business during the Track Record Period respectively. The revenue from sales of HCI products in our distribution business had demonstrated an overall upward trend from FY2019/2020 to FY2021/2022. Such trend is supported by the increasing number of orders for HCI products received by us, which had increased from approximately 64 orders for FY2019/2020 to 94 for FY2020/2021 and 116 for FY2021/2022, signifying a growing demand and growth momentum on the HCI products.

Moreover, the demand and prominent prospect of HCI products are also reflected in our actual sales of HCI products for FY2021/2022. Our revenue from sales of HCI products increased by HK$7.1 million or 63.4% from HK$11.2 million in FY2020/2021 to HK$18.3 million in FY2021/2022. Such growth has outperformed the forecasted year-on-year growth for 2020 to 2021F and the industry CAGR during the Track Record Period as disclosed in the section headed "Industry Overview" in this document. Our Directors believe that the sales of HCI products will continue to increase when the market becomes more familiar with the brands of HCI products which we offer. The gradual growth in revenue from Brand A from FY2019/2020 to FY2020/2021 has proven that it takes time and resources to nurture new brands under the distribution agreements before having improved sales of such products. In addition, the Company expects to derive sales revenue from HCI products through a cooperation framework with the Main Contractor in relation to a major contract awarded by a railway operation company in Hong Kong for the installation and maintenance of CCTV systems. Under such cooperation framework, our Group will be engaged by the Main Contractor as its subcontractor for a term of three years to, among other things, supply HCI products that are compatible with the CCTV systems for providing video analytics functions and data storage in video surveillance. For further details of the cooperation framework, please refer to the section headed "Summary – Recent Development and no material adverse change" in this document. Based on the above and the forecast market value growth of HCI in Hong Kong at a CAGR of approximately 29.8% from 2021 to 2024 according to the Ipsos Report, our Directors are very optimistic about the demand and prospect of HCI products in the Hong Kong market and our sales of HCI products.

Furthermore, during the Track Record Period, apart from deriving revenue from the sales of HCI products in our distribution business, we had also derived revenue in the SI solutions business by deploying HCI products in the projects in our SI solutions business during the Track Record Period. We had generated a revenue of approximately HK$5.5 million, HK$5.9 million and HK$4.1 million during the Track Record Period respectively from these projects, further signifying the growing demand for HCI products.

Having considered the estimated CAGR of approximately 29.8% of the market value of HCI in Hong Kong, we believe that this technological trend represents an opportunity for us to capture market demand and business growth. Leveraging on our HCI product experience, we have seen the cutting-edge advantages HCI can bring and at the same time equipped ourselves with the necessary technical expertise and know-how in marketing and selling HCI products. Eyeing on the growth potential of HCI brought by the change of technological cycle in Hong Kong market and with a view to providing more variety of HCI products in terms of product origin, as at the Latest Practicable Date, in addition to HCI products of Sangfor, we have entered into a distribution agreement with Brand A, which is an overseas IT products vendor for the supply of the new range of HCI products. Brand A is a leader and pioneer in HCI solutions and its products have been considered to have outperformed its competitors in HCI technology. It was the third largest worldwide IT vendor of HCI products in terms of revenue for the fourth quarter of 2020 according to the International Data Corporation. According to the Ipsos Report, Brand A is the third largest HCI products brand in terms of revenue in Hong Kong in FY2020. It has an international client base across multiple industries and notably its

HCI products have been deployed by a major property developer in Hong Kong to help drive its digital transformation initiative. It had reported a growth of over 40% in business in ASEAN during the third quarter of its fiscal year of 2020. In addition, as at the Latest Practicable Date, we are also identifying additional brands of HCI products which are well recognised and with growth potential in Hong Kong and has already been in discussions with some additional brands. However, we have not entered into any distribution agreements with these potential brands as at the Latest Practicable Date. The entering into of such distribution agreement will depend on, among other things, the timeframe of the [REDACTED].

Besides, having considered HCI products are the replacement of traditional data-centre infrastructure consisting of separate servers, storage networks and storage arrays, our Directors believe that HCI products not only attract new customers, but also appeal to existing customers who look for IT infrastructure upgrades. During the Track Record Period, the revenue from the sales of IT products in data communication and systems infrastructure in our distribution business amounted to approximately HK$81.4 million, HK$122.3 million and HK$348.9 million, representing approximately 49.5%, 60.1% and 81.7% of our total revenue respectively. This has demonstrated our strong sales capability in distributing IT products in data communication and systems infrastructure and our established customer base to whom we target to market and sell the new line of HCI products. Riding on the global technological development trend, we see great market potential in the HCI products and are optimistic about the potential returns in introducing a new range of HCI products into our product portfolio.

The HCI products will be sold as standalone products and we also plan on pairing the HCI products with a selection of servers of other brands carried by us and offering as integrated solutions, which will create synergy with our existing products. Based on our track record in selling the relevant products during the Track Record Period, we expect to offer the HCI products ranging from approximately HK$35,000 to HK$160,000 per product, taking into account, among other things, (i) the model and specifications of the product; (ii) the procurement cost and supply chain cost; (iii) the extent of product customisation required; (iv) the market price of products with comparable functionalities and specifications by other products vendors in the market; (v) the pricing of similar products offered by our competitors. With reference the expected price range and based on the revenue and profit margin derived from sales of HCI products during the Track Record Period, our Directors expected that the gross profit margins for HCI products for FY2022/2023 will be consistent with the overall gross profit margin for HCI products during the Track Record Period, which was approximately 16.8%.

(b) AI servers

AI is a simulation of human intelligence in machines which are programmed to think like humans and mimic their actions. AI works by combining large amounts of data with fast, repetitive processing and intelligent algorithms, allowing the software to learn automatically from patterns or features in the data. According to the Ipsos Report, AI has wide application, including fraud analysis, automated threat intelligence and prevention systems, expert shopping advisors and product recommendations, freight management and asset management. Given its wide application and benefits, there has been a surging number of enterprises across various industries in Hong Kong implementing AI technology in their business to facilitate operation and achieve higher customer satisfaction. In particular, in banking, finance and insurance sectors, AI technology can greatly improve the availability and consistency of performance of bank product systems and help to discover hidden server abnormality, predict operational disruptions and enhance threat detection and prediction. According to the survey in the consultation report "Reshaping Banking with Artificial Intelligence" published by the Hong Kong Monetary Authority in December 2019, approximately 89% of the banks in Hong Kong currently have plans in adopting AI technology in their business operation. Accordingly, it is expected that there will be growing market preference on optimised and supported cognitive infrastructure platform which supports AI technology.

In view of the above AI technological trend, it is our plan to introduce a range of AI servers into our product portfolio. AI servers involve the emerging technologies of AI computing, AI algorithms and machine learning and are unique purpose-built servers aimed at handling machine learning training and machine learning inference workloads. Compared with the traditional x86-based servers, which are designed to support most workloads in the day-to-day office and business settings, AI servers are specifically designed to handle thousands of operations at once, making it ideal to handle vast quantities of data and perform complicated tasks in AI applications with accuracy and speed. The accelerated computing features in AI servers thus support machine learning, automation and analytics, functions that would be more difficult and challenging for traditional x86-based servers to handle and process. AI servers are mainly targeted at customers engaged in industries such as financial services, Fintech or analytical-based companies that require the processing of vast amount of data instantaneously. We believe that the choice between AI servers and traditional x86-based servers depend on the needs of the customers to ultimately determine the best kind of server that would support their IT infrastructure to achieve its expected outcome and cost, and hence are not competing in nature. Therefore, the addition of AI servers to our portfolio of products would provide options to end-users that may be engaged in industries such as financial services, Fintech or analytical-based companies that require the processing of vast amount of data instantaneously. With the difference in the desired outcome in mind, the AI servers will not undermine the demand of the other servers offered by us but would increase the competitiveness of our as a distributor providing a wider range of products.

According to the Ipsos Report, the AI infrastructure market in Hong Kong recorded a sharp growth from approximately HK$2.6 billion in 2015 to approximately HK$8.4 billion in 2020, at a CAGR of approximately 26.4%. The growth in the market value of AI infrastructure in Hong Kong was due to the increasing adoption of AI technology in Hong Kong, as the development of AI technology requires investment in AI infrastructure such as AI server, AI storage, AI applications and AI system infrastructure software. There is an increasing number of businesses in Hong Kong started to adopt big data analytics, cloud computing, and machine learning, enabling themselves to identify lucrative customer segments, make products and services more personalized, and run their operations more efficiently. As companies and institutions from different industry verticals such as financial institutions, logistics companies, retail brands, and enterprises have started to realise the need to store and maintain massive amount of data which is required for training and building their own AI algorithms, many of them have started to invest in AI infrastructures by building on-premises AI servers and purchasing on-cloud AI servers.

With the expected growth in utilisation of AI technology in Hong Kong, it is expected that the demand for AI servers will continue to increase. According to the Ipsos Report, it is expected that the global AI infrastructure market will grow at a CAGR of approximately 24.6% from 2021 to 2024. Especially, Asia-Pacific is expected to continue to lead the AI infrastructure market and is also likely to be the fastest-growing region, at a CAGR of approximately 34.3% during the forecast period. Further, according to the Ipsos Report, during the forecast period from 2021 to 2024, the market value of AI infrastructure in Hong Kong is expected to increase from approximately HK$10.5 billion in 2021 to HK$20.3 billion in 2024, at a CAGR of approximately 24.6%. It is expected that the market value of AI infrastructures in Hong Kong will continue to grow as various organisations and businesses including governments, financial intuitions, technology and innovation businesses, travel and logistics firms and retail businesses are adapting to the use of AI. With a majority of retail banks in Hong Kong have already adopted or plan to adopt AI applications in 2019, the total amount of capital expenditure on AI by the retail banking sector in Hong Kong is expected to increase by more than two-third throughout the forecast period. As AI is moving toward the adoption stage in Hong Kong, it is becoming more resources demanding in terms of computing power and storage capacity. Hence, many of these companies are expected to continue investing in upgrading their AI infrastructure such as AI servers and AI storage to improve their AI performance. For further details on the market drivers and opportunities of AI infrastructure, please refer to the section headed "Industry Overview — Overview of the HCI and AI infrastructure market in Hong Kong — Key drivers and opportunities" in this document.

To capture these growing business opportunities, we began to offer AI servers to our customers since September 2020. As at the Latest Practicable Date, in addition to four other brands which offer a wide range of IT products including but not limited to AI servers, we have entered into agreement with Brand B, which is a PRC IT products vendor of AI servers, for an authorised distributorship of its AI servers, pursuant to which we shall be subject to certain commitments including an annual minimum run-rate order purchase quantity of HK$5 million for each of the first two years of cooperation and a geographical restriction of product distribution to Hong Kong and Macau. Brand B is a pioneer in artificial intelligence, deep learning, cloud computing and big data and has been described as one of the top six companies in the worldwide AI server market in 2020 besides other overseas internationally renowned brands according to the International Data Corporation. It was the biggest server manufacturer accounting for 43.5% of the market share in the second quarter of 2020 in the PRC and owns the market share of more than 50% in the AI server market over the years. While Brand B is not a major AI infrastructure product brand in Hong Kong according to the Ipsos Report, taking into account that Brand B has limited local presence in Hong Kong but being a worldwide market leader of AI servers, our Directors believe that there is significant growth potential in sales of AI servers contributed by Brand B through implementing our sales strategies as mentioned below. While we were in the course of preparing product launch and formulating appropriate marketing strategies for these new AI servers, we have started generating revenue from the sales of it due to sturdy demand in the Hong Kong market. By introducing new AI servers of PRC brands and overseas internationally renowned brands into our product portfolio, we believe we will be able to capture the increasing demand for AI servers. Moreover, the series of AI servers is also compatible with a range of HCI products to form an integrated HCI solutions. Similar to HCI products, we have been in discussion with some additional brands of AI servers which we consider with growth potentials in Hong Kong but have not entered into distribution agreements for these brands.

Despite the short product history in our product portfolio, we see promising market potentials on AI servers in Hong Kong. For FY2020/2021 and FY2021/2022, we have generated revenue of approximately HK$1.6 million and HK$5.2 million from distribution of AI servers respectively. The increase in revenue generated from distribution of AI servers was primarily due to the sale of Brand B's AI servers to Customer J. Such growth has outperformed the forecasted year-on-year growth for 2020 to 2021F and the industry CAGR during the Track Record Period as disclosed in the section headed "Industry Overview" in this document. The gradual growth in revenue from Brand B has proven that it takes time and resources to nurture new brands under the distribution agreements before having improved sales of such products. In particular, we had obtained the authorised distributorship of Brand B's AI servers in the fourth quarter of 2020, and it was not until July 2021 that we were able to secure and deliver orders of such products of approximately HK$4.2 million, further showcasing that it requires time and resources to localise and nurture a brand. Our Directors believe that the sales of AI servers will continue to increase when the market becomes more familiar with the brands of AI servers which we offer. Based on our track record in selling the relevant products during the Track Record Period, we expect to offer the AI servers ranging from approximately HK$158,000 to HK$1.9 million per product, taking into account, among other things, (i) the model and specifications of the product; (ii) the procurement cost and supply chain cost; (iii) the extent of product customisation required; (iv) the market price of products with comparable functionalities and specifications by other products vendors in the market; (v) the pricing of similar products offered by our competitors; and (vi) number of licence involved. With reference to the expected price range and based on the revenue and profit margin derived from sales of AI servers during the Track Record Period, our Directors expected that the gross profit margins for AI servers for FY2022/2023 will be consistent with the overall gross profit margin for AI servers during the Track Record Period, which was approximately 15.1%. In addition, the Company expects to derive sales revenue from AI servers through a cooperation framework with the Main Contractor in relation to a major contract awarded by a railway operation company in Hong Kong for the installation and maintenance of CCTV systems. Under such cooperation framework, our Group will be engaged by the Main Contractor as its subcontractor for a term of three years to, among other things, supply AI servers that are compatible with the CCTV systems for providing video analytics functions and data storage in video surveillance. For further details of the cooperation framework, please refer to the section headed "Summary – Recent Development and no material adverse change" in this document.

Based on the above and with reference to the expected growth in market value of AI infrastructure in Hong Kong at a CAGR of approximately 24.6% from 2021 to 2024, our Directors are very optimistic about the demand and prospect of AI servers in the Hong Kong market and our sales of AI servers.

While we have experienced a slower-than industry CAGR growth in sales of HCI products and AI servers for FY2019/2020 and FY2020/2021, after obtaining in the fourth quarter of 2020 the authorised distributorships by entering into distributorship agreements with Brand A (a market leader and pioneer of HCI products) and Brand B (a market leader of AI servers), we have experienced sharp growth in sales of such products for FY2021/2022 and expects growth in sales continues for FY2022/2023.

We attribute the lower than industry CAGR growth in sales of HCI products and AI servers during FY2019/2020 and FY2020/2021 to our limited product offerings of HCI products and AI servers during the Track Record Period. According to the Ipsos Report, the HCI market in Hong Kong was concentrated, with over 10 brands of HCI products actively available as at 2020. During the Track Record Period, we only offered two brands of HCI products, with only one brand, Brand A, being an actively available brand and the other brand, Sangfor, not being considered a prominent player in the HCI industry. On the other hand, according to the Ipsos Report, the AI infrastructure market in Hong Kong is relatively fragmented with over 400 brands available as at 2020. This fragmented AI infrastructure market provided us with plenty of opportunities to acquire distributorship agreements in respect of AI servers providers. During the Track Record Period, the Group only offered four brands of AI servers, which except for Brand B, offered a wide range of IT products besides AI servers. As noted from the market landscape, although Brand B was not one of the top five market players of AI infrastructure in Hong Kong, it was one of the top six companies in the worldwide AI server market in 2020 and the biggest sever manufacturer accounting for 43.5% of the market share in the second quarter of 2020 in the PRC with a market share of more than 50% in AI server market over the years.

Our Directors believe that enriching the products portfolio by entering into distribution agreements with HCI products and AI servers IT products vendors will significantly enhance our growth in sales of such products. The significant growth in sales of HCI products and AI servers for FY2021/2022 and that the projected sales for FY2022/2023 is expected to outperform the forecasted year-on-year industry growth rate of 27.7% for market value of HCI in Hong Kong and 25.0% for market value of AI infrastructure in Hong Kong from 2020 to 2021F. All these demonstrate that by obtaining more authorised distributorships from HCI products and AI servers IT product vendors, we do have the ability to capture the industry growth in both the HCI and AI server markets.

Strategic collaboration with IT products vendors of HCI products and AI servers

As mentioned above, there is ample demand for HCI products and AI servers in Hong Kong. To capture the surging demand, we intend to enrich our product portfolio by introducing new brands of HCI products and AI servers including Brand A and Brand B, which are the market leaders in their respective markets and are relatively new brands we obtained authorised distributorship for. To attract these IT market leaders to collaborate with us, we had entered into distribution agreements with minimum purchase commitment with the two IT products vendors of the aforesaid brands HCI products and AI servers. To the best knowledge of our Directors, apart from our Group, Brand A had two other distributors in Hong Kong while Brand B had one other distributor in Hong Kong as at the Latest Practicable Date. With relatively small number of authorised distributors for these market leaders and hence limited competition between authorised distributors in these brands in the Hong Kong market and to seize an early-mover advantage for distributing HCI products and AI servers in Hong Kong, our Directors believe that it is in the best interest of our Group to secure the supply of HCI products and AI servers from these IT product vendors by obtaining authorised distributorship and establishing business relationship with them through satisfying minimum purchase commitment.

Based on our previous experience in successfully nurturing other brands/ IT products, we expect that by obtaining authorised distributorships and putting similar effort and resources to localise and build presence of the two abovementioned brands and other brands of HCI products and AI servers in the Hong Kong market, the growth of sales of such products by our Group will demonstrate a similar pattern as other brands/products which we had successfully nurtured before and the sales of such IT products will gradually improve. Sangfor and Ruijie, which are major market players within the PRC IT industry but lesser known in Hong Kong at the time when we first became their authorised distributor, are proven examples of how we successfully grew, localised and enabled sales for their IT products in Hong Kong market. In fact, at the initial phase after signing of the distribution agreements, in particular for Ruijie, we were required to incur significant upfront cost to meet the minimum purchase commitment under the relevant distribution agreement and acquire certain level of inventories to implement marketing and sales enablement strategies to educate the market, irrespective of whether orders from end-customers have been secured on back-to-back basis. To this end, when we first became an authorised distributor of Ruijie in 2015, we had agreed to a minimum purchase commitment of USD1.0 million for 2016. With a view to capture the uprising demand for data and communication and systems infrastructure products at the material time, we had purchased approximately HK$4.7 million of such products from Ruijie, irrespective of whether orders from end-customers have been secured on back-to-back basis. Besides, we had proactively partnered with IT products vendors such as Ruijie to launch marketing activities through online and offline channels such as Distribution Channel Party, exhibition, seminars, webinars and workshops and invited the target audience to attend. Through these marketing activities, we educated the target audience on the latest technological development while promoting the brands, highlighting features of the IT products and demonstrating how the IT products could be integrated and utilised in a solution to take advantage of the new technology. We believe that the brands becoming more mature in the Hong Kong market as a result of our marketing effort, Sangfor's sales value in the Hong Kong market in 2019 was approximately 8.1 times as compared to 2013, before we became its authorised distributor, as confirmed by Sangfor. Likewise, Ruijie confirmed that its sales value in Hong Kong market in 2019 was 3 times as compared to 2014. As such, we aim to and firmly believe in our ability to replicate the success of Sangfor and Ruijie on the two abovementioned IT products vendors and other brands of HCI products and AI servers which we collaborate with and may collaborate with in the future.

Based on our experience to nurture other successful brands of IT products for IT products vendors before, we plan to continue to enrich our product portfolio and partner with market leading brands of HCI products and AI servers which have imposed or are expected to impose a minimum purchase commitment on us. Under these distribution agreements, it is expected that we will be required to deploy upfront cost to acquire certain level of inventories of HCI products and AI servers from IT products vendors before securing the orders from downstream customers and for satisfying the minimum purchase commitment. In such way, like the initial phase of nurturing Sangfor and Ruijie in the Hong Kong market, we would be able to deploy product localisation strategies and sales enablement efforts to educate the market at relatively early stage in the market and provide value-added services to the resellers and end-users, with an aim to enable these market leaders' IT products to expand their market shares in Hong Kong. In addition, maintaining stock inventories would allow us to shorten our delivery lead time, which would generally take up to one month, and be able to meet the ad hoc needs of our customers on urgent basis. We will also offer spare units to our customers for temporary use and swapping service in the event of product defect which requires the IT products to be sent to the IT products vendors for repair or replacement, in order to lower the impact of defective IT products. These value-added services provided by us are appealing to both customers and the IT products vendors. In particular, this strategy will in turn allow us to develop stronger bonds with these market leading but lesser-known-to Hong Kong brands, promoting demands in these products and thus in turn enhance our profitability in these products.

According to the Ipsos Report, it is common for IT products vendors to impose minimum purchase commitment in distribution agreements, primarily because such minimum purchase commitment helps the IT products vendors to achieve their own sales goal and grow their market share in a foreseeable manner. In addition, according to the Ipsos Report, based on the independent interviews with authorised distributors in Hong Kong, it is common for authorised distributors to acquire IT products from IT products vendors before securing the orders from downstream customers. First of all, acquiring IT products from IT product vendors irrespective of whether orders from the end-customers have been secured can help the IT products distributors to establish relationships with the IT products vendors. By acquiring IT products, the IT products distributors demonstrate their capability and confidence to distribute a significant amount of IT products and the financial competence of business operation, which is one of the important factors for IT products vendors to review when they enter a distributorship agreement with a new IT products distributor. Secondly, acquiring IT products without having actual orders can speed up IT products distributors' deployment and delivery time of IT products to their downstream customers. The IT products distributors who plan to expand their business and are actively launching business initiatives and promotions usually require to increase their inventory of promoted or top-heated IT products to cater to the increasing demand.

These business strategies namely (i) expanding our product portfolio, (ii) educating customers on the use of HCI products and AI servers; (iii) maintaining stock inventories for allowing us to shorten our delivery lead time and offer spare units for swapping services; and (iv) conducting of marketing activities, would consume a substantial amount of financial resources of our Group. However, our Group's working capital management is constrained by our trade receivables, trade payables and inventories. Allocation of substantial working capital to fulfil the abovementioned business strategies in expanding our HCI products and AI servers would further hinder our Group's existing business operation and development. For illustrations, in FY2020/2021, our Group recorded negative cash flow from operating activities of approximately HK$38.3 million, which was mainly due to, inter alia, the decrease in trade and other payables and accrued charges primarily resulted from our substantial payments of trade payables to certain suppliers. Our Group also recorded a negative cash flow from operating activities of approximately HK$32.5 million for FY2021/2022 mainly due to the increase in trade and other receivables, deposits and prepayments. During FY2021/2022, our Group had allocated substantial resources in promoting and selling a type of data communication product, CDN licences. We had generated a revenue of approximately HK$244.8 million from the sale of CDN licences for the year but at the same time accumulated trade receivables of approximately HK$86.0 million and prepayments of approximately HK$33.5 million as at 31 March 2022, which tightened our overall cash flow. The increase in trade receivables by approximately HK$45.4 million to approximately HK$157.8 million as at 31 March 2022 was primarily attributable to the significant increase in revenue for FY2021/2022.

As confirmed by Ipsos, it is not uncommon for large corporation customers such as renowned telecommunication operators to have more bargaining power over their suppliers, and it is not unusual for them to demand a distributor in the value chain, such as our Group, to offer favourable credit terms. On the other hand, suppliers of our distribution business are mostly brand owners who also dictate the payment terms between themselves and us. As a result, the working capital of our Group is already constrained by our trade receivables and trade payables from our existing business operations. As at 31 March 2022, our bank balances and cash amounted to only approximately HK$17.2 million while our gearing ratio was approximately 104.3%. As such, in order to capture the industry growth of HCI products and AI servers without hindering our Group's existing business operation and development, our Directors consider that it is essential for us to allocate a significant portion of the [REDACTED] for enriching our product portfolio by obtaining distributorship agreements in respect of HCI products and AI server.

Competitive strength in securing new customers

All in all, our Directors consider that there is substantial demand and growth potential in HCI products and AI servers in Hong Kong market. Our Directors are confident that the key drivers for our financial performance, including having broad portfolio of new-to-market niche brands which we have enjoyed sizeable market share as well as an optimum brand mix of new-to-market niche brands and internationally renowned brands, and the synergy between our distribution business segment and SI solutions business segment, will continue to drive and substantiate our financial performance and sustainability, thereby allowing us to capture such demand. In addition, our Group operates a vertically integrated business model in the IT industry of which our Group primarily engaged in the distribution of IT products and provision of SI solution business. The dual roles as both distributor and reseller in the IT industry has benefitted our Group by allowing us to on-sell IT products to essential players in the whole value chain of the IT industry. Therefore, we are able to achieve product penetration of HCI products and AI servers through two ways, namely distribution and integration into SI solutions. As a distributor, TriTech mainly distributes its IT products to its customers, who are generally resellers. By distributing IT products to resellers, TriTech can leverage on the diverse and extensive network of its resellers who then on-sell its IT products including HCI products and AI servers to end-users of different industries. On the other hand, as a reseller, Multisoft sells IT products sourced from distributors including TriTech to its downstream customers, who are generally end-users. With over 14 years of operating history, Multisoft has developed a broad spectrum of customers from various sectors and industries, including, among the others, government, education, healthcare, banking and finance, insurance, retail, transportation and logistics during the Track Record Period, all of which are the major industries for HCI products and AI servers. In particular, Multisoft has business relationships with large corporations and enterprises including telecommunication, finance and electricity companies, of which these companies had indicated their interests in investing in HCI products and AI servers. Thus, our Group has a well-diversified and extensive customer base from our distribution and SI solution businesses which our Directors believe our Group has great opportunities to expand our presence in distributing HCI products and AI servers in Hong Kong. For details of our key drivers, please refer to the section headed "Our competitive strengths" in this section above.

As aforementioned, our Group's CAGR growth in HCI products and AI servers during the Track Record Period was limited by our product offering and short product history. Our Directors believe that by utilising the [REDACTED] from the [REDACTED], we would be able to explore and expand new potential brands and diversify our product offerings in both HCI products and AI servers. As for HCI products, our Group is currently authorised to distribute the products of Sangfor and Brand A, of which as mentioned above, Brand A is one of the prominent market players of HCI products in Hong Kong. To the best knowledge of our Directors, Brand A products are priced at mid to high range. As such, our Directors believe the HCI products of Brand A appeal to corporations and enterprises who are seeking for a renowned international brand. As for AI servers, our Group currently offers four different brands, including Brand B, that carry AI severs. As noted above, although Brand B was not one of the top five market players of AI infrastructure in Hong Kong, Brand B was one of the top six companies in the worldwide AI server market in 2020 and the biggest sever manufacturer accounting for 43.5% of the market share in the second quarter of 2020 in the PRC with a market share of more than 50% in AI server market over the years. Our Directors believe with our successful track record in localising and penetrating PRC brands in Hong Kong, such as Sangfor and Ruijie, we are well positioned to replicate such success with AI servers of Brand B. In particular, to the best knowledge of our Directors, AI servers of Brand B are priced at low to mid range as compared to other brands which our Directors believe appeal to customers looking for AI servers at competitive pricing.

Riding on the extensive and growing demand of HCI products and AI servers in the Hong Kong market and our growth in revenue derived from such products as mentioned above, we plan on utilising approximately HK$[[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to enrich our product portfolio and secure supply of the abovementioned HCI products and AI servers, among which (i) approximately HK$[REDACTED] of the [REDACTED] will be utilised for satisfying the minimum purchase commitments under the distribution agreements with IT products vendors, of which approximately HK$[REDACTED] and HK$[REDACTED] will be utilised for Brand A and Brand B respectively, and approximately HK$[REDACTED] for other potential brands of HCI products and AI servers; and (ii) approximately HK$[REDACTED] of the [REDACTED] will be utilised for sales enablement and conducting marketing activities to promote the new brands and IT products, including but not limited to participating and hosting of exhibitions, workshops, webinars, issuing press release in websites and magazines, traditional and digital marketing such as advertising on social media platforms to raise awareness of the brands and the features of the products. With the [REDACTED] received from the [REDACTED], we will have a larger sum of cash available to satisfy the minimum purchase commitment requirements without imposing significant liquidity pressure on us.

(ii) Expand our service offerings by launching subscription-based laptop rental services

As IT products have become essential tools, users especially for corporations generally have to incur huge upfront capital expenditure in purchasing computers, laptops and ancillary software programmes such as antivirus. According to the Ipsos Report, there has been an increasing trend in the IT industry in offering device-as-a-service ("**DaaS**") model to customers, whereby various hardware, software and services (such as ongoing technical support and product exchange) are bundled as a licensed package and offered to customers as a periodic subscription service. Under the DaaS model, end-users will enjoy greater flexibility and enhanced support while lowering their upfront cost for purchasing the IT products. It also provides options for corporations to scale up and down their IT needs based on their operating environment and business need, which appeals to corporations utilising contract resources or temporary project teams to quickly and easily added workstations and scale down once the project is completed without idling the devices. In addition, given the frequent introductions and enhancements of new products and services, maintaining an up-to-date IT infrastructure in a company can be costly. Many users and corporations adopting the traditional procurement model may not have additional capital to spend on non-revenue driving activities such as refreshing their IT products, and as a result, their overall productivity and efficiency may be compromised. This subscription-based DaaS model allows companies to keep up with the latest IT development and technology at lower cost. Furthermore, technical support is usually provided to customers during the subscription period. The presence of technical support is particularly appealing to corporations as they may rely on the technical support provided by the DaaS service provider, thereby reducing the amount of resources allocated to internal IT support function. At the same time, service providers will be able to foster long term relationships with customers due to the ongoing interaction during the subscription period and enjoy a steady stream of income from the periodic subscription fee instead of a one time purchase of non-recurring nature.

In addition, the outbreak of COVID-19 has acted as a catalyst for work-from-home arrangement which benefits our laptop rental services. Under the COVID-19 pandemic, various social distancing measures including work-from-home arrangement and e-commerce/learning platform have boosted the demand for IT products such as laptops, tablets, VPN services, real-time communication applications etc, and given the measures are taken out within short notice in response to the continuously-changing conditions of COVID-19, significant demand on readily-available laptops with the necessary repairing and technical support services for a certain period of time has been created among corporations and individuals. The generalisation of the IT applications has led to IT products becoming essential tools in everyday lives and is expected to sustain even in the post COVID-19 era, creating growth opportunities for DaaS model, according to the Ipsos Report.

According to a survey result conducted by FastLane, a research and advisory institute, the proportion of employers in Hong Kong offering work-from-home arrangement shot up from only approximately 11% prior to the outbreak of COVID-19 to approximately 60% as a result of the pandemic. The virtual working model has been gradually accepted and it is expected that a hybrid model combining more flexible working arrangements between work-from-home and work-from-office would be favoured by employees and adopted by employers. For instance, Twitter announced that it will allow staff to work from home permanently, while Facebook expected that more than half of its personnel are likely to work from home in the next 10 years. Certain other social media platform has also given up its office and no longer require its staff to work in office. A majority of employees, especially from the customer service and support segment, are expecting work-from-home policy will be extended during the post-COVID-19 era. Therefore, work-from-home as the new form of working arrangement is expected to remain post-COVID-19 by many employers and employees in Hong Kong and all over the world. With the advent of the work-from-home trend, business technologies such as computer hardware and software have become increasingly crucial and hence, the demand for DaaS, which offers end-users greater flexibility and enhanced support in both hardware and software, is expected to be stimulated by the increasing momentum of the IT hardware and software distribution industry.

Besides, the high awareness about DaaS market is generally driven by the significant adoption of contract-based services and solutions by SMEs, and the escalating need to lower the capital expenditure and operational expenditure by enterprises. On the other hand, with the threats arising from cyber security, DaaS engagement can help to improve reliability by providing regular device refreshes, allowing users to access advanced security protections such as biometric authentication. DaaS engagement also gives organisations integrated security capabilities. For instance, unified endpoint management tools enable organisations to remotely lock the device or remove corporate data when the device is lost or left somewhere insecure. Having considered the above, we believe the trend of the DaaS model will continue to gain momentum in the market and the offering of such to customers will increase our competitiveness within the industry.

Eyeing on the market potential, we intend to expand the service offerings in our distribution business by launching subscription-based laptop rental services. In our role as distributor, we will provide such rental services to resellers, who will place orders to rent from us on back-to-back basis upon receipt of rental requests from end-users. Users of such services will have the option to rent laptops with pre-installed software such as antivirus programme and remote access management programme as a service package or without any pre-installed software. The antivirus programme is a multi-layer defence system which involves a series of software aiming at providing safe and secured use of devices. The first layer is the traditional antivirus programme, which is designed to help detect, prevent and eliminate malware on devices such as laptops and tablets. The second layer of protection is a software which provides web security protection profiles to protect and defend remote users whenever they access the internet. This second layer has an increasing importance in light of the trend of work-anywhere arrangements. As users connect their devices from everywhere (including public WiFi) to gain remote access, users as well as the network of the businesses to which the users are connected are exposed to risks of cyberattacks, in which case traditional network security solutions do not offer effective protection. By doing so, it provides protection from known and unknown threats including phishing, malware and ransomware on the device itself as well as the network of the businesses to which the device is connected. In addition, it has audit capabilities to monitor any misuse of corporate applications or data leakage violations and provide productivity monitoring for remote users.

Other than antivirus, customers may also subscribe for software through which we could assist in managing the laptops from a central location. Such software programme allows us to install patch upgrades to all laptops to ensure that the operating system of the laptops are up-to-date and not susceptible to viruses and malwares. It also allows us to remotely control the use of any prohibited software and unauthorised storage devices as agreed with the customer in advance and we may be able to notify the customer when certain software and storage devices are attempted to be used in the laptop. Moreover, in circumstances where the laptop is lost or considered being exposed to an unsecured situation, we may also lock the laptop and/or remove all the corporate data where the customer considered appropriate. Furthermore, we may also provide technical support and troubleshooting services via remote access. Furthermore, we also intend to provide 24/7 technical support services under the new centralised service unit to be implemented, whereby we provide round-the-clock service through telephone hotline and emails to answer their enquiries and provide technical assistance. Based on the instructions of the customers, we may also pre-configure the laptops to restrict certain usage in the laptops, such as blocking of programmes and website. As part of our services, we will provide technical support to the users during the subscription period. Such rental services are suitable for customers from all industries, especially for those with limited in-house IT capability and financial resources to keep up with the latest IT development trend as well as those which demand for the latest technology in general while keeping a low upfront cost. The DaaS model can also serve to solve any temporary or short term increase in demand for laptops from customers. Eyeing on the market potential and having considered that the increasing number of market players offering such service in Hong Kong, our Group sourced a relatively small number of laptops from distributor for rent to customers since August 2020 on trial run basis to assess and enhance the necessary operational and logistic arrangements and test the market response. Despite limited marketing activities conducted, we had generated a revenue of approximately HK$4.4 million from our laptop rental services for FY2021/2022 and the duration of lease were approximately three to twelve months. As confirmed by our Directors, we have received positive feedback from existing customers and continue to receive enquiries from potential customers, and our existing and potential customers subscribe for laptop rental services due to a number of reasons including but not limited to demand on latest technology, temporary usage for specific period of time, and value-added repairing and ongoing technical support services etc. We believe that there is pent-up demands on this subscription-based laptop rental services from different kinds of end-users, and with appropriate marketing plans to promote such services, we are able to capture the growing business opportunities. In view of the above and with a view to offering to a wider customer base, we intend to scale up our current laptop rental services offering a larger quantity of laptops for rent to our customers. To accommodate our demand for such large quantity of laptops at competitive pricing, we intend to purchase laptops directly from IT products vendors.

Based on our experience in the trial run and with reference to the price of our competitors, we expect to offer various service packages with monthly subscription fee ranging from approximately HK$300 to HK$500 per laptop, taking into account, among other things, (i) the model and specifications of laptop; (ii) the rental duration; and (iii) the number of laptops to be rented. Additional fees will be charged on any additional software requested to be installed. Our monthly operating cost primarily consists of (a) the monthly depreciation expenses of each laptop (assuming an useful life of approximately 3.3 years); and (b) the relevant staff cost in relation to the technical support services provided by us. We may also offer an option to our customers to buy out the rented laptops at discounted price after subscription period, the price of which will be determined with reference to various factors including but not limited to the model and specifications of laptop, the prevailing market price of the same and the subscription period.

We believe the expansion of our service offerings in our distribution business by introducing subscription-based laptop rental services will not only generate stable and recurring income for us, but also reinforce our position as a pioneer service provider in the IT industry to timely address the evolving market demand. In providing such services, we will be required to purchase and keep stock of the laptops and software licence from IT products vendors. We intend to utilise approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to purchase and keep stock of IT products for providing such services.

(iii) Expand our workforce and enrich the expertise of our sales, product and technical teams

We believe that our success depends heavily on our ability to hire and cultivate experienced, motivated and well-trained members of our workforce. As such, we intend to continue investing in and expanding our workforce in the distribution business. In particular, as a value-added distributor, if any IT products vendors does not have sufficient resources to establish its presence and provide technical support in Hong Kong, our product team will undergo in-depth product and technical training provided by the IT products vendors to take on the role to provide support services to resellers and end-users in the local market. Having considered our business growth during the Track Record Period and to cope with the abovementioned enrichment of IT product and service offerings while maintaining our high quality service, we intend to recruit one staff for our sales team for promoting and marketing the new IT products and services, two product specialists (with one specialist delegated to each new IT products range for liaising with IT products vendors on pricing strategies and marketing plans) and three technical staff for providing pre-sale support and technical support and maintenance services to resellers and end-users by the end of the year ending [31 March 2024]. The expected monthly salary of the new hires ranges from approximately HK$25,000 to HK$52,000.

Accordingly, we intend to utilise approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to expand our workforce and enrich the expertise of our sales and product teams.

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

(i) Build up our in-house capability in providing digital transformation services

We intend to build up our in-house capability in providing digital transformation services. According to the Ipsos Report, it is estimated that the revenue generated by digital transformation market in Hong Kong will grow at a CAGR of approximately 21.6% during the forecast period from 2020 to 2024. Digital transformation has a positive and measurable impact on Hong Kong's economy and has been widely recognised by the organisations in the private sector, in which it is estimated that approximately 80% of the organisations in Hong Kong has kick-started their digital transformation journey. According to the World Digital Competitiveness Ranking published by the Institute for Management Development, Hong Kong ranked as 8th worldwide with a score of 93.7 in 2019, recognising Hong Kong's digital competitiveness in the world, and the ability to adopt and implement digital technologies in both private and public organisations. During the forecast period, the progress of digital transformation is expected to be faster in the post COVID-19 era due to the change in ways how people learn, work, socialise and shop. Enterprises are enthusiastic to increase their operational efficiency and transform existing business process, facilitating a fast digital transformation trend. In mid-2020, the Government launched the Distance Business Programme under the Anti-Epidemic Fund to provide funding support for enterprises to, among the others, adopt information technology solutions with a total funding of nearly HK$800 million granted and had subsequently allocated an additional funding of HK$1.0 billion for the continuation of the programme and further enhancement. Further, the Innovative and Technology Commission announced in January 2021 that the funding for Distance Business Programme had been increased from HK$1.5 billion to HK$1.9 billion to provide funding support. With the continuous active applications for the Distance Business Programme, the demand and development of digital transformation services in the SI solutions industry will be fostered in the near future.

During the Track Record Period, we had provided digital transformation services to customers to transform their services or business, through replacing non-digital or manual processes with digital process, and optimise their operations by the adoption of digital technologies. Generally, we are engaged to either moderate, revise or formulate additional systems on certain framework of IT products sourced from IT products vendors or design and develop a programme or application from scratch based on customers' specification. During the Track Record Period, our SI solutions business had completed 205 digital transformation contracts and the amount of revenue derived from provision of digital transformation services amounted to approximately HK$809,000, HK$2.4 million and HK$9.8 million respectively. Notably, we were engaged by Tricor in 2020 to develop the eIPO mobile application, which serves to digitalise and streamline the process of making eIPO applications. The eIPO mobile application provides a compact solution to allow users to apply for new IPO shares and complete all payment and registration process and obtain instant updates on the shares allotment result on personal electronic devices. We were responsible for designing the user interface, formulating the registration and application procedure, and developing a secured payment system and customisable features of the eIPO mobile application. Rounds of performance testing, user acceptance testing and ongoing maintenance have also been carried out to ensure the stable operation of the mobile application. In addition, we had also developed an email journaling system for a customer. Email journaling refers to the process where a journaling system creates shadow copies of all incoming and outgoing emails while they are in transit and stores them in a mailbox. As the content of the journal mailbox can only be deleted by user with administrative access, unlike email archiving, email journaling which serves to safeguard against email loss and record complete email communications for regulatory compliance and internal management purposes. The email journaling systems runs on its own individual application with a unique user interface, catering the specific needs of the customer. It has a simple and user friendly interface, designed to be easily deployed and used by staff without sophisticated understanding of IT. Subject to the needs of our customer, the email journaling system can be configured to cater for the specific corporate environment and daily operations of the company, such as generating reports on the email inflow and outflow to evaluate the email response rate. We also built a centralised internal data system based on the information contained in the emails to facilitate record keeping and easy file retrieval of our corporate clients given the volume of emails that need to be handled each day. The audit function within the system maintains a record of the identity of the persons logging onto and the searches conducted in the system. Our email journaling system offers flexibility to users, since (i) it is not restricted to any specific email server support system; (ii) there is no pre-determined storage capacity for the system, which can be scaled up and down depending on the customer's needs; and (iii) the Group offers to customise the interface to cater for the customer's preference and needs.

Having sales leads and track record of completing digital transformation projects, we have received requests for tenders and/or quotations from potential customers for providing digital transformation services from time to time. Our Directors believe that our success in obtaining and completing digital transformation contracts is heavily relied on our subcontractors due to the fact that we did not have in-house technical specialist with expertise in coding and algorithm, which is one of the key components of digital transformation services, and therefore had to subcontract certain scope of services to third party service providers in order to provide such services. During the Track Record Period, our subcontracting cost incurred for digital transformation contracts amounted to approximately HK$343,000, HK$1.4 million and HK$2.2 million respectively. Our Directors believe that the subcontracting arrangement has rendered our tender and/or quotations 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 subcontractor.

Going forward, our Directors believe that it will be beneficial for us to build up our in-house capability in providing digital transformation services as we will have better control over the cost of project as well as the progress and quality of the project, thereby increasing our competitiveness and our chance of obtaining more orders. Having taken into account the expected increase in demand according to the Ipsos Report and our track record of generating sales leads for provision of such services, our Directors believe that there is ample room for growth and development of our digital transformation services.

In light of the above, we intend to utilise approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to build up our in-house capability in providing digital transformation services. To achieve this, we plan to hire seven staff with technical expertise in coding and algorithm, who will be responsible for robotic automation programme and application development and one of whom will be responsible for the overall operation of our digital transformation services. We will also acquire hardware and software such as application development tools and application platform.

The following table sets forth the staff to be hired and their aggregate annual salary and expected work experience and qualifications:

Position and number to be hired	**Aggregate annual salary** *(HK$'000)*	**Expected work experience and qualifications**
Senior project manager/associate IT director — One	800	The manager is expected to have over ten years of experience in sizeable digital transformation projects with hands-on experience in mapping user journey, designing, implementing and launching digital products and applications. The manager is also expected to hold a degree in engineering, computer science, IT, science or other digital-related disciplines, and preferably with certificates in certain software development framework.
System analyst/system architect – Two	1,100	The system analysts/system architects are expected to have a degree in computer science/ information technology or equivalent discipline. In addition, they are expected to have a minimum of 5 years of post-qualification development experience, including at least two years at supervisory level.
Front-end developer/ back-end developer/ junior programmer – Four	1,100	The staff are expected to have approximately three years' experience in front-end/back-end development. The staff is also expected to have completed non-degree tertiary education.

According to the Ipsos Report, the number of labours working in the information technology sector in Hong Kong is constantly increasing in the recent years. It is estimated to have increased from approximately 85,384 labours in 2015 to approximately 100,305 labours in 2020, at a CAGR of approximately 3.3%. Among the 100,305 labours working in the information technology sector in Hong Kong in 2020, approximately 31,766 are professionals in IT or software development, who generally hold degrees in computer science or equivalent disciplines who are usually familiar with computer languages, systems, and applications. It is estimated that, among the 31,766 IT or software professionals, more than 17,700 of them have 10 years of experience or more in the field in Hong Kong as of 2020, and the number is expected to increase in the foreseeable future with the continuously higher demand for this type of labour in the market. Assuming that all of the approximately 2,000 SI solutions providers in Hong Kong provide digital transformation services and hire staff from the talent pool of 31,766 IT or software professionals, there would be on average approximately 15 staff per SI solution provider. As such, it is expected that there is sufficient talent in Hong Kong.

The above estimation of IT or software development professionals available in Hong Kong is based on the assumptions that (i) the majority of IT or software development professionals are computer science and information technology graduates of local institutions; (ii) the majority of IT or software development professionals would stay in the field upon graduation.

Based on the above and our recent hiring experience, our Directors are of the view that there are sufficient talents in the labour market and we do not expect to experience significant difficulties in hiring the intended staff in support of our expansion in digital transformation.

Service standard offered by the newly established team compared to our subcontractors

Our Directors believe that the service standard of our newly established team will be similar to that of our subcontractors. The subcontractors engaged by us during the Track Record Period are SI solutions providers principally engaged in providing software design and development, the scales of operation of which are relatively small. To the best knowledge of our Directors, as at the Latest Practicable Date, our subcontractors have one office in Hong Kong with approximately ten to 30 staff. Members of the subcontractors' project team generally are university or diploma graduates with knowledge in coding and algorithm. Their senior staff generally have approximately five to six years of work experience in coding while the junior staff generally have less than three years. During the Track Record Period, our subcontractors generally allocated approximately two to eight staff, including both senior and junior staff, to our digital transformation projects. Our Directors consider that our team size of seven as described above is comparable to the team size allocated by the subcontractors on our digital transformation projects. In particular, our Directors consider that the expected background of each member of the new team and the team structure are comparable to that of the subcontractors engaged by us during the Track Record Period. We plan to allocate similar level of manpower as our subcontractors to the future projects, subject to the size and complexity of the projects.

Our Directors believe that such team size is sufficient for meeting the expected demand for digital transformation services from our customers while achieving growth at a healthy and steady rate. Accordingly, on the assumption that we are able to hire a team of staff with the expected work experience and qualifications, our Directors believe that we will be able to deliver digital transformation services the standard of which are comparable to those of our subcontractors.

Management supervision and training of the new team

Our Group has always been heavily involved in every stage of our digital transformation projects and closely monitored the progress of our projects during the Track Record Period. Where a digital transformation project involves subcontracting, we take on the role as the project manager, ensuring that our customer's objectives can be achieved and the project as a whole (including our subcontractor) is on schedule. Specifically, we are responsible for discussing with the customers to understand their needs and goals, planning and designing the program and/or application, liaising with subcontractors to discuss on the execution plan of the project, the design of the product and how the goals of our customer are to be achieved and closely monitoring the status and quality of work of our subcontractors to ensure that the end product meets the customer's expectations and the project is on schedule. At present, the digital transformation projects of our Group are overseen and supervised by a member of our senior management, namely Mr. Tam Yiu Hong, who has over 20 years of experience in the information and technology industry and is presently a senior technical manager.

Our Directors expect to manage and supervise the new team of staff in a similar manner and workflow. As such, we will be able to manage and supervise the new team based on our experience in managing and supervising our subcontractors.

In terms of training, our Directors expect that the senior project manager/associate IT director will offer training specific to coding and algorithm to the other members of the team. We may also arrange for external training courses to our staff where appropriate. In addition, we may also offer training beyond the scope of coding and algorithm so as to broaden the skillset of the team to provide other SI solutions services.

Flexibility in maintaining an in-house team

Our Directors believe that maintaining an in-house team would lead to greater flexibility in our Group. Firstly, with our own in-house team, we will have greater control over the manpower allocated to each project. This is beneficial to digital transformation projects as customer concept and the scope of work may evolve during the development process, and these changes may increase the workload and the level of complexity. Having an in-house team gives us flexibility to adjust our resources allocated to the projects on hand according to the project status and development without incurring additional subcontracting costs as a result thereto.

In addition, we will take a flexible and dynamic approach in addressing the demand for digital transformation projects. Based on our Group's experience, we will carefully assess the demand for our digital transformation services, the output of our staff and the number of projects the team may take up on an ongoing basis, and will make adjustment accordingly. In the event that there is a sudden overload of projects, we may adjust our output by engaging subcontractors to take up additional projects. If a steady demand is expected, we may also offer the relevant training to our other SI solutions staff to maximise the utilisation of our staff or utilise our internal resources to hire additional staff with relevant experience.

On the other hand, in the event that the number of projects on hand is limited and there is spare capacity within the team of staff for digital transformation, the team may assist in other SI solutions projects of our Group. Given the background of the team of staff to be hired, our Directors believe that the staff will be able to provide other SI solutions services. Where necessary, we will also offer on-job trainings to the staff to increase their job diversity.

Having considered the potential cost savings to be generated from hiring a team of staff for digital transformation services as per the cost-saving analysis as disclosed in the section headed "Future plans and use of [REDACTED]" in this document, and the approach as elaborated above, our Directors consider that maintaining an in-house team would lead to greater flexibility in our Group.

Proven track record to secure new projects

Although our Group's previous success in obtaining and completing digital transformation contracts heavily relies on our subcontractors, such reliance is limited to the execution of coding and algorithm part of these contracts. As confirmed by our Directors, our Group has always been responsible for customer sourcing and has not taken our subcontractors' track record as our own in order to secure any digital transformation projects. Relying on our own reputation as an established SI solutions provider, our marketing effort and quality of service, we were able to generate a revenue of approximately HK$809,000, HK$2.4 million and HK$9.8 million from provision of digital transformation services during the Track Record Period, despite not having our in-house team to perform the coding and algorithm aspects of certain projects, including developing the eIPO mobile application of Tricor, which serves to digitise and streamline the process of making eIPO applications and In addition, our Group was awarded a tender of an independent statutory body funded by the Hong Kong government to, among the others, develop their intranet to facilitate internal collaboration, communication and information sharing which supports around 100 users and accessible outside the office. The scope of service includes design of the intranet to meet the specific requests of the customer, installation, testing, migration, training and nursing to ensure the successful implementation and on-going operation of the intranet. As such, our Directors firmly believe that our Group has already developed a solid track record in offering digital transformation services to customers and will be able to secure new projects regardless of having our in-house team or engaging subcontractors for performing part of our digital transformation projects.

Having considered the structure and expected background and qualifications of the new team of staff, our Directors believe that we will be able to leverage on their experience and expertise in software development/coding and algorithm to our Group's benefit. In particular, the expected cost savings will allow us to offer more competitive quotations to potential customers. Combined with our Group's own experience in digital transformation projects during the Track Record Period, our Directors firmly believe that we will continue to be able to secure new projects after hiring our own team of staff.

(ii) Expand our workforce in sales and technical teams to increase our project capacity

We believe our ability to recruit, retain, motivate and develop high-calibre professional staff has always been one of the keys to our continuous success and implementation of future strategies. The number of projects we can undertake largely depends on the number of sales and technical staff in the workforce of our SI solutions business. In order to achieve sustainable growth, we intend to expand our workforce by recruiting and developing well-qualified employees for our sales and technical teams as well as to provide them with necessary training to improve their technical know-how through obtaining various industrial qualifications. We believe that by expanding and enriching our workforce in sales and technical teams, we will be able to undertake more SI solutions projects as the provision of SI solutions itself heavily relies on the manpower capacity and the range of skills and expertise of our sales and technical staff.

According to the Ipsos Report, the expenditure on SI solutions in Hong Kong recorded an overall increase from HK$32.8 billion in 2015 to HK$49.2 billion in 2020, at a CAGR of approximately 8.5%. The private sector has been the major contributor to the expenditure on SI solutions in Hong Kong, accounting for a share of approximately 90% to the total expenditure on SI solutions during the period from 2015 to 2020. Due to the increasing competition under globalisation, the private sector in Hong Kong has pursued the improvement of operational efficiency through the intensive adoption of IT, including cloud and cyber security services, transforming the needs as the demand for the SI solutions in Hong Kong. During the forecast period from 2021 to 2024, the expenditure on SI solutions in Hong Kong is expected to increase from HK$52.5 billion in 2021 to HK$61.9 billion in 2024, representing a CAGR of approximately 5.6%. The expenditure on SI solutions is expected to be driven by the increasing adoption of emerging technologies, especially from cloud and big data management.

Having considered the sustained and expected increase in the demand for SI solutions, our Directors believe that we can undertake additional projects from both the private and public sectors on top of our current scale of operation and our current projects on hand if we can expand our workforce in sales and technical teams. In view of the above, we plan on utilising approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to recruit additional two sales staff and three technical staff by the end of the year ending [31 March 2024]. The expected monthly salary of the new hires ranges from approximately HK$25,000 to HK$60,000.

Establish a new centralised service unit for provision of IT maintenance and support services which provides 24/7 technical support services and detection and response support

In line with the anticipated business growth brought by our proposed expansion plan, we expect the demand for our IT maintenance and support services will continue to grow with our widened customer base. We intend to establish a new centralised service unit for provision of IT maintenance and support services which serves both our SI solutions and distribution businesses. The new centralised service unit is intended to provide (i) 24/7 technical support services, whereby we provide round-the-clock technical advice and support is provided to customers by answering their enquires and technical issues encountered through telephone hotlines and emails, providing remote helpdesk support and if required, fixing the technical problem on-site by our staff at any desirable time as opposed to the typical technical support services which are generally limited to office hours on weekdays; and (ii) detection and responses services, whereby we monitor, review, test and analyse customers' IT system regularly to detect and identify any security risks and threats, and we will make recommendations to overcome the security loopholes if risks and threats are detected and take rectification or system stabilisation actions if it is under cyber-attack. We will market and sell this range of IT maintenance and support services to both end-users in our SI solutions business and resellers in our distribution business who do not possess this service capability and engage us to provide such services to their customers.

Our Directors believe that technology has shaped the ways people work and removed temporal and spatial boundaries. As IT development advances, people are able to work anytime and anywhere, creating demand for 24/7 technical support services and sparking concern on cyber security. According to Ipsos Report, it is observed that there is an increasing number of organisations operating around the clock due to the internationalisation of business and extended service hours. The demand for 24/7 technical support and monitoring services has, therefore, increased as the customers are expecting an undisrupted and sustainable operation for maximising its profits and enhancing customer satisfaction, demanding more real-time support from their IT solutions providers. In response to this increasing demand, there is an increasing number of IT solutions providers providing 24/7 technical support and monitoring services to quicker respond to end-users' enquiries, offer prompt assistance and minimise possible cyber-threats and breaches. With the consideration that the IT industry in Hong Kong is highly fragmented, the IT solutions providers who can provide 24/7 technical support and monitoring services can, therefore, be able to stand out from the peers in the market. For instance, according to Ipsos Report, the top four SI solutions services providers in Hong Kong in 2019 as illustrated in the section headed "Industry Overview" in this document are providing managed 24/7 support services for their customers. Given the pent-up demand, we believe these new range of IT maintenance and support services will be well received in the market. With the new centralised service unit for the provision of IT maintenance and support services, we are able to generate a new source of income on recurring basis and create synergy for our IT products and services. Also, we will be more appealing to IT products vendors who do not have sufficient resources to establish technical support in local market and solidify our position as valued-added distributor to attract new IT products vendors to engage us to be their distributors on a more favourable terms.

We intend to utilise approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to (i) hire additional staff with relevant technical skills for providing technical support to our customers and expertise and experience in cyber security; and (ii) purchase the IT products including hardware and software required for offering 24/7 technical support services and detection and response services. We plan to hire six additional staff with relevant technical skills for providing technical support to our customers and expertise and experience in cyber security, one of whom will be responsible for the overall operation of the centralised service unit. Depending on the level of experience and the expected responsibilities, these staff are expected to have monthly salary ranging from approximately HK$15,000 to HK$30,000. In addition, we will also acquire necessary hardware and software catering for offering of such services. We will acquire a set of call centre system comprising various hardware and software to facilitate telephone hotline enquiries, a ticketing system software licence which helps to manage and document enquiries and requests from customers, two security related software licences which identify, categorise and analyse incidents to generate reports on security-related incidents and alerts users of abnormal behaviour and indicates potential security issues and provide up-to-date threat data.

Upgrade our equipment, software, hardware and ERP systems in support of our business expansion

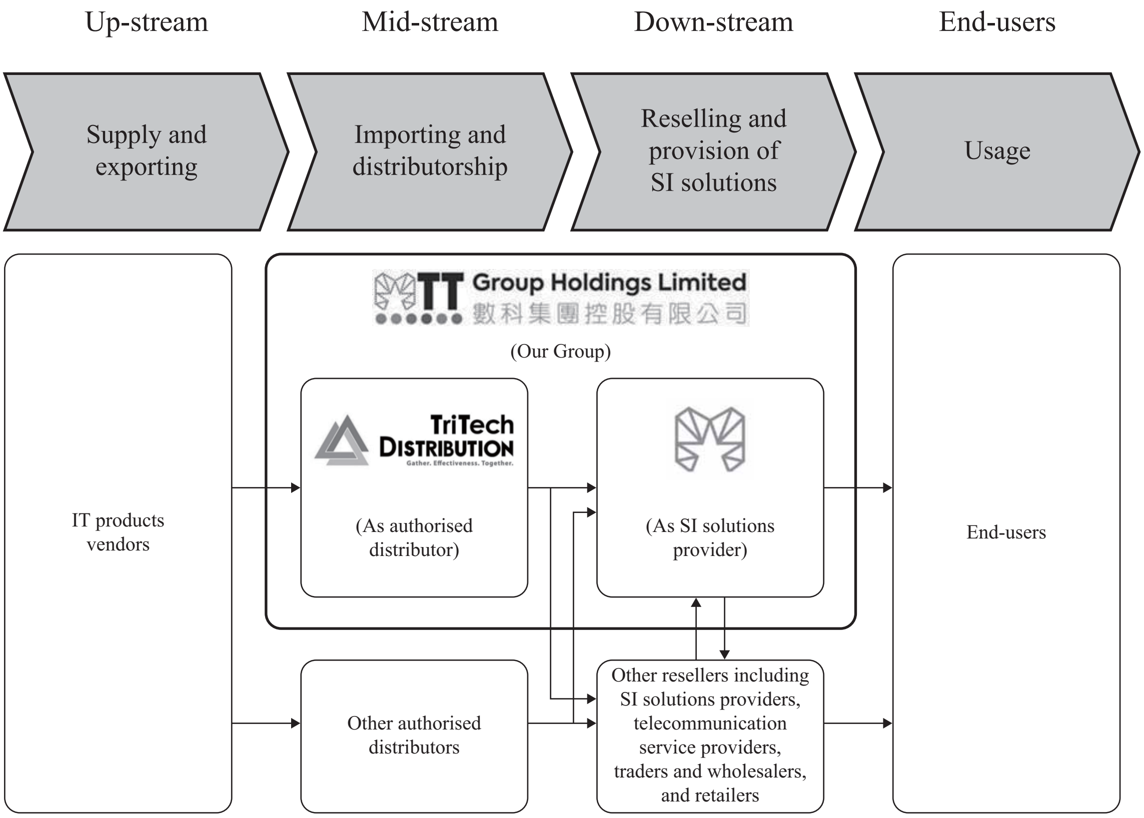
We intend to upgrade our existing IT system to enhance our overall operational efficiency and improve project management ability. We plan to invest in a centralised ERP system linking up our operations in various location, which will support our procurement, inventory, sales and logistics in an efficient manner, allowing us to collect and monitor budget management, financial analysis, sales and distribution history, shipping records, inventory management and document management, inventory analysis, and sale and logistics analysis. We believe such ERP system will allow us to better manage our project status and ensure that we are able to deliver our IT products and SI solutions to our customers in a timely manner. Besides, to cope with the expansion plan in our distribution and SI solutions businesses, we plan to acquire hardware, software and ancillary equipment for replacement and addition in light of the expected increase in headcount. Accordingly, we intend to utilise approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to upgrade our ERP systems equipment, software and hardware.

Strengthen our marketing efforts and improve brand recognition

We plan to keep track of the latest trend in the IT industry and adopt those that will be able to improve our product portfolio, solution offerings and service quality. We will continue to leverage on our experience in the industry, range of our IT products, solution offerings and our capacity to further explore potential market opportunities in Hong Kong, the PRC and Macau. We intend to strengthen our business development capacity by enhancing our efforts to maintain close relationships with our customers and expanding our customer base, continue deploying various marketing and promotional strategies such as hosting of marketing events and use of online and social networking platforms and share with them information regarding the latest development of our products and services. Through this approach, we aim to obtain further comprehensive understanding on our existing and potential customers and their respective preferences and needs. With these insights, our Directors believe that we can develop closer relationships with our customers and improve our brand recognition. Accordingly, we intend to utilise approximately HK$[REDACTED] or approximately [REDACTED] of the [REDACTED] from the [REDACTED] to strengthen our marketing efforts and improve brand recognition.

OUR BUSINESS MODEL

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



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

Distributors and resellers are different in their roles, functions and importances along the value chain of the IT industry. The following table summarises the key features and major differences in the roles of distributors and resellers, in particular SI solutions providers, in the IT industry in Hong Kong.

	Distributors	**Resellers**
Suppliers	Distributors' suppliers are mainly IT products vendors for provision of IT products.	Resellers' suppliers are mainly distributors for provision of IT products, and other resellers for provision of subcontracting services.
Customers	Distributors' customers are mainly resellers who purchase IT products and services for re-sale purpose.	Resellers' customers are mainly end-users who purchase IT products and services for consumption, and other resellers in need of certain subcontracting services.
Role	Distributors act as intermediaries between IT products vendors and resellers as they procure IT products from IT products vendors and distribute to resellers.	Resellers act as intermediaries between distributors and end-users as they procure IT products from distributors and resell to end-users.
Business model	Distributors' model is product-driven in nature as their objective is primarily to market and sell IT products for which they have obtained distribution rights. Depending on the terms of the distribution agreements with IT products vendors, distributors are generally responsible for the overall marketing strategies of the IT products, branding strategies, distribution, channel management and provision of technical support and training in the local region.	Resellers' model is solutions-driven in nature as their objective is to address the IT needs and requirements of the end-users. In particular, SI solutions providers work closely with end-users to understand their IT needs and recommend suitable IT products and SI solutions in accordance with their IT needs and specifications. Depending on the engagement of end-users, SI solutions providers are generally responsible for assessment and consultation of existing and expected IT environment, procurement of IT products, integration of IT products into customised SI solutions, implementation and integration.
Contractual arrangement with IT products vendors	Distribution agreement. IT products vendors and distributors usually enter into distribution agreements, which governs the distribution arrangements and their respective rights and obligations.	Partnership agreement. Some IT products vendors may enter into partnership agreement with resellers, which governs the resale arrangements and their respective rights and obligations.
Procurement arrangement	Distributors usually place orders with IT products vendors upon receipt of purchase orders from resellers on a back-to-back basis, and may also maintain a certain level of stock according to their procurement strategies. Depending on the terms of the distribution agreement, it is common for the IT products vendors to impose minimum purchase commitment on distributors as one of the condition for granting distribution rights to distributors.	Resellers usually place orders with distributors upon receipt of purchase order or confirmation of solutions proposal from end-users on a back-to-back basis. They generally do not purchase IT products directly from IT products vendors and there is no minimum purchase commitment imposed on the resellers by distributors or IT products vendors.

We operate as both distributor and reseller in our vertically integrated business model. In our distribution business, we in the role of distributor source IT products from IT products vendors and then introduce, market and distribute IT products to our reseller customers. IT products vendors, our suppliers in distribution business, rely on us in localising, selling and distributing their products to resellers in Hong Kong market as they are usually overseas- or PRC-based manufacturers of IT products which are not familiar with the local market. By engaging our Group as their local authorised distributor, they can reduce the administrative burden of dealing with numerous resellers and minimise credit risk, as well as leverage on our knowledge and understanding of the local market and our established distribution channel to sell the IT products in a cost-saving manner. Therefore, resellers generally do not procure from IT products vendors directly, and if a reseller directly approaches the IT products vendors of whom we are the authorised distributor, for orders, the IT products vendors will refer such resellers to us. On the other hand, in our SI solutions business, we in the role of SI solutions provider reach out to end-users to understand their existing and expected IT environment and customise SI solutions according to their IT needs and specifications. Once the solutions proposal is accepted and confirmed, we will procure the relevant IT products from distributors, and integrate into SI solutions and resell to end-users.

Our dual role as both distributor and reseller in the IT industry has not only enabled us to capture business opportunities in the whole value chain of the IT industry, but also benefitted us through close and direct interaction with all essential players, creating synergy between our distribution and SI solutions businesses. In the role of distributor, we are able to leverage on our in-depth understanding of end-users' needs in IT products and awareness of unfulfilled requests and demand of end-users gained through direct interaction with end-users in our SI solutions business, and provide valuable feedback to IT products vendors to localise their IT products for applications in Hong Kong market. On the other hand, in the role of SI solutions provider, we are able to leverage on our technical knowledge on IT products and awareness of the latest IT products trends and technological development gained through direct interaction with IT products vendors in our distribution business, and provide customised SI solutions with latest technology to end-users. This synergy created allows us to add value to our suppliers and customers in both levels of the value chain of the IT industry, and thereby setting us apart from our competitors.

OUR PRODUCTS AND SERVICES

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

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

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

We have generally enjoyed steady growth in our revenue in recent years. During the Track Record Period, our total revenue increased from approximately HK$331.9 million for FY2019/2020 to approximately HK$387.4 million for FY2020/2021, representing an increase of approximately 16.7%. Our total revenue increased from approximately HK$387.4 million for FY2020/2021 to approximately HK$631.5 million for FY2021/2022, representing an increase of approximately 63.0%. For details of our financial performance during the Track Record Period, please refer to the section headed "Financial Information" in this document.

Distribution business

We introduce, market and distribute a broad spectrum of IT products comprising hardware, software and/or auxiliary products to resellers in Hong Kong. As at the Latest Practicable Date, we were the non-exclusive authorised distributor of 38 IT products vendors, with origins spanning across different countries such as the PRC, the U.S., India, Japan and European region. We carry a wide variety of brands, such as Sangfor, Rujie, Fujitsu and F-Secure, and covers both internationally renowned brands and new-to-market niche brands. Ancillary to distribution of IT products, we also provide IT implementation services to resellers and end-users, which include installation, configuration and integration of IT products into the end-users' IT system.

Our IT products can be broadly divided into three categories, namely data communication and systems infrastructure, cyber security and digital transformation. The key products and usages of each category are as follows:

- ***Data communication and systems infrastructure:*** Data communication products transmit digital data from one point to another through a network. Systems infrastructure products are a range of devices and technologies, applications and systems that form an IT infrastructure, which can be in the form of on-premises in local system infrastructure or via the internet using cloud without installing and maintaining IT infrastructure on-presmises. Cloud is a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (such as servers, networks, storages and applications) that can be rapidly provisioned and released with minimal effort. In general, our key products include CDN licences, router, switch, wireless access point, server, storage and data protection. In particular to cloud, our key products include infrastructure-as-a-service ("**IaaS**"), platform-as-a-service ("**PaaS**") and software-as-a-service ("**SaaS**"), which provide an internet-based computing services in which large group of remote servers are networked to allow centralised data storage and there can be online access to computer services or resources.

- ***Cyber security:*** Our key products include achiever, backup, gateway, firewall, security and compliance and protection and response, which serve to safeguard IT systems including hardware, software and information from attack, damage, unauthorized access as well as disruption and misdirection.

- ***Digital transformation:*** Our key products include robotic automation, performance management applications, systems management solutions, modular data, which apply digital technologies to reshape and reorient an organisation around customer experience, business value and constant change.

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

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

* The percentage calculated is less than 0.1%.

SI solutions business

Our SI solutions mainly refer to IT infrastructure solutions services and IT maintenance and support services. As a solutions-driven reseller, we work closely with our customers to understand their IT needs and provide comprehensive, integrated, up-to-date and customised SI solutions to them in accordance with their IT needs and specifications.

Provision of IT infrastructure solutions services

Our IT infrastructure solutions services can be broadly divided into three categories, namely data communication and systems infrastructure, cyber security and digital transformation with details as follows:

- ***Data communication and systems infrastructure:*** In respect of data communication, we design and implement, manage and optimise communication network for transmission of digital data between computers and/or server according to our customers' requirements. In respect of systems infrastructure, based on our analysis and assessment of our customers' objectives, we design, build and implement the IT infrastructure in the form of on-premises in local system infrastructure or via the internet with the application of cloud solutions with IT products sourced from various IT products vendors for our customers and help them manage and optimise the IT infrastructure thereafter. Our cloud solutions primarily includes IaaS, PaaS and SaaS. IaaS offers flexible, on demand infrastructure resources such as computing, storage and network resources to our customers. PaaS presents a cloud-based platform service that allow developers to develop, test, host and maintain applications. SaaS primarily refers to application or product that is run and managed by cloud vendors. We also implement hybrid cloud, which sets up connection between cloud service provider and local system infrastructure. Apart from building an entire IT infrastructure for our customers, we also formulate strategies to integrate various IT products to our customers' existing IT infrastructure or for migration to a new IT infrastructure to tackle our customers' ever-changing needs

- ***Cyber security:*** we provide services to safeguard IT systems including hardware, software and information including computers, servers, mobile devices, networks, programmes and data from attack, damage, unauthorised access as well as disruption and misdirection. Cyber security can be divided into (i) network security, a process of protecting a computer network from unauthorised users and malicious attacks; (ii) application security, a process of identifying, repairing and protecting applications against security vulnerabilities; (iii) endpoint security, a process of protecting endpoints or end-user devices like desktops, laptops and mobile devices, which are the potential points of entry exploited by malicious actors; (iv) data security, a process of protecting digital data, such as those stored in a database or file system from unauthorised users and malicious attacks; and (v) identity management, a system that controls user and system information that is used for authenticating and authorising user identities for access to secure resources; and

- ***Digital transformation:*** we assist enterprises in transforming their business by designing, planning and building innovative solutions with the latest digital technology in replacement of non-digital or manual processes to streamline the business operation and increase their operational efficiency.

Provision of IT maintenance and support services

Along the IT infrastructure solutions services, we provide a variety of on-going maintenance and support services to our customers as IT maintenance and support services. During the Track Record Period, our IT maintenance and support services primarily comprised:

- ***Hardware and system maintenance and support services:*** we provide on-site and/or remote hardware and system maintenance and support services and additional warranty services (which is generally for a term of one to three years) beyond the original warranty period (which is generally for a term of one to three years) offered by the IT products vendors, including problem diagnostics, spare parts swapping and/or replacement of IT products, health or operation check after replacement and reconfiguration of system and troubleshooting;

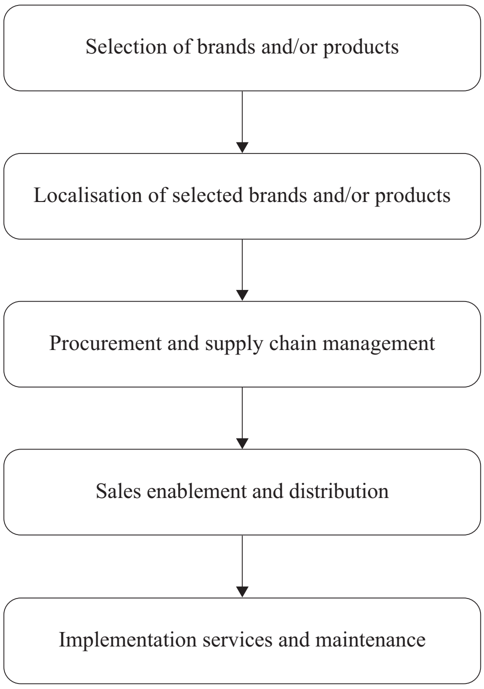
- ***System monitoring services:*** we provide monitoring and alert services over our customers' system, infrastructure, cloud, troubleshoot and promptly fix technical problem to decrease the service down time and/or user impact; and

- ***IT outsourcing services:*** with the support of our backend technical staff, we arrange our technical staff to work for our customers for a fixed period of time to carry out a range of maintenance and support services. Our IT outsourcing services allow our customers to retain control over their IT strategies while benefiting from reduced operating costs and risks without compromising service delivery to end-users and their customers.

WORKFLOW OF OUR BUSINESS

Distribution business

The following diagram illustrates the typical workflow of our distribution business:



Selection of brands and/or products

We believe that our capabilities of offering a broad spectrum of IT products to resellers as well as introducing new and up-to-date IT products that meet the changing market trend and consumers' demand are vital to our success in the IT products distribution industry. We have placed a strong emphasis on building a broad and diversified product portfolio through careful selection of brands and/or products, which comprises (i) product research and selection; (ii) product portfolio management; and (ii) entering into distribution agreements with IT products vendors.

Product research and selection

The selection of brands and/or products is one of the crucial competitive factors of IT products distributors. With a view to maintaining a broad, diversified and up-to-date product portfolio, we keep ourselves abreast of the latest IT products trend and technological development through research and close interaction with IT products vendors. We actively attend marketing events hosted by IT products vendors and visit their office to learn about their latest product development. We also explore the profile of new brand and/or product in the international trade fairs and identify brand and/or product we consider with promising potential within the Hong Kong market based on our industry experience in the IT products distribution industry. Given our established reputation within the IT products distribution industry, our current and new IT products vendors may also actively approach to us to introduce their latest IT products. At the same time, through resellers' (including Multisoft's) interaction with end-users, we gain awareness of end-users' product preferences and unfulfilled demand, which provides directions for our product portfolio.

When selecting a new brand and/or product, we assess it based on various factors, including, among others; (i) brand and/or product reputation; (ii) product availability in Hong Kong; (iii) product origin; (iv) the brand awareness in Hong Kong; (v) market potential; (vi) product competitiveness; and (vii) whether the IT products match with our strategic direction. We consider and select both internationally renowned brands and new-to-market niche brands to cater for different needs of the customers. While we believe there is enduring demand on IT products of internationally renowned brands due to the existing market recognition and goodwill, we also strategically identify new-to-market niche brands in which we see market potentials to provide a broad and diversified choice of IT products. We strategically select IT products vendors with limited or no presence in Hong Kong market who offer products with specifications comparable to internationally renowned brands in their respective fields at relatively competitive pricing, which appeal to cost-conscious customers. By obtaining authorised distributorships from these growing market players, we are able to capture the growth opportunities of their IT products in the local market.

Product portfolio management

We focus on three major categories of IT products, namely data communication and systems infrastructure, cyber security and digital transformation. As at the Latest Practicable Date, we were the authorised distributor of 38 IT products vendors, with origins spanning across different countries such as the PRC, the U.S., India, Japan and European region. The IT products offered in our product portfolio cover a wide array of functions and usages, and range at different price levels. We actively manage our product portfolio and conduct reviews on a regular basis based on, among others, (i) latest technological trend and market development; (ii) expected growth of particular brand/product; (iii) customers' demand, preference and feedback; (iv) procurement costs; (v) our business relationships with the IT products vendors; and (vi) business relationships between such IT products vendors and other local distributors. We strategically maintain diversified product origins in our portfolio so that we can easily replace and continue to supply IT products with different origins in event of any trade restrictions imposed on the IT products of particular origin by any particular country.

Entering into distribution agreements with IT products vendors

Having identified a brand and/or product which we consider with promising potential based on our experience, we will negotiate with the IT products vendors for authorised distribution right. While we generally procure IT products from a majority of IT products vendors by way of purchase orders, we also enter into legally-binding distribution agreements with IT products vendors to set out contractual obligations between parties. In assessing whether to grant authorised distribution right, IT products vendors generally will take into account various factors, including but not limited to (i) our reseller network; (ii) our reputation in the local market; (iii) technical know-how to understand their IT products and to provide support and services to the local resellers and end-users; and (iv) marketing plans and resources to help expanding their market share. We will negotiate with IT products vendors on the terms of the distributorship, including the type of products, duration of distributorship and territorial restrictions etc. The IT products vendors may require us to commit to certain annual minimum purchase amount as one of the conditions of becoming an authorised distributor.

As part of the distribution agreement, IT products vendors generally require us to undergo product and technical training provided by them. Some IT products vendors may issue technical certificates confirming that we have the necessary knowledge and skills in providing technical training and support of their IT products to resellers and end-users in the local market. Some IT products vendors may also require our staff to undergo regular training in order to maintain the technical certificates, thereby maintaining our status as authorised distributors.

During the Track Record Period, we were generally granted non-exclusive distribution rights of IT products in Hong Kong. The distribution agreements generally have contractual terms of one year or without fixed terms and remain valid until terminated. Some of the distribution agreements stipulate minimum purchase commitment or sales target for us to achieve. For further details of terms of the distribution agreement, please refer to the paragraph headed "Suppliers — Salient terms of the master agreements with our major IT products vendors" in this section below.

Our Directors believe that the entering into of legally binding distribution agreements with IT products vendors, whether exclusive in nature or not, is beneficial to us in consolidating our market position primarily because such arrangements solidify the business relationships, as well as cultivate confidence and mutual co-operation, between us and the IT products vendors, thereby allowing us to secure sufficient supplies of highly demanded products and to maintain a diversified product portfolio.

Localisation of selected brands and/or products

We strive to enable market for the selected brand and/or products by raising brand and product awareness and reputation among target audience, we proactively partner with the IT products vendors to launch various types of marketing activities through online and offline channels, from large scale marketing events such as Distribution Channel Party and exhibition to seminars, webinars and workshops and invite the target audience to attend. These marketing activities serve to educate the target audience on the latest technological development while promoting brands, highlighting features of the IT products and demonstrating how the IT products can be integrated and utilised in a solution to take advantage of the new technology. We focus our marketing efforts on our broad network of resellers who will help to introduce the latest technological development and the IT products to end-users. At the same time, we also engage in marketing activities with resellers targeting end-users to generate interest and sales leads from the end of the value chain.

We also engage in product localisation for new-to-market niche brands that we see potentials in the Hong Kong market. Based on our assessment and understanding of the local market, we assist the IT products vendors of the new-to-market niche brands in identifying target audience, determining the market positioning of their IT products and devising marketing plans and strategies to promote their IT products to penetrate into the local market. Given the IT products vendors of these new-to-market niche brands are overseas-originated and may be new to the Hong Kong market, the standard product features and specifications of their IT products are usually different from the requirements and expectations from the users in Hong Kong market. As part of our localising strategies, we make product enhancement suggestions such as in terms of product size, specification and price range to IT products vendors to suit for the local market and IT products vendors may fine-tune or develop their IT products specifically for Hong Kong market. In addition, we design and prepare marketing materials aiming at the target audience in the local market. We believe our consistent efforts in marketing and localisation is one of the reasons the IT products vendors consider us a value-added distributor and continue to engage us as their authorised distributors in Hong Kong market.

Procurement and supply chain management

In general, upon receipt of purchase order from our resellers, we will place purchase orders with our IT products vendors according to the agreed requirements and specification. We monitor the shipment and logistics progress of the IT products and update stock arrival status accordingly to meet the delivery time as set out in the purchase order. Given the lifecycle of IT products is relatively short, we generally do not keep stock of products and place order to IT products vendors on a back-to-back basis. However, where there is bulk purchase discount or the IT products vendors impose minimum purchase quantity per order, we may acquire the relevant IT products in advance of receiving purchase order from our resellers.

We generally require our IT products vendors to deliver IT products to our warehouse before they are being delivered to the relevant resellers. For details of our inventory management, please refer to the paragraph headed "Inventory management" below in this section. Occasionally, resellers may require us to deliver the products to the end-users directly. We will then arrange delivery to the resellers or end-users based on the terms of the purchase orders after checking the content of the delivery. Upon signing off the delivery note by the resellers or end-users, which specified the brand, specifications and quantity of IT products, the delivery is considered completed.

Sales enablement and distribution

Our sales team and product team are responsible for generating business leads from both existing and potential customers and are also responsible for maintaining close business relationships with our IT products vendors and follow up referral leads from them.

In the pre-sale stage, we actively respond to product and product-related technical enquiries from resellers in their projects or to assist them in pitching business. When a potential sales lead is identified, we will discuss with the reseller to understand their expectation on the product's IT efficiency and performance. Based on our understanding of their requirements, we internally assess whether the products we distribute can fulfil the reseller's and/or their customers' needs and propose the IT products best suit their purposes and provide our quotation. Upon request of resellers, we may assist resellers in pitching business by way of proof of concept and/or proof of value to the resellers' potential customers to demonstrate that the IT products are suitable for the intended purpose.

Once the price of the IT products is agreed with the resellers, we will create sales order for the reseller, who will issue back-to-back order to the end-user and arrange for delivery according to the agreed terms.

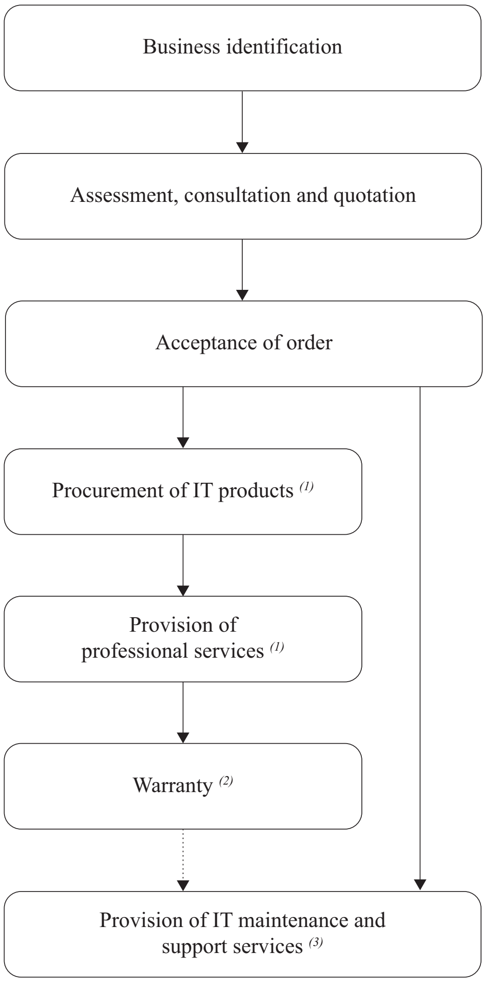
IT implementation services and maintenance

We offer IT implementation services as our turnkey solution for certain of our IT products if the reseller lacks the resources or technical know-how to install an IT product. Under our IT implementation services, we install, configure and integrate IT products into the IT environments of reseller's customers based on the pre-agreed implementation plan. In the event that other technical services such as technical engineering or cabling services are required by the resellers during implementation, we may engage third party service providers to provide such services to fulfil the reseller's and their customers' needs.

The IT products we distribute are attached with warranty provided by IT products vendors. Acting as the local support arm of the IT products vendors, when we receive enquiry via hotline and email, we will report product issue and/or send the defective IT product to the IT products vendors for repair or replacement. To lower the impact of defective IT products on the end-users and thereby increase customer satisfaction, we may also offer spare unit for temporary use or machine swapping service if IT products is collected for repair or replacement.

SI solutions business

The following diagram illustrates the typical workflow of our SI solutions business. We offer one-stop SI solutions to our customers including (i) assessment, consultation and proposal; (ii) procurement of IT products; (iii) provision of professional services comprising technical implementation and integration, performance testing, user acceptance testing and system rollout; and/or (iv) provision of IT maintenance and support services. In our customer-oriented approach, customers can choose to procure IT products and/or services from us on a standalone or an integrated basis, rendering great flexibility to our customers in terms of nature and scope of our SI solutions. Therefore, customers will engage us to either (i) solely procure IT products; (ii) solely provide professional services (comprising technical implementation and integration, performance testing, user acceptance testing and system rollout); or (iii) procure IT products and provide professional services on an integrated basis. Whether or not a project or a purchase order will involve all the steps in the workflow below largely depends on customers' requirements and types of services provided.



Notes:

1. Depending on the specification of the quotation or purchase order, end-users can engage us to either (i) solely procure IT products; (ii) solely provide professional services; or (iii) procure IT products and provide professional services on an integrated basis.

2. Warranty of IT products are provided by IT products vendors.

3. Depending on the specification of the quotation or purchase order, IT maintenance and support services may not always be provided following provision of IT infrastructure solutions services.

Business identification

Our sales leads are identified mainly through (i) marketing activities; (ii) direct engagement; and (iii) referrals. We actively host or co-host with IT products vendors marketing activities through online and offline channels, such as marketing campaigns, Solution Day, live webinars, trade show booths, seminars, exhibitions, workshops, trainings and telemarketing to promote IT awareness and introduce our existing and new customers the latest market trends and technology. Through introducing the latest market trends and technology to our customers, we are able to identify the IT needs of our customers and thereby increase our business and sales opportunities. We also participate in industry-related activities organised by IT products vendors to keep abreast of the latest IT products development or best practices in the industry and strengthen our connection with our customers through face-to-face interaction.

In addition, we receive requests for proposals/quotations through word-of-mouth and referrals from our existing customers. Given we have developed and maintained good reputation in the industry and our customer portfolio includes reputable and leading enterprises and institutions, our Directors believe that it has helped us in further attracting other companies in the same or similar industries to engage us. Our sales team, in collaboration with our technical team, market our SI solutions to and follow up with potential customers proactively.

Assessment, consultation and quotation

We assess our customers' IT needs and their existing IT environment and provide customised pre-sales consultation and proposal to our customers on suitable SI solutions (inclusive of IT products) that can achieve their requested IT performance and efficiency. In general, our customers may not have the technical knowledge to formulate a clear execution plan to us and may merely specify their objectives and rely on us to design a comprehensive solution. Therefore, we usually assess, investigate and understand the operation of their existing IT system, infrastructure environment, functions, problems encountered, areas which need to be enhanced and customers' requirements on IT performance and efficiency. Based on the assessment, we will explore the suitable SI solutions that can fulfil our customers' requirements including but not limited to, the kind of IT products to be procured, the detailed resource requirements and potential implications of the proposed system. Having performed the technical and solutions feasibility assessment, we will obtain fee quotations from IT products vendors and/or authorised distributors and/or other service providers for the proposed IT products and internally consider our workforce availability as well as capacity and determine whether subcontracting arrangement is needed. We will then prepare quotation or project proposal/tender (for large scale projects) which include the detailed design of the proposed SI solutions (inclusive of the IT products).

As part of our pre-sales consultation, we will discuss our proposed SI solutions with the customers to obtain their feedback and further enhance the design according to their needs. We also highlight the effects and benefits of the proposed system on our customers' business. For projects which are more complex and require more customised services, we may conduct system analysis in greater details. A prototype may be used to demonstrate the SI solutions and to facilitate further discussion with the customer. Where necessary, we may seek assistance from distributors for more detailed product information and technical support. From time to time, we may be required to provide proof of concept and proof of value in relation to the proposed SI solutions.

If the customer has deviced its own improvement plan of IT system, we may still investigate and try to gain an understanding of their existing IT environment and their improvement plan and make suggestions as to how the design could be further enhanced or suggest products which we believe will better achieve the objective of the customer.

Acceptance of order

If our potential customer approves our quotation or project proposal/tender, a legally binding contract will be entered into between our customer and us. For projects that are relatively straightforward, our customers will either sign on the quotation or proposal/tender for confirmation. If the projects are more complex, we will usually go through the scope and requirements of the projects with our customers once more to avoid misunderstanding. We will then come up with a more detailed proposal regarding the SI solutions to be offered and seek our customers' confirmation.

Procurement of IT products

Based on our understanding of the customers' IT needs and requirements, we recommend suitable IT products in our proposed SI solutions. Occasionally, our customers may also request for a specific IT product or brand of IT products to be procured. Depending on the project specification, we may or may not be required to procure IT products for our customers. If we are required to procure IT products for our customers, in general, we will place purchase orders with the authorised distributors of the relevant IT products and other service providers upon receiving confirmation on the quotation or proposal/tender from our customers. We also monitor the shipment and logistic progress. The IT products procured are normally delivered directly to our warehouse by suppliers, which we will check before they are delivered to our customers. We generally engage third party logistics providers for such deliveries. For details of our inventory management, please refer to the paragraph headed "Inventory management" in this section below. Although we are not liable for the product liability incurred from the defects of the IT products supplied by the IT products vendors, we are responsible for ensuring that the IT products sourced conform to the system requirements of our customers.

Provision of professional services

Depending on the types of our IT infrastructure solutions services (comprising data communication and systems infrastructure, cyber security and digital transformation), the scope of professional services provided will vary. In general, our professional services primarily include (i) technical implementation and integration; (ii) performance testing; (iii) user acceptance testing; and (iv) system rollout.

We provide technical implementation and integration to our customers whereby we carry out configuration and customise the IT products procured for and on customers' behalf in accordance with their requirements and specifications. We also formulate and implement data migration, update customers' existing IT systems and perform several tests, including installation test, simulation test, function test and integration test, to ensure compliance with our customers' specifications and proper integration with their existing IT products and/or IT systems. If we are required to develop programmes or application during the provision of digital transformation services, we will conduct system analysis and design, and arrange the modification or writing of programme code. We also conduct unit testing, during which small testable parts of an application will be individually and independently scrutinised to ensure proper operation.

As user acceptance testing, our customers will test the assembled system to determine whether it can handle the required tasks in their real-world business scenarios according to their requirements and specifications. The user acceptance testing may need to be performed multiple times in order to ensure that the SI solutions provided by us satisfy our customers. Upon completion of the user acceptance testing, our customers will accept by signing off our job sheet for the project. Generally, the accepted IT products and/or SI solutions is formally released upon receipt of final payment.

As system rollout, the accepted system is then formally installed onto our customers' IT system. If required, we may provide training to our customers in respect of the system operation. Depending on the project and subject to negotiation with our customers, we may provide nursing period, the terms of which are determined on a case-by-case basis. Within nursing period, any problems found not owing to our customers' faults or product defects will be rectified by us.

Warranty

The IT products generally come with warranty offered by IT products vendors, which usually range from one year to three years. In the event that there are any defects with the IT products under the original warranty, the IT products vendors are responsible for the rectification of defects or replacement at their costs. Our Directors confirm that we had not received any request for any material refund and did not have any product liability claims resulting from the sale of defective IT products during the Track Record Period.

Provision of IT maintenance and support services

We offer a wide range of maintenance and support service to our customers as IT maintenance and support services. Our IT maintenance and support services mainly comprise hardware and system maintenance and support, system monitoring and IT outsourcing services. For the SI solutions provided by us, our customers will generally engage us to provide the on-going IT maintenance and support services under the same or a separate quotation. Occasionally, our customers will also enter into separate quotation with us for providing IT maintenance and support services in relation to third-party IT products.

CUSTOMERS

As we operate a vertically integrated business model encompassing both distribution and SI businesses, we are engaged by customers from multi-level and thereby enjoy a diverse and extensive customer base. We served over 1,000 customers for each of the three years ended 31 March 2022. Our customers are mainly divided into two categories, namely resellers and end-users.

Resellers

Resellers primarily include SI solutions providers, telecommunication companies and traders and wholesalers who usually procure our IT products for sale or provision of services to end-users. In our distribution business, resellers generally purchase IT products from us on back-to-back orders upon receipt of orders from end-users, and if the resellers lack the resources or technical know-how to install such IT products procured from us, they will further engage us to provide IT implementation services to end-users. In our SI solutions business, we are engaged by resellers as their subcontractor to provide certain professional services or IT maintenance and support services to end-users.

End-users

End-user customers primarily include government, public utilities, NGOs, and SMEs to large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. During the Track Record Period, our Group was engaged in different public sector projects including provision of IT infrastructure solutions services and IT maintenance and support services to various HKSAR government departments and statutory bodies. We started to take up more public sector projects with higher contract sum in FY2021/2022. In particular, we were awarded a project of supply, installation and configuration of network equipment for a government department with a contract sum of approximately HK$2.0 million and a project of supply and installation of a new storage system for a statutory body with a contract sum of approximately HK$1.3 million.

The following table sets forth the breakdown of our revenue by types of customers for the years indicated:

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

The following table sets forth the breakdown of our revenue by geographical location of our customers for the years indicated:

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

During the Track Record Period, our revenue was generated primarily from customers located in Hong Kong, which amounted to approximately HK$322.1 million, HK366.9 million and HK$605.0 million respectively, representing approximately 97.1%, 94.7% and 95.8% of our total revenue in the corresponding year.

Major customers

During the Track Record Period, our five largest customers in each year during the Track Record Period accounted for approximately 24.5%, 38.3% and 46.4% of our revenue respectively, among which, our largest customer in each year during the Track Record Period accounted for approximately 9.4%, 11.8% and 17.2% for the respective years.

The following tables set forth the details of our five largest customers in each year during the Track Record Period:

FY2019/2020

Rank	Customer	Role of customer	Principal business activities	Products/ services provided by our Group	Payment method and credit term	Approximate total amount of revenue	Approximate percentage of total revenue	Calendar year in which our business relationship commenced
						HK$'000	*%*	
1.	Customer D *(Note 2)*	Reseller	A listed company on the Stock Exchange, which principally engaged in the provision of integrated telecommunication and technology solutions	Data communication and systems infrastructure products and cyber security products	30 days by cheque	31,210	9.4	2017
2.	Customer F *(Note 3)*	End-user	A listed company on the Stock Exchange, which is an investor in property and property development, and an investor in and/or operator of roads, commercial aircraft leasing, construction, insurance, hotels and other strategic businesses	IT infrastructure solutions services and IT maintenance and support services	45 days by cheque	17,749	5.3	2016
3.	Customer G *(Note 4)*	Reseller	A listed company on the Stock Exchange, which is a provider of IT infrastructure solutions services and IT maintenance and support services	Data communication and systems infrastructure products and cyber security products	30 days by cheque	12,406	3.8	2014
4.	Customer B *(Note 1)*	Reseller	A listed company on the Stock Exchange, which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses	Data communication and systems infrastructure products and cyber security products	45 days by cheque	10,899	3.3	2014
5.	Customer H *(Note 5)*	Reseller	A listed company on the Stock Exchange, which is principally engaged in the delivery of comprehensive one-stop IT services	Data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services	30 days by cheque	8,941	2.7	2014
						81,205	24.5	

FY2020/2021

Rank	Customer	Role of customer	Principal business activities	Products/ services provided by our Group	Payment method and credit term	Approximate total amount of revenue	Approximate percentage of total revenue	Calendar year in which our business relationship commenced
						HK$'000	*%*	
1.	Customer B *(Note 1)*	Reseller	A listed company on the Stock Exchange, which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses	Data communication and systems infrastructure products and cyber security products	45 days by cheque	45,588	11.8	2014
2.	Customer I *(Note 6)*	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of telecommunications services data centre services, information and communications technology solutions and broadband services	Data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services	30 days by bank transfer	32,776	8.5	2017
3.	Customer F *(Note 3)*	End-user	A listed company on the Stock Exchange, which is an investor in property and property development, and an investor in and/or operator of roads, commercial aircraft leasing, construction, insurance, hotel and other strategic businesses	IT infrastructure solutions services and IT maintenance and support services	45 days by cheque	29,572	7.6	2016
4.	Customer J *(Note 7)*	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of online loyalty points platform through a mobile application for, among the others, retail, food and beverages, and health and medical industries in the Greater Bay Area, and Singapore including various renowned brands	Data communication and systems infrastructure products	90 days by cheque	28,744	7.4	2020
5.	Customer H *(Note 5)*	Reseller	A listed company on the Stock Exchange, which is principally engaged in the delivery of comprehensive one-stop IT services	Data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services	30 days by cheque	11,577	3.0	2014
						148,257	38.3	

FY2021/2022

Rank	Customer	Role of customer	Principal business activities	Products/ services provided by our Group	Payment method and credit term	Approximate total amount of revenue *HK$'000*	Approximate percentage of total revenue *%*	Calendar year in which our business relationship commenced
1,	Supplier A *(Note 8)*	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of cloud technology services	Data communication and systems infrastructure products and cyber security products	30-60 days by cheque	108,406	17.2	2018
2.	Customer J *(Note 7)*	Reseller	A private company incorporated in Hong Kong with issued and paid-up capital of approximately HK$32.0 million, which is principally engaged in the provision of online loyalty points platform for, among the others, retail, food and beverages, and health and medical industries in the Greater Bay Area, including various renowned brands	Data communication and systems infrastructure products and cyber security products	90 days by cheque	67,385	10.7	2020
3.	Customer N *(Note 9)*	Reseller	A private company incorporated in Hong Kong which is principally engaged in the provision of cyber security and data centre services	Data communication and systems infrastructure products and cyber security products	30-60 days by cheque	64,059	10.1	2018
4,	Customer B *(Note 1)*	Reseller	A listed company on the Stock Exchange, which holds interests in telecommunications, media, IT solutions, property development and investment, and other businesses	Data communication and systems infrastructure products and cyber security products	45 days by cheque	30,185	4.8	2014
5.	Customer I *(Note 6)*	Reseller	A private company incorporated in Hong Kong, which is principally engaged in the provision of telecommunications, data centre services, information and communications technology solutions and broadband services	Data communication and systems infrastructure products, cyber security products, IT infrastructure solutions services and IT maintenance and support services	30 days by bank transfer	22,824	3.6	2017
						292,859	46.4	

Note:

1. According to the annual report of Customer B dated 31 March 2022, its revenue and net profit amounted to HK$38.7 billion and HK$2.9 billion respectively for the year ended 31 December 2021. Customer B has employed over 20,600 staff and provides services not only in Hong Kong, but also the Asia Pacific Region and other parts of the world.

2. According to the annual report of Customer D dated 11 November 2021, its revenue and net profit amounted to HK$11.5 billion and HK$206.9 million respectively for the year ended 31 August 2021. Customer D has around a market share of 34.1% and 37.0% in the residential broadband services and business broadband services sector in Hong Kong as of 30 June 2021.

3. According to the annual report of Customer F dated 22 October 2021, its revenue and net profit amounted to HK$68.2 billion and HK$4.7 billion respectively for the year ended 30 June 2021. Customer F also operates in the Greater Bay Area engaging in property development projects.

4. According to the annual report of Customer G dated 22 July 2021, its revenue and net profit amounted to HK$1.1 billion and HK$46.9 million respectively for the year ended 31 March 2021 with around 260 employees.

5. According to the annual report of Customer H dated 26 April 2022, its revenue and net profit from continuing operations amounted to HK$2.0 billion and HK$4.1 million respectively for the year ended 31 December 2021. Customer H has business operations in the Asia Pacific regions, the United States and Europe.

6. According to the website of Customer I, it is one of the largest Wi-Fi services providers in Hong Kong and a leading fixed-line operator that owns extensive infrastructure in Hong Kong and overseas, offering services for both local and overseas markets.

7. To the best knowledge of the Directors, Customer J has an issued and paid up capital of approximately HK$32.0 million as at 3 November 2020 and has offices in both Hong Kong and the PRC with approximately 40 staff in total as of July 2021. Customer J operates a mobile phone application in the Greater Bay Area and Singapore which is an open loop platform that connects multiple loyalty programs together, allowing customers to convert the loyalty points from third party reward programs into the points on the platform through which rewards can be further redeemed. One of the shareholders of Customer J became acquainted with our Group through the introduction of Mr. Charlie Ip, one of our Controlling Shareholders and executive Director, when the shareholder was involved in the IT industry in the past. Customer J approached us for a turnkey solution for setting up its data centre, including supply of IT products of certain new-to-market niche brands distributed by us. Our Directors confirmed that, save for the ordinary business relationship between our Group and Customer J, neither Customer J nor its ultimate beneficial owners have any other past or present relationship (including, without limitation, business, family, employment, financing or otherwise) with our Company, subsidiaries, shareholders, Directors or senior management, or any of their respective close associates during the Track Record Period up to the Latest Practicable Date.

8. To the best knowledge of the Directors, Supplier A principally engaged in the provision of cloud technology services with around 20 employees and an issued and paid up capital of HK$500,000. Its customers include telecommunication companies, large multinational companies, universities, etc. During the Track Record Period, Supplier A also provided our Group specialised work in relation to cloud services. For details, please refer to paragraph headed "Overlapping of customers and suppliers" in this section below.

9. To the best knowledge of the Directors, Customer N principally engaged in the provision of cyber security services and infrastructure integration services with around 10 employees and its major customer includes a hotel management company.

To the best knowledge of our Directors, none of our Directors, chief executives or their respective close associates or our existing Shareholders who own more than 5% of the issued share capital of our Company, has or had any interest in any of our five largest customers in each year during the Track Record Period. During the Track Record Period, we had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties.

Salient terms of the sales orders with our major resellers

During the Track Record Period, the sales orders we entered into with our major resellers for distribution of IT products generally contained the following summarised terms:

(i) Description of products and services: The sales order generally provides a brief description of the products involved, including the product brand, model number, technical specification, licence duration and/or service scope. Resellers may request for IT implementation services.

(ii) Payment terms: We provide IT products and/or services on a fixed price basis. Depending on the order size, our business relationship with the specific reseller and credit history, we adopt different payment terms for each order, including but not limited to deposit payment, staged payment in accordance with an agreed schedule, payment on delivery or a credit term of zero to 90 days upon issuance of invoices or delivery.

(iii) Delivery arrangement: The sales order may specify the delivery destination. For sales of hardware, we are responsible for delivering the products to the resellers or the end-users, as the case may be. For sales of software, we are responsible for sending the electronic licence in the form of passcode and hyperlink or equivalent to the designated email address as agreed by both parties. The IT products shall be delivered within a fixed period of time.

(iv) Identity of end-users: The resellers may specify the identity and contact details of the end-users of the IT products.

(v) Returns: We do not accept product returns once the product is sold except for product defect.

Salient terms of the quotations or project proposals/tenders with our major end-users

During the Track Record Period, the salient terms of the quotations or project proposals/ tenders for provision of IT infrastructure solutions services are generally summarised below:

(i) Description of services and products: The quotations generally specify the types of services and/or IT products to be purchased, including the specifications and quantity of products. Depending on the complexity of the services, the quotations may also specify the details of the key tasks and milestones.

(ii) Payment and credit terms: We provide our services and/or IT products on a fixed price basis. Depending on the order size, the complexity of the project, the payment terms from distributor on the procurement of IT products and our business relationship with the specific end-user, we adopt different payment terms for each order/project, including but not limited to deposit payment, staged payment in accordance with an agreed schedule, payment on delivery or a credit term of zero to 60 days upon issuance of invoices or delivery.

(iii) Nursing period: We may provide a nursing period to our customers, the terms of which are determined on a case-by-case basis.

(iv) Delivery arrangement: The quotations may specify the delivery destination. We are responsible for arranging the delivery of IT products to our customers' specified destination on a specified date or within a fixed period of time, subject to the IT products vendors' delivery.

(v) Termination: In the case of project proposal, our customers may be entitled to terminate the project if we commit a default with respect to any material term of the proposal by written notice, unless the default is corrected within certain number of days from such notice being issued.

During the Track Record Period, the salient terms of the quotations for provision of IT maintenance and support services are summarised below:

(i) Description of services: The quotations generally specify the scope of services, including the specification of products for which the service is concerned.

(ii) Payment terms: We generally charge our IT maintenance and support services at a fixed fee, the total contract sum of which is payable in advance. The normal credit terms is zero to 60 days upon issuance of invoices.

Pricing policy

In our distribution business, we determine our quotations on a case-by-case basis, primarily taking into considerations of (i) the type of IT products required; (ii) procurement cost and supply chain cost; (iii) market price of similar products; (iv) market position of the IT products vendors and/or IT products; and (v) where IT implementation services is required, the estimated staff costs.

In our SI solutions business, we determine our quotations on a case-by-case basis as most of our contracts are project-based and involve a spectrum of specifications and varying level of complexity. For provision of IT infrastructure solutions services, we take into considerations of, among the others, (i) the scope of service; (ii) the estimated time to be spent by various levels of technical staff; (iii) complexity and scale of the project; (iv) procurement cost and supply chain cost; and (v) subcontracting cost (where applicable). For provision of IT maintenance and support services, we determine our quotations based on the estimated time to be spent by our staff. During the Track Record Period, the quotations for each of our contracts in SI solutions varied significantly as the types and complexity of the services provided varied significantly.

Credit policy and payment methods

Depending on the types of IT products and/or services and taking into account a number of factors including but not limited to order size, complexity of the project, business relationships with and creditworthiness of particular customers, we consider and determine payment terms on a case-by-case basis. Our payment terms may generally include deposit payment, staged payment in accordance with an agreed schedule, payment on delivery or a credit term of zero to 60 days upon issuance of invoices or delivery.

Our invoices are denominated in HK$, USD, RMB or MOP and are generally settled by our customers by way of cheque or bank transfer. We monitor the settlement status of our trade receivables and will regularly review the credit terms. During the Track Record Period, the average trade receivables turnover days were 63.5 days, 82.9 days and 78.1 days respectively and as at the end of each year during the Track Record Period, our total trade receivables amounted to HK$63.7 million, HK$112.4 million and HK$157.8 million respectively. For details of analysis of our trade receivables, please refer to the section headed "Financial Information" in this document.

We had a policy for allowance of bad and doubtful debts, which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the creditworthiness and/or the past collection history of each customer.

Performance securities

In our SI solutions business, we may be required to provide performance securities in the form of performance bond or contract deposit in respect of certain large-scale contracts we entered into with the Government as security for our due performance and as condition of entering into contracts with the Government respectively. The performance bond is typically released to us upon completion of the project or three months after expiry of the contract and the contract deposit is typically released to us six months after expiry of the contract.

As at the Latest Practicable Date, we have not entered into any contracts under which performance bond and contract deposit are required to be paid but have not been paid by us.

Seasonality

Since our businesses are conducted on project basis, the growth of our revenue for each year will depend on the number and size of contracts or projects that we undertake and complete for the corresponding year. In light of the seasonal patterns in our customers' procurement cycle, our businesses are subject to seasonality as we recorded higher revenue in the second half (from October to March) than the first half (from April to September) of the year during the Track Record Period, and in particular the first quarter (from April to June) of the year was the low season of our business. Our Directors believe that the historical seasonal fluctuation during the Track Record Period was mainly attributable to the procurement cycle of our customers, which (i) most of the potential projects are still subject to internal approval and yet to be executed in the first quarter and (ii) they usually attempt to utilise the remaining available annual funding for capital expenditure before the financial year ended on 31 December or 31 March. Accordingly, we typically experience seasonal fluctuations in our revenues and result of operations during a year.

Product return and exchange policy

The IT products we provide in both distribution and SI solutions businesses are covered by warranty offered by the IT products vendors. Depending on the warranty terms offered by the IT products vendors, the warranty period normally lasts for one to three years. In the event that there is any issue with the IT products reported by the distributor and/or end-user during the warranty period, we will contact the IT products vendors or their distributors for repair and/or replacement. To minimise the impact of the product repair and/or replacement on the end-users, we offer spare unit of certain IT products to the end-users for their temporary use and/or swapping as part of our value-added services.

SALES AND MARKETING

Our sales team had 45 staff and our marketing team had 12 staff as at the Latest Practicable Date. Our sales and marketing personnel are responsible for exploring business opportunities, generating sales leads, preparing the project proposals or quotations, building and/or maintaining relationships with our customers and promoting our brand awareness.

In our distribution business, we as authorised distributor proactively partner with the IT products vendors to launch various types of marketing activities through online and offline channels, from large scale marketing events such as Distribution Channel Party and exhibition to seminars, webinars and workshops and invite the target audience to attend. These marketing activities serve to educate the target audience on the latest technological development while promoting brands, highlighting features of the IT products and demonstrating how the IT products can be integrated and utilised in a solution to take advantage of the new technology. We focus our marketing efforts on our broad network of resellers, who will then introduce the latest technological development and the IT products to end-users. At the same time, we also engage in marketing activities with resellers targeting end-users to generate interest and sales leads from the end of the value chain. One of the major annual marketing campaigns for our distribution business is Distribution Channel Party. According to the Ipsos Report, Distribution Channel Party is an innovative large-scale marketing event gathering over hundreds of IT products vendors and resellers in a party to display and release the latest promotion and IT products in the market and award resellers who had performed well in terms of, among other things, purchase amount in the past year. According to the Ipsos Report, we are the pioneer in the Hong Kong IT industry to host such large-scale marketing event which was broadcasted on local free-to-air television channel.

In our SI solutions business, our marketing campaigns are focused on end-users. We strive to promote IT awareness by introducing to end-users the latest market trends and technology through hosting or co-hosting various marketing events with IT products vendors such as live webinars, trade show booths, seminars, exhibitions, workshops, trainings and telemarketing. In particular, we hosted our own marketing campaign, Solution Day, annually since 2009 (except for 2019 and 2020 as we were unable to host our Solution Day due to the social movement in Hong Kong in 2019 and the outbreak of COVID-19 since the end of 2019 in the PRC and the beginning of 2020 in Hong Kong, which hindered certain PRC suppliers of the Group from physically taking part in the event in Hong Kong and limitations imposed by the government on the number of participants that can take part in such event). According to the Ipsos Report, Solution Day is an innovative large-scale event coordinating hundreds of IT products vendors, IT architects and end-users in promoting IT awareness and the latest market trends and technology, which has been well received by the market. Furthermore, according to the Ipsos Report, we are the pioneer in the SI solutions industry to have consecutively held such large-scale marketing event for ten years. Through introducing new market trends and technology to our customers, we are able to create underlying IT needs among our customers and thereby increase business and sales opportunities. In addition, we participate in industry-related activities organised by IT products vendors to keep abreast of the new IT products development or best practices in the industry and strengthen our connection with IT products vendors and end-users through face-to-face interaction.

SUPPLIERS

During the Track Record Period and up to the Latest Practicable Date, our suppliers consisted of mainly three categories, namely (i) IT products vendors; (ii) authorised distributors and (iii) other service providers. IT products vendors are overseas-branded or PRC-branded hardware, software and auxiliary product manufacturers who engage distributors to market and distribute their IT products in local market. In our vertically integrated business model, we as authorised distributor in our distribution business can procure IT products from them directly, whereas we as reseller in our SI solutions business procure IT products from the authorised distributors of the IT products vendors. When selecting and evaluating IT products vendors and authorised distributors, we generally consider their (i) product portfolio; (ii) market recognition; (iii) technical capabilities; (iv) local market support; and (v) price and quality of their products and services.

As at the Latest Practicable Date, we entered into non-exclusive distribution agreements with 38 IT products vendors, with origins spanning across different countries such as the PRC, the U.S., India, Japan and European region. In our operating experience and in line with Ipsos's observation, in assessing whether to grant distribution rights to distributors, IT products vendors generally will take into account various factors of the distributors, including but not limited to (i) annual sales turnover; (ii) resources and capability including operation scale and financial position; (iii) distribution channel and reseller network; (iv) reputation in the local market; (v) technical know-how to understand their IT products and to provide support and services to the local resellers and end-users; and (vi) marketing plans and resources to help expanding their market share. The selection process allows IT products vendors to choose distributors according to their criteria and standard. During the Track Record Period, we were the exclusive distributor of one IT products vendor and the sole distributor of four IT products vendors for respective specific period. The amount of revenue generated from the distribution of IT products in which we were the exclusive or sole distributor amounted to approximately HK$47.0 million, HK$1.6 million and HK$1.5 million during the Track Record Period respectively.

Subcontracting arrangements

Whilst we have a team of experienced in-house technical staff to carry out the necessary implementation work or technical support services for our distribution business and SI solutions business, we from time to time will subcontract certain work to third-party service providers, such as (i) certain labour-intensive work with low skill requirements; (ii) certain installation, implementation and maintenance and support work when particular types of qualifications, skills, resources, spare parts or equipment are involved; and (iii) certain specialised expertise that we have not yet possessed such as coding and algorithm in digital transformation services. We believe subcontracting allows us to focus on our core business in which we are experienced, minimises our need to employ a large workforce or specialised labour and increase our flexibility and cost effectiveness in managing our resources. We select subcontractors carefully based on their (i) qualification and certification; (ii) track record in respect of their timely performance of subcontracted works; (iii) quality of subcontracted works; and (iv) pricing. Depending on the contractual terms, we may notify or obtain approval from our customers before subcontracting part of our work to them.

We did not enter into any formal or long-term agreement with our subcontractors during the Track Record Period. The terms of our subcontracting arrangement, including (i) the scope of services; (ii) fees; and (iii) payment and credit terms, are determined on a case-by-case basis with reference to the specific requirements of each order or project. Our subcontracting costs amounted to approximately HK$12.4 million, HK$17.5 million and HK$29.4 million for the Track Record Period respectively, representing approximately 4.7%, 5.8% and 5.7% of our cost of sales and services for the corresponding year.

Major suppliers

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, among which the largest supplier in each year during the Track Record Period accounted for approximately 15.3%, 19.6% and 38.8% for the respective years.

The following tables set forth the details of our five largest suppliers in each year during the Track Record Period:

FY2019/2020

Rank	Supplier	Role in the value chain	Principal business activities	Products/ services procured by our Group	Payment method and credit term	Approximate total amount of cost of sales and services	Approximate percentage of total cost of sales and services	Calendar year in which our business relationship commenced
						HK$'000	%	
1.	Sangfor Technologies (Hong Kong) Limited	IT products vendor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shenzhen Stock Exchange, which is principally engaged in provision of cloud and cyber security products	Data communication and systems infrastructure products, cyber security products and subcontracting services	30 days by cheque	40,326	15.3	2014
2.	Kwong Ming Engineering	Subcontractor	A private company incorporated in Hong Kong, which is principally engaged in the telecommunication engineering and cabling business	Data communication and systems infrastructure products, cyber security products and telecommunication engineering and cabling services	30 days by bank transfer	26,874	10.2	2017
3.	Supplier B	Distributor	A private company incorporated in Hong Kong, which is principally engaged in the distribution of over 80 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	21,252	8.1	2014
4.	Supplier C	Distributor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shanghai Stock Exchange, which is principally engaged in the sale and distribution of over 1,700 brands of IT products	Data communication and systems infrastructure products, cyber security products, digital transformation products and subcontracting services	60 days by bank transfer	17,794	6.8	2013
5.	Supplier D	Distributor	A private company incorporated in Hong Kong and subsidiary of a Taiwan company listed on the Taiwan Stock Exchange, which is principally engaged in the distribution of information, communication, consumer product and semiconductor products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	14,422	5.5	2013
						120,668	45.9	

FY2020/2021

Rank	Supplier	Role in the value chain	Principal business activities	Products/ services procured by our Group	Payment method and credit term	Approximate total amount of cost of sales and services	Approximate percentage of total cost of sales and services	Calendar year in which our business relationship commenced
						HK$'000	*%*	
1.	Kwong Ming Engineering	Subcontractor	A private company incorporated in Hong Kong, which is principally engaged in the telecommunication engineering and cabling business	Data communication and systems infrastructure products, cyber security products and telecommunication engineering and cabling services	30 days by bank transfer	59,105	19.6	2017
2.	Sangfor Technologies (Hong Kong) Limited	IT products vendor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shenzhen Stock Exchange, which is principally engaged in the provision of cloud and cyber security products	Data communication and systems infrastructure products, cyber security products and subcontracting services	30 days by cheque	35,774	11.9	2014
3.	Supplier D	Distributor	A private company incorporated in Hong Kong and subsidiary of a Taiwan company listed on the Taiwan Stock Exchange, which is principally engaged in the distribution of information, communication, consumer product and semiconductor products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	19,729	6.6	2013
4.	Supplier B	Distributor	A private company incorporated in Hong Kong, which is principally engaged in the distribution of over 80 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	19,544	6.5	2014
5.	Supplier C	Distributor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shanghai Stock Exchange, which is principally engaged in the sale and distribution of over 1,700 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	10,945	3.6	2013
						145,097	48.2	

FY2021/2022

Rank	Supplier	Role in the value chain	Principal business activities	Products/ services procured by our Group	Payment method and credit term	Approximate total amount of cost of sales and services	Approximate percentage of total cost of sales and services	Calendar year in which our business relationship commenced
						HK$'000	*%*	
1.	Supplier E	IT products vendor	A private company incorporated in Singapore which is principally engaged in the CDN and developing innovative digital media enablement solutions and services for telecommunication service providers, content providers, media broadcasters and enterprises	Data communication and systems infrastructure products	30 days by bank transfer	200,160	38.8	2021
2.	Sangfor Technologies (Hong Kong) Limited	IT products vendor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shenzhen Stock Exchange, which is principally engaged in the provision of cloud and cyber security products	Data communication and systems infrastructure products, cyber security products and subcontracting services	30 days by cheque	51,370	10.0	2014
3.	Supplier C	Distributor	A private company incorporated in Hong Kong and subsidiary of a PRC company listed on the Shanghai Stock Exchange, which is principally engaged in the sale and distribution of over 1,700 brands of IT products	Data communication and systems infrastructure products, cyber security products digital transformation products and subcontracting services	60 days by bank transfer	17,884	3.5	2013
4.	Supplier D	Distributor	A private company incorporated in Hong Kong and subsidiary of a Taiwan company listed on the Taiwan Stock Exchange, which is principally engaged in the distribution of information, communication, consumer products and semiconductor products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	17,627	3.4	2013
5.	Supplier B	Distributor	A private company incorporated in Hong Kong, which is principally engaged in the distribution of over 80 brands of IT products	Data communication and systems infrastructure products, cyber security products and subcontracting services	60 days by bank transfer	15,237	2.9	2014
						302,278	58.6	

To the best knowledge of our Directors, none of our Directors, chief executive or their respective close associates or our existing Shareholders who own more than 5% of the issued share capital of our Company, has or had any interest in any of our five largest suppliers in each year during the Track Record Period. In addition, our Directors confirm that, we did not experience any material shortage or delay of supply that has significantly affected our business.

Relationship with Kwong Ming Engineering

Our business relationship with Kwong Ming Engineering, a telecommunication engineering and cabling service provider, had first commenced in 2017 when our Group, together with Kwong Ming Engineering, submitted a quotation to a subsidiary of a listed company on the Stock Exchange and New York Stock Exchange, which is a telecommunications service provider, for a network and system infrastructure project. In 2018, we were first awarded major contracts by Customer B for its fibre optic-based network infrastructure projects. Having considered the size of the projects, technical complexity involved in the projects, our resources at the material times and technical expertise of Kwong Ming Engineering, we engaged Kwong Ming Engineering for the provision of products and services in such projects.

As our business collaboration with Kwong Ming Engineering continued during the Track Record Period, Kwong Ming Engineering became our second largest supplier for FY2019/2020, our largest supplier for FY2020/2021 and our seventh largest supplier for FY2021/2022. As confirmed by Kwong Ming Engineering, our Group's purchases represented no more than approximately 30% of the total revenue of Kwong Ming Engineering for FY2019/2020, FY2020/2021 and FY2021/2022.

Background of Kwong Ming Engineering

Established in Hong Kong in 1992, Kwong Ming Engineering is principally engaged in the telecommunication engineering and cabling business and is generally involved in two types of projects, namely (i) telecommunication infrastructure projects and (ii) IT infrastructure projects. For telecommunication infrastructure projects, Kwong Ming Engineering is usually directly engaged by the telecommunication companies to plan, design, construct and install broadband network or cable/optical fibre network infrastructure to support the accurate and efficient transmission of data. The scope of services provided by Kwong Ming Engineering in telecommunication infrastructure projects primarily include civil engineering work, cabling work, block wiring and customer-premises equipment connection. For IT infrastructure projects (such as our Group's network and system infrastructure projects), Kwong Ming Engineering is usually engaged by an IT service provider to handle the required telecommunication engineering and cabling works if the construction of a telecommunication network is required to support the connectivity for the IT infrastructure projects or solutions. The scope of services provided by Kwong Ming Engineering in IT infrastructure projects mainly include fibre and structured cable laying and modification and alteration works as the IT service provider usually does not possess such engineering and cabling expertise. As at the Latest Practicable Date, the issued and paid-up capital of Kwong Ming Engineering amounted to HK$9.1 million. To the best knowledge and belief of our Directors after reasonable enquiries, Kwong Ming Engineering (i) has one office in Hong Kong with approximately 70 staff; and (ii) currently has approximately ten customers, primarily comprising renowned telecommunication companies, recorded a net cash generated from operating activities of approximately HK$60.0 million for the nine months ended 31 March 2021 and a cash balance of HK$42.3 million as at 31 March 2021.

To the best knowledge and belief of our Directors after reasonable enquiries, Kwong Ming Engineering was owned by Mr. Wan Tak Yuen ("**Mr. TY Wan**") and Mr. Wan Cheuk Hin ("**Mr. CH Wan**") (who are father and son) as at the Latest Practicable Date. Mr. CH Wan and Mr. TY Wan have approximately over 10 years and 40 years of experience in the telecommunication engineering industry respectively. They became acquainted with our Group through the introduction of Mr.

Charlie Ip, one of our Controlling Shareholders and executive Director, during his engagement of business development activities when he joined an event held by an entrepreneur organisation specifically for young entrepreneurs who are involved in family business and/or are running own business. Our Directors confirmed that each of Kwong Ming Engineering, its ultimate beneficial shareholders and former shareholders since incorporation is Independent Third Party and, save for the ordinary business relationship between our Group and Kwong Ming Engineering, neither Kwong Ming Engineering nor its ultimate beneficial owners have any other past or present relationship (including, without limitation, business, family, employment, financing or otherwise) with our Company, subsidiaries, shareholders, Directors or senior management, or any of their respective close associates during the Track Record Period and up to the Latest Practicable Date. As further confirmed by our Directors, save for the business transactions entered into in the ordinary course of business, no side agreements or arrangements, whether direct or indirect, have been entered into between our Group and Kwong Ming Engineering.

Reason for engaging Kwong Ming Engineering in our network and system infrastructure projects during the Track Record Period

During the four years ended 31 March 2022, we collaborated with Kwong Ming Engineering in undertaking 13 sizeable network and system infrastructure projects primarily for telecommunication companies customers and Customer J, where our Group was engaged by our customers to provide a total customised turnkey solution to meet the IT needs and specifications of end-users.

For our 13 network and system infrastructure projects involving Kwong Ming Engineering during the four years ended 31 March 2022, we were mainly engaged by our telecommunication companies customers and Customer J to provide a total customised turnkey solution to meet the IT needs and specifications of end-users. The scope of work of these network and system infrastructure projects mainly comprised IT services, which are discharged by us and are in line with our core business, involving design of the IT infrastructure and system, recommendation and supply of required IT products, technical implementation and integration (including the IT products installation, configuration, data migration and update of existing IT system), performance testing and user acceptance testing and system rollout (including training, system monitory and nursing). During the technical implementation phase, telecommunication engineering and cabling works were required in order to construct a telecommunication network suitable for the IT infrastructure and solution to support the connectivity in the IT infrastructure projects. Telecommunication engineering and cabling work are highly specialised area of practice and do not form part of our core business. A sizeable network and system infrastructure project generally involves (i) cabling works (including structured cabling, cable labelling, optical fibre termination and splicing); and (ii) modification and alteration works (such as drilling holes, mounting racks and pipes on walls and ceilings for cables and alteration of existing layout of electric power cables). In rendering such services, expertise in cabling works and specific qualifications and licences including but not limited to (i) registered minor works contractors licence and (ii) certificate of registration of electrical worker are required. In addition, highly specialised tools and equipment such as cutting, splicing and jointing of optical fibre cables may also be required to execute such works. Furthermore, depending on the scale of the project and the layout of the site, it may be necessary to deploy general construction equipment such as scaffolding platform to facilitate reaching of high ceiling.

Our Group, being an IT service provider, do not have the necessary licence, registration, equipment and tools, knowledge and technical expertise in carrying out the abovementioned telecommunication engineering and cabling works. Having considered the above, and taking into account the cost and resources that we may require to invest in if we had to render telecommunication engineering and cabling works for the projects (including but not limited to hiring personnel with the relevant expertise and obtaining the necessary licences and accreditations and capital expenditure to purchase the required specialised tools and equipment) on our own, our Directors consider that it would be more cost efficient to engage telecommunication engineering and cabling service providers such as Kwong Ming Engineering for the provision of telecommunication engineering and cabling services in our network and system infrastructure projects.

Reasons for engaging Kwong Ming Engineering in Customer J's projects

We engaged Kwong Ming Engineering to undertake Customer J's project, which involved the construction and setting up of data centre to support the expansion of their online loyalty points platform in FY2020/2021, and the expansion of Customer J's data centre in FY2021/2022, which to the best knowledge and belief of the Directors, was to facilitate its expansion plan to launch such platform to the Southeast Asia (the "**Customer J's Projects**"). The Customer J's Projects was similar to those of major telecommunication companies in terms of work specifications, IT products required and technicality, which also required telecommunication engineering and cabling works. We also engaged Kwong Ming Engineering to procure IT products from certain IT products vendors nominated by us under the arrangement as disclosed below. The pricing and credit terms of our engagement of Kwong Ming Engineering in respect of Customer J's Projects were also comparable to those in our other projects involving Kwong Ming Engineering during the Track Record Period.

The following are the reasons for our Group to engage Kwong Ming Engineering to procure IT products from certain IT products vendors and provide the necessary telecommunication engineering and cabling services in Customer J's Projects:

(i) Nature of Customer J's Projects and strong expertise and direct experience of Kwong Ming Engineering

The establishment of a datacentre in Customer J's Projects was an IT infrastructure project, the nature of which was, from a perspective of expertise required, similar to those network and system infrastructure projects of telecommunication companies. In particular, we were engaged by Customer J to provide turnkey solutions in establishing a data centre to support the operation of its loyalty program. The scope of work of Customer J's Projects mainly comprised designing and preparing the detailed system analysis, site preparation work, installation of hardware and software, implementation of the physical and logical design/architecture, system integration and configuration, conducting various system tests and conducting security tests, assisting in system go live, and provision of system nursing services throughout the nursing period, which covers system maintenance, and security, support and operation services.

Similar to those network and system infrastructure projects of telecommunication companies, Customer J's Projects also involved installation of hardware products, structured cabling, cable labelling, optical fibre termination and splicing, optical time-domain reflectometer testing and panel patching, installation of cable containment, and modification and alteration works such as drilling holes and mounting racks and pipes on walls and ceilings for cables during the implementation phase. As we lack the required expertise, skills, licence, tools and equipment to perform those complex cabling works, we must rely on service providers to perform such work in order to undertake Customer J's Projects. Considering the complexity of the cabling, modification and alteration works as mentioned above, we engaged Kwong Ming Engineering to provide telecommunication engineering and cabling services and procure IT products in Customer J's Projects mainly due to (a) the proven track record of collaboration with Kwong Ming Engineering in network and system infrastructure projects of telecommunication companies; (b) the credible experience of Kwong Ming Engineering with us such that Kwong Ming Engineering and our Group have developed tacit understanding of each other's work flow and practice; (c) enhanced project efficiency given under this procurement arrangement in Customer J's Projects, Kwong Ming Engineering was responsible for direct procurement, arrangement of delivery of IT products from IT products vendors and scheduling for the necessary telecommunication engineering and cabling work on site and any issue arising from IT products and its work done, while we were responsible for system and product configuration, software installation, system tuning, performance testing, user acceptance testing and system rollout and nursing and rectifying, redoing any modification and alteration works if any issue arising from the software of the relevant project. This streamlined workflow was considered to be more efficient, which was particularly useful in light of the tight execution schedule of Customer J's Projects; (d) the substantial expertise of Kwong Ming Engineering in similar data centre projects; and (e) pursuant to the discussion between Customer J and our Group, Customer J revealed that it intended to set up physical coupon outlets in various retail stores of its partners and/or shopping malls as a part of its phase two expansion, which would require substantial engineering and cabling works within a very short timeframe and our Directors believe that Kwong Ming Engineering would be capable of carrying out the necessary telecommunication engineering and cabling works for this potential project.

(ii) Fair business terms maximising our return and facilitating business development

We elected to engage Kwong Ming Engineering to procure IT products for distribution to Customer J as part of its telecommunication engineering and cabling services for Customer J's Projects, which is an industry acceptable business arrangement between a distributor and its service provider in IT infrastructure projects and is in line with our other projects involving Kwong Ming Engineering. Under this arrangement, we are able to deploy our financial resources effectively to support our business operations and to capture business opportunities rather than exhausting our financial resources to pay the procurement costs of the required IT products from the IT products vendors upfront. We had generally settled the amounts due to Kwong Ming Engineering in Customer J's Projects (including the IT products procurement costs) within the 30-day credit term agreed between Kwong Ming Engineering and our Group. As at the Latest Practicable Date, we had settled all amounts due to Kwong Ming Engineering in Customer J's Projects.

In the case of Customer J's Projects, although procurement costs of the IT products would be slightly lower (approximately 9.5%) had we directly procured the same products from the same IT products vendors, we were able to shift the slightly higher IT products procurement costs to Customer J and maintain our profit margin. Specifically, we were able to achieve a fairly reasonable gross profit margin of 19.3% in Customer J's Projects, consistent with (i) the gross profit margin of our distribution business during the Track Record Period (ranging from 19.4% to 21.8%); (ii) with our Group's gross profit margin of 21.0% derived from the sales of IT products for similar projects without involving Kwong Ming Engineering during Track Record Period; and (iii) within the range of gross profit margins of our competitors engaging in similar business. We account for the success in shifting the procurement costs to Customer J because our pricing generally takes into account of, among other things, our procurement cost and supply chain cost, market position of the IT products vendors and/or IT products and the anticipated profit margin.

With this commercial arrangement, we were able to maximise our return by deploying our financial resources effectively and to capture business opportunities in this sizable IT infrastructure project without compromising our overall gross profit margin.

Based on the abovementioned reasons, we engaged Kwong Ming Engineering to procure IT products from certain IT products vendors nominated by us and provide the necessary telecommunication engineering and cabling services for Customer J's Projects.

Relationship with Supplier E

Background of Supplier E

Supplier E is a private limited company established in February 2002 with headquarter in Singapore, which is principally engaged in the content distribution network ("**CDN**") and developing innovative digital media enablement solutions and services for telecommunication service providers, content providers, media broadcasters and enterprises in aim to connect the digital world. As at the Latest Practicable Date, Supplier E had an issued and paid-up capital of approximately SGD11.9 million and its holding company had an issued and paid-up capital of approximately SGD153.5 million. To the best knowledge and belief of our Directors after reasonable enquiries, Supplier E has over 100 staff, with development centres in the UK and Shanghai, and regional offices in the Philippines, Thailand, Indonesia and Hong Kong, and recorded a revenue of approximately SGD43.8 million and net profit of approximately SGD5.0 million for its financial year ended 31 December 2020. According to Ipsos, Supplier E is one of the largest CDN provider in the Southeast Asia. It has partnered with various leading telecommunications operators across Southeast Asia and provides CDN services to a number of renowned content media and internet cloud enterprises in the PRC and Southeast Asia.

To the best knowledge of our Directors, the representative in the Hong Kong representative office of Supplier E became acquainted with our Group through the introduction of Mr. Charlie Ip, one of our Controlling Shareholders and executive Director, when he was involved in the IT products distribution industry in the past. Our Directors confirmed that, save for the ordinary business relationship between our Group and Supplier E, neither Supplier E nor its ultimate beneficial owners have any other past or present relationship (including, without limitation, business, family, employment, financing or otherwise) with our Company, subsidiaries, shareholders, Directors or senior management, or any of their respective close associates during the Track Record Period and up to the Latest Practicable Date.

Business relationship with Supplier E

Our business relationship with Supplier E commenced in May 2021 when they formally engaged our Group for an initial term of two years, which shall be automatically renewed until terminated, to market, distribute, and licence to its products to end customers. We primarily acquire CDN licences from Supplier E and then distribute to our customers on a subscription basis based on the number of licences our customers desired to utilise with reference to their expected traffic demands of the content delivery to end users. CDN licence is a licence right to gain access to a network of geographically distributed and interconnected servers encompassing various data centres both regionally and internationally, which is built by a CDN provider with the aims to reduce the content travel distance in order to reduce network latency and bandwidth and thereby enables the subscriber of the CDN to deliver dynamic content and videos to the devices of the end users without delay loading time at a relatively low cost.

As agreed between Supplier E and our Group, our Group can purchase CDN licence that can support up to 100 million register users for one year, and at least 2 million active CDN users per month. When an end user registers for the service to be provided by CDN licences, the end user becomes a registered CDN user. If the end user uses the service after registration, he/she becomes an active CDN user. Each CDN licence can support one end user. We purchase CDN licences based on the estimated number of active CDN users provided by our customers, which differs from customer to customer and varies from month to month based on the estimated usage of their downstream customers. Accordingly, the number of customers we can provide CDN licence to depends on the number of CDN licences purchased by our customers. In FY2021/2022, we had purchased CDN licences which could support approximately 70.3 million registered CDN users and 59.3 million active CDN users to support the orders from four customers in aggregate. During the Track Record Period, our purchases of CDN licences from Supplier E amounted approximately nil, nil and HK$244.8 million and Supplier E become our largest supplier for FY2021/2022. During FY2021/2022, the number of active CDN users per month purchased from Supplier E was approximately nil, nil, 1.0 million, 6.4 million, 5.1 million, 8.6 million, 8.3 million, 5.1 million, 7.1 million, 6.1 million, 6.1 million and 5.5 million. Such purchase amount during FY2021/2022 was mainly driven by five of our customers, namely Customer J, Customer I, Customer N, Customer B and Supplier A, which engaged us to obtain CDN licence of Supplier E. For details of the sales of CDN licences to these customers during FY2021/2022, please refer to the section headed "Financial information – Review of results of operation – FY2021/2022 compared to FY2020/2021" in this document.

The major terms of the contract entered into between our Group and Supplier E (the "**Supplier E Contract**") are as follows:

(i) Product description: We are authorised to sell CDN licences and appliances (the "**Supplier E Products**").

(ii) Exclusivity and territory: We are granted non-exclusive rights to sell the Supplier E Products in Hong Kong. Supplier E reserves the right to provide the Supplier E Products to other customer in Hong Kong and/or to appoint others in all or part of Hong Kong if our purchases to Supplier E is less than HK$3.9 million in the preceding calendar year. While Supplier E is not restricted from providing the Supplier E Products to other customer(s) and/or appointing other distributors in all or part of Hong Kong, Supplier E confirmed that it will not provide the Supplier E Products to other customer(s) and/or appoint other distributors in all or part of Hong Kong in a calendar year in the event that our Group's purchases from Supplier E is more than HK$3.9 million in the preceding calendar year. To the best knowledge and information of our Directors and confirmed by Supplier E, Supplier E has only engaged our Group to promote and sell the Supplier E Products in Hong Kong as at the Latest Practicable Date.

(iii) Term: The Supplier E Contract has an initial term of two years commencing from 1 June 2021, which shall be automatically renewed until terminated pursuant to the terms and conditions of the Supplier E Contract.

(iv) Our major obligations: We are generally responsible for (i) using our best efforts to promote and sell the Supplier E Products within Hong Kong; (ii) providing competent and adequate technical assistance to the customers, explaining in detail to the customers the features and capabilities of the Supplier E Products and assisting customers in determining which Supplier E Products will best meet their particular needs and desires; (iii) providing marketing plan and system for distributing the Supplier E Products and providing a yearly marketing plan to Supplier E providing details such as go to market strategy and potential end customers that that our Group intend to approach; (iv) conducting our business in a manner that reflects favourably on the Supplier E Products and upon Supplier E's good name, goodwill and reputation; and (v) conducting our business in compliance with all applicable laws and regulations in any way related to the Supplier E Products or to the performance of our Group's duty.

(v) Major obligations of Supplier E: Supplier E is responsible for (i) making available to our Group such technical information relating to the Supplier E Products; and (ii) making training and other technical services available to our personnel in relation to the Supplier E Products.

(vi) Pricing: The pricing of the Supplier E Products is based on the price list provided by Supplier E at the relevant time of placing order, with certain percentage of discount at Supplier E's discretion.

(vii) Payment and credit terms: Full payment shall be due on the date of Supplier E's invoice. For details of the credit term policy, please refer to the paragraph headed "Suppliers – Relationship with Supplier E – Prepayment arrangement with Supplier E" in this section below.

(viii) Termination: Either party may terminate the Supplier E Contract with prior written notice of forty five days prior to the expiration of the term. If a party breaches the Supplier E Contract by materially failing to perform its obligation thereunder, the non-breaching party may serve written notice on the breaching party requesting the breach to be cured within thirty days. If the breach is not cured within that period, the Supplier E Contract shall terminate upon the expiry of the thirty days' cure period.

(ix) Intellectual property rights: All intellectual property rights in relation to the Supplier E Products are owned by Supplier E.

The major terms of the contracts entered into between our Group and each of Customer J, Customer I, Customer N, Customer B and Supplier A are as follows:

(i) Description of products and services: The sales order generally provides a brief description of the CDN licences involved, including the model number, technical specification and licence scope, and the number of CDN licences purchased.

(ii) Payment terms: We provide the CDN licences on a fixed price basis. We generally grant each of Customer J, Customer I, Customer N, Customer B and Supplier A a credit term of 30 to 90 days upon issuance of invoices.

(iii) Delivery arrangement: The CDN licences are delivered to the customer when we make the CDN licences available to the customer or any agent of the customer.

To the best knowledge and belief of our Directors, the increase in sales of CDN licences in FY2021/2022 was due to (i) the general increase in demand for efficient delivery of dynamic content and videos across long-haul networks by reducing latency and bandwidth and enhance the overall end users' experience, especially under the backdrop of COVID-19; and (ii) the growing penetration of smartphones and tablets across the globe whereby consumers have greater accessibility and demand for media and video streaming services. To the best knowledge and belief of our Directors and as confirmed by Ipsos, the outbreak of COVID-19 has changed the personal and business lifestyle of the general public and has speeded up the rate of digital transformation. Video content and streaming have become ever more important as it removes the boundaries of travel restrictions, allowing end users to gain access to various media and content without physically leaving their home. As countries around the world continues to impose social distancing measures such as quarantine and lockdown, the mode of operation of different industries had adapted to the changing consumer behaviour and needs. For instance, students have experienced difficulties in travelling to school within the region or internationally, and this has driven education providers to seek alternative means to teach remotely. With remote teaching becoming a global trend, an increasing number of education providers across the world has begun to offer education courses online by way of video and media streaming, which in turn generate substantial demand for high-speed network. As a result of the above, we had generated a revenue of approximately HK$244.8 million and gross profit of approximately HK$44.7 million for FY2021/2022 from the sales of CDN licences, and it is expected that CDN will continue to play an essential role in the IT industry going forward. As at the Latest Practicable Date, we have received confirmed orders of CDN licences of approximately HK$59.7 million, which are expected to be recognised in FY2022/2023.

As confirmed by Supplier E, its Hong Kong representative office is mainly responsible for marketing its products in Hong Kong and managing sizeable contracts/projects from across the world, and as at the Latest Practicable Date, Supplier E has only engaged our Group to promote and sell its CDN licences in Hong Kong. As further confirmed by Supplier E, it does not directly engage with downstream customers in order to reduce its administrative burden of dealing with numerous customers within the region and, in particular, managing credit terms granted to numerous customers. In addition, Supplier E chose to engage us as (i) we have a diverse and extensive customer base and have previously collaborated with telecommunication companies in projects such as network and system infrastructure projects; (ii) our experienced management team and the technical capabilities of our staff allow us to effectively promote Supplier E's products to downstream customers; and (iii) our Group is able to accommodate the credit term policy of Supplier E. For details of the credit term policy, please refer to the paragraph headed "Suppliers – Relationship with Supplier E – Prepayment arrangement with Supplier E" in this section below. Accordingly, Supplier E considers us as its strategic partner to develop business with. Save for the business transactions entered into in the ordinary course of business, no side agreements or arrangements, whether direct or indirect, have been entered into between our Group and Supplier E. Other than Supplier E, we also distribute one other brand of CDN licences as at the Latest Practicable Date.

Prepayment arrangement with Supplier E

We accommodated the credit term policy of Supplier E by agreement to the prepayment arrangement. As confirmed by Supplier E, it is the internal policy and standard term of Supplier E to request for prepayment from its customers such as our Group before Supplier E allocates bandwidth to us to ensure that our Group would commit to placing orders for CDN licences. We purchased CDN licences based on our customers' estimated number of CDN licences required (i.e. number of active CDN users).

Prior to negotiating the details of credit terms with Supplier E, we had already on a preliminary basis secured sizeable orders from Supplier A, Customer J and Customer I, all of whom are existing customers with stable business relationship with us and the orders value of which would exceed the prepayment amount. In addition, throughout the engagement, we intend to follow the same arrangement of placing order to Supplier E based on its customer's estimated number of CDN licences required for their orders. Subject to actual utilisation of CDN licences by the customer (i.e. number of active CDN users), the prepayment will be substantially, if not completely, utilised for purchasing CDN licences to fulfil the orders of our customer, and the cash conversion cycle is estimated to be approximately 60 to 120 days. In addition, as confirmed by Supplier E, it is the internal policy and standard term of Supplier E to request for prepayment from its customers such as our Group before they allocate bandwidth to us to ensure that we would commit to placing orders for CDN licences.

Having considered the above and our liquidity level and other financial commitments at the time, our Directors considered that it would be beneficial to us to accommodate Supplier E's credit term so as to secure the CDN licences for the orders.

The following sets forth the chronology of event leading to the prepayment arrangement with Supplier E as confirmed by our Directors:

Time	**Event**
November 2020	Supplier A approached our Group to discuss a potential business opportunity for a solution to facilitate smooth content delivery to Southeast Asian countries. During the discussion, we explained the use of CDN to reduce network latency and could be a viable solution. Supplier A provided details of its technical requirements to us to facilitate our further discussion with appropriate suppliers.

December 2020 to April 2021	Mr. Charlie Ip approached the Hong Kong sales representative of Supplier E, whom Mr. Charlie Ip knew from when the representative was involved in the IT products distribution industry in the past and has kept in contact for potential business collaborations, to discuss about the potential orders of Supplier A including the technical requirements of Supplier A. During the discussions, we obtained a basic understanding of the pricing and specifications of Supplier E's products, and explored the possibility of distributing Supplier E's CDN licences in Hong Kong.
January 2021	Customer I approached our Group for a solution to facilitate smooth content delivery to the Southeast Asian market. We explained the benefits of using CDN to Customer I. Customer I considered CDN a viable solution to its problem and provided details of its technical requirements to us to facilitate further discussion with appropriate suppliers.
March to April 2021	Customer J also approached our Group for a solution to support their respective expansion plan to the Southeast Asian market. We explained the benefits of using CDN to Customer J. Customer J considered CDN a viable solution to its problem and provided details of its technical requirements to us to facilitate further discussion with appropriate suppliers. We had further discussions with Supplier A, Customer J and Customer I regarding the CDN licences of Supplier E. Supplier A, Customer J and Customer I had on a preliminary basis agreed to place order to us for Supplier E's CDN licences. Mr. Charlie Ip had further meetings and/or discussions with Supplier E, during which Supplier E requested for prepayment, which is the standard payment terms of Supplier E. Having considered the factors as elaborated in the paragraph headed "Supplier — Business relationship with Supplier E — Reasons for committing financial resources to the business arrangement with Supplier E" in this section below, our Group considered that the sale of CDN licences is a promising business opportunity and that the prepayment arrangement will not have a material adverse impact on our liquidity to support our existing operations.

May 2021	We entered into an agreement with Supplier E, pursuant to which Supplier E engaged our Group to market, distribute and licence its products to customers.
Mid-May 2021 to August 2021	We provided quotations to Supplier A, Customer J and Customer I, and formally secured confirmed orders from Supplier A, Customer J and Customer I for provision of CDN licences of Supplier E. Accordingly, the prepayments to be made to Supplier E could be utilised for purchasing CDN licences for the relevant orders within a short period of time. We could also estimate the cash conversion cycle based on the credit terms granted to the relevant customers.

Reasons for committing financial resources to the business arrangement with Supplier E

In deciding whether to undertake new business opportunities such as to distribute new IT products which require a significant amount of prepayment, we undergo generally the same process as with any other business opportunities, whereby our Directors, our technical team and our product team will consider, among the others, (i) the latest technological trend and market development; (ii) the market potential and competitiveness of the product; (iii) expected demand of products; (iv) target customers; (v) our previous experience in carrying similar products; (vi) product availability in Hong Kong; and (vii) procurement cost, payment arrangement and expected profit. Where prepayment arrangement is required by suppliers, our finance team will conduct a stress test on our liquidity level to assess whether the prepayment will have a material adverse impact on our liquidity to support our existing business operation. Generally, our finance team will take into account various factors including but not limited to (i) the amount and/or percentage of prepayment involved; (ii) indicative and confirmed orders received at the time; (iii) expected revenue to be derived from such orders; (iv) the liquidity level of our Group at the time (including cash and bank facilities available); (v) expected duration of cash conversion cycle (i.e. the estimated duration between prepayment and the expected payment from customers); (vi) our trade and non-trade receivables and trade payables; and (vii) our other financial commitments. If our Directors consider that there is promising potential in the IT product with a high certainty of success (e.g. with orders secured), and our liquidity and business operation can sustain the stress imposed by the prepayment arrangement, our Directors will approve the business opportunity which require a significant amount of prepayment.

In deciding whether to commit internal resources to the new business arrangement Supplier E, our Directors had considered the following factors:

(i) The product is demand initiated by our top five supplier/customers with minimal marketing efforts and costs

Our Group was approached by Supplier A, Customer I and Customer J to provide a solution to facilitate smooth content delivery in late 2020 and early 2021. Supplier A, Customer I and Customer J have developed substantial business relationship with our Group and all of them are our Group's top five supplier/customers during the Track Record Period. In addition, these top five supplier/customers are either large scale IT solution and cloud technology service providers or online loyalty points platform which have in-depth knowledge of the IT industry and products. Indeed, it was them who approached our Group for such a technology solution. As a result, we have incurred minimal efforts and costs in educating and marketing CDN licences products of Supplier E to Supplier A and Customer J and Customer I for securing sizeable orders for CDN licences from them.

(ii) Seize business opportunities from a focused clientele brought by a surge in demand for CDN as a result of the outbreak of COVID-19

Our Directors had noticed a general increase in demand for efficient delivery of dynamic content, videos and livestreaming under the backdrop of the outbreak of COVID-19. The growing penetration of smartphone and tablets further surged the demand of increase accessibility of contents, videos and livestreaming. Our Directors believe that CDN offers an efficient solution to enhance the overall end users' experience in enjoying dynamic content, video and livestreaming and therefore captured the business opportunities and engaged in distribution of CDN licences.

The business outlook of CDN is susceptible to the development of COVID-19. In addition, because of the nature of CDN product, our Directors believe that the target customers of CDN is relatively narrower, being mainly telecommunication and IT companies, and social media companies.

(iii) Relatively low financial risk and making business decision cautiously

Sales to existing major customers/suppliers is always relatively safer. As at the Latest Practicable Date, approximately 88.7% of our trade receivables as at 31 March 2022 in relation to the provision of CDN licences has been settled.

As abovementioned, the CDN product was demand initiated by our existing top five supplier/customers. Even prior to us entering into the supply agreement with Supplier E, we had on a preliminary basis secured sizeable orders, the value of which would sufficiently cover the prepayment amount. Furthermore, as confirmed by Supplier E, any unutilised prepayments for purchase of CDN licences are refundable to our Group in the event that the supply agreement is not renewed upon its expiry of the two-year term.

Moreover, the CDN product also has a quick cash conversion cycle. We estimate that the cash conversion cycle of orders (being the duration between prepayment and expected payment from customers) based on the credit term offered by us to our customers is approximately 60 to 120 days, assuming our customers would settle their payments on time.

In addition to a quick cash conversion cycle, distribution of CDN licences also brought us a strong financial performance. In FY2021/2022, we had derived revenue of approximately HK$244.8 million from the sales of CDN licences and incurred cost of sales of approximately HK200.2 million, resulting in a gross profit margin of approximately 18.2% during such period.

Given the arrangement with Supplier E involves a prepayment arrangement, we had also conducted a stress test on our liquidity level as described above. Having considered our liquidity level as at 30 April 2021 in respect of (i) the bank balance and cash, (ii) the unutilised bank facilities, (iii) the net balance of trade receivables and trade payables, and (iv) our other commitments available at the time, our financial resources as at 30 April 2021 would be sufficient to purchase approximately 10 times the amount of our purchase from Supplier E in the first month of transaction, which amounted to approximately HK$11.3 million. Based on the results of the stress test, our Directors considered we were able to afford the prepayment while remaining financially viable taking into account, the quick cash conversion cycle, the preliminary sizable orders of Supplier A, Customer J and Customer I at the time, the refundable nature of the prepayment, the amount of cash and bank facilities, trade and non-trade receivables, and payables and other commitments of our Company at that time.

Based on the above factors, our Directors considered that the new business arrangement with Supplier E would only consume minimal education and marketing costs and subject our Group to relatively low financial risks. On other hand, this new business arrangement would allow us to seize the business opportunities brought by COVID-19 with high degree of certainty of success. This is evident by our Group's strong revenue of approximately HK$244.8 million and our Group's gross profit generated by the sales of CDN licences for FY2021/2022 of approximately HK$4.47 million.

Reasons for not committing the same amount of resources in implementing our expansion plans

Our Expansion Plans, further details of which are set out in the section headed "Future Plans and Use of [REDACTED]" in this document, includes (i) committing to minimum purchase commitments in the course of obtaining more authorised distributorship from IT product vendors; (ii) purchasing of laptops and software licences; (iii) hiring additional employees; (iv) purchasing equipment, software, hardware and ERP systems; and (v) marketing costs, involve substantial consumption of resources with no guarantee of success. Our Directors had considered that the Expansion Plans contain relatively higher risk when compared to the new business arrangement with Supplier E based on the following:

(i) It takes time to educate and promote HCI products and AI servers to customers who may not be our existing top five supplier/customers with no guarantee of success

Target customers of the Expansion Plans, particularly with respect to HCI products and AI servers, include a wide variety of sectors such as government, education, healthcare, banking, insurance, financial services and trading and logistics. Unlike the distribution of CDN licences to Supplier A and Customer I and Customer J, it takes time and resources for us to educate and promote HCI products and AI servers among these target customers who are not likely our top five customers/suppliers. For example, it is expected that significant period of time is required to effectively introduce and educate potential customers on the benefits and application of HCI products and AI servers. Since this is not a demand initiated by our major customers and thus we will not be able to secure sizeable orders prior to entering of supply agreements, the risk profile associated with implementing the Expansion Plans is very different with the new business arrangement with Supplier E.

Having said, the Expansion Plans, if successfully implemented, will allow us to increase our revenue and diversify our sources of revenue and customers base, which will be beneficial to our Group in the long run. Our Directors are highly optimistic about the demand and prospect of HCI products and AI servers in light of the expected growth in market value of HCI and AI infrastructure in Hong Kong from 2021 to 2024 at a CAGR of 29.8% and 24.6%, respectively. As confirmed by Ipsos, this projection is not susceptible to the development of COVID 19.

(ii) Relatively higher financial risks

Our Directors consider that the cash conversion cycles of the Expansion Plans are generally longer than the new business opportunity with Supplier E. In particular for HCI products and AI servers, we will be required to deploy upfront cost to meet the minimum purchase commitment under the relevant distribution agreements and to acquire certain level of inventories of HCI products and AI servers to implement marketing and sales enablement strategies to educate the market irrespective of whether orders from downstream customers are secured. Given the cash conversion cycle duration heavily depends on when the products can be sold, purchasing IT products as inventory before securing orders from customers increases the duration of cash conversion cycle and creates greater uncertainty as to when the financial resources allocated can be realised. Similarly, other business strategies of the Expansion Plans, such as the hiring additional staff for both the distribution business and SI solutions business involve investing financial resources before securing sufficient orders to cover the cost. The cash conversion cycles for such strategies are also expected to be relatively longer. Committing substantial financial resources to the Expansion Plans based on our current financial status will place substantial stress on our financial conditions given sizeable customers' orders have not been secured.

Based on the above factors, even though the Expansion Plans are beneficial and essential to the growth and financial performance of our Group in long run, our Directors consider that it would be most beneficial to us to (i) seize the immediate and promising business opportunity arising from CDN by allocating resources to begin our business relationship with Supplier E; and (ii) implement the Expansion Plans by utilising [REDACTED] from the [REDACTED].

Salient terms of the master agreements with our major IT products vendors

In our distribution business, as at the Latest Practicable Date, we had entered into legally binding distribution agreements with 38 IT products vendors. The salient terms of the distribution agreements we entered into with our major IT products vendors generally contained the following summarised terms:

(i) Product description: There is usually a general description of the type or brand of products which we are authorised to sell.

(ii) Exclusivity and territory: During the Track Record Period, we were generally granted non-exclusive distribution rights of products in a predetermined geographical location.

(iii) Term: The term is generally one year from the date of execution of the agreement and shall be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement.

(iv) Minimum purchase obligations: IT products vendors may require us to place purchase orders for their products of not less than a certain purchase amount annually. The annual minimum purchase obligations or sales targets on our Group ranged from approximately HK$1.2 million to HK$32.8 million for a certain period of time during the Track Record Period. Depending on the negotiation of the terms of the distribution agreements, the IT products vendors may lower the level of discount granted or terminate the distribution agreements if we fail to fulfill the relevant obligation or target. During the Track Record Period and up to the Latest Practicable Date, we were able to meet the minimum purchase obligation or sales target set by the IT products vendors.

(v) Our major obligations: We are generally responsible for (i) using our best or reasonable commercial efforts to promote, market and sell the products and/or services of the IT products vendor; (ii) providing customer service such as training and technical support to the customers of the products and/or services; (iii) providing marketing business plan, sales report and/or forecast periodically to the IT products vendor; (iv) maintaining a prescribed number of staffs who have obtained technical certification from the relevant IT products vendor; (v) maintaining record of the products and/or services sold for a certain period of time; and (vi) using reasonable effort to protect the intellectual property rights of the IT products vendors.

(vi) Major obligations of IT products vendors: IT products vendors are generally responsible for (i) supplying products and/or services which comply with the product specifications; and (ii) providing us with information of the products, support and training to enable us to discharge our duties.

(vii) Pricing: The pricing of the products is based on the price list of the IT products vendors at the relevant time of placing order, with certain percentage of pre-agreed discount.

(viii) Payment and credit terms: We are generally required to make full payment within 30 to 60 days from the date of issue of invoice.

(ix) Termination: Either party may terminate the relevant agreement with prior written notice of one to three months subject to certain circumstances.

(x) Intellectual property rights: All intellectual property rights in relation to the products and/or services sold are owned by the IT products vendors.

In our SI solutions business, as at the Latest Practicable Date, we had entered into partnership agreements with certain IT products vendors. The salient terms of the partnership agreements we entered into with IT products vendors generally contained the following summarised terms:

(i) Right to resell: We are generally granted non-exclusive, non-transferable and revocable rights to market and resell a specific range of products to end-users.

(ii) Types of products: There is usually a general description of the type of products which we are authorised to sell.

(iii) Territory: We are generally restricted to reselling products to end-users within the authorised region.

(iv) Term: The term is generally one year from the date of execution of the agreement, some of which shall be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreement.

(v) Intellectual property rights: All intellectual property rights in relation to the products are owned and retained by the relevant vendors.

(vi) Termination and renewal: Either party of the partnership agreements is entitled to terminate the agreements by serving written notice. Either party may also terminate the agreement if the other party, among others, (a) commits a material breach of the agreement and fail to remedy the breach within a certain period of time; (b) terminates or suspends its business; (c) is unable to pay its debts due and payable; (d) is adjudicated insolvent or goes into liquidation.

(vii) Indemnification and limitation of liability: We will indemnify, defend and hold harmless the IT products vendors for any damages, disruptions, losses, claims and liabilities arising out of or relating to our breach or non-performance, or claims of infringement of third party rights including intellectual property rights.

(viii) Confidentiality: The IT products vendors and we shall keep all confidential information received in connection to the relevant agreement confidential using the same protections applied to our own information of like importance.

Our Directors believe there will be no difficulty for us to renew these distribution agreements and partnership agreements upon expiry. Our Directors also confirmed that, during the Track Record Period and up to the Latest Practicable Date, there had not been any material breach of, early termination of or failure to renew any of the distribution agreements and partnership agreements.

Incentive programmes

Some IT products vendors have implemented incentive programmes to reward distributors and resellers upon meeting a pre-determined performance targets on certain models and types of products. In particular, IT products vendors may have their own business partnership program for resellers, with hierarchy of partnership based on various criteria. These criteria generally include (i) maintaining certain number of staff who have attended training provided by the IT products vendors; (ii) maintaining certain number of staff with product, technology and/or sales and marketing specific certificates issued by the relevant IT products vendors to demonstrate technical or sales competency; (iii) meeting of annual sales target for the relevant level of partnership ranking; and (iv) engaging in certain marketing activities set by the IT products vendors. The requirements increase with the level of partnership ranking, where higher level of partnership ranking requires maintaining of a greater number of staff with certificates in various aspects, meeting of a higher level of annual sales target and engaging in more marketing activities. In our SI solutions business, we have been generally able to fulfill the requirements set by the IT products vendors and had attained high business partnership rankings during the Track Record Period, including, among others, (i) "Gold Cloud Platform", "Gold Small and Midmarket Cloud Solutions" and "Gold Datacenter" by Microsoft for 2019; (ii) "Premier Solution Provider" by VMWare for 2019; (iii) "Business Partner - Gold" by Lenovo for two consecutive years since 2019; and (iv) "Premier Partner" by Barracuda for 2021. Similarly, some distributors have also implemented incentive programmes to reward resellers upon meeting certain performance target. These programmes vary with different IT products vendors and distributors from time to time based on the then market conditions and their sales and marketing strategies to encourage purchases.

Upon fulfilling certain targets, discounts may be directly granted to us or our cost of procuring IT products from the IT products vendors or distributors may be reduced by cash incentive depending on the programme. During the Track Record Period, we recognised cash incentives of approximately HK$1.0 million, HK$1.5 million and HK$1.4 million respectively.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, to the best knowledge and belief of our Directors, an aggregate of 53 customers and/or their related companies were also our suppliers (the "**Customer(s)–Supplier(s)**").

The following table sets forth the percentage of revenue and purchases from the Customers — Suppliers and the gross profit margin during the Track Record Period:

	FY2019/2020	FY2020/2021	FY2021/2022
Sales to Customers – Suppliers			
• Revenue (HK$'000)	85,142	114,495	202,992
• Percentage to our total revenue	25.7%	29.6%	32.1%
• Gross profit margin	23.2%	21.4%	17.9%
Cost of sales and services from Customers – Suppliers			
• Cost of sales and services (HK$'000)	35,435	30,403	34,829
• Percentage to our cost of sales and services	13.5%	10.1%	6.8%

During the Track Record Period, our revenue and cost of sales and services from Customers – Suppliers were primarily attributable to Customer B, Customer D, Customer H, Customer I, Customer K, Customer L, Supplier A and Supplier B.

Customer B is a listed company on the Stock Exchange, which holds interests in telecommunication, media, IT solutions, property development and investment and other business, and was one of our five largest customers for FY2019/2020, FY2020/2021 and FY2021/2022. During the Track Record Period, Customer B mainly purchased data and communication and systems infrastructure and cyber security products (including but not limited to WiFi equipment and switch) from us, and our revenue attributable to Customer B amounted to approximately HK$10.9 million, HK$45.6 million and HK$30.2 million respectively. At the same time, we purchased small amounts of computer tablets and software license from Customer B, and our cost of sales and services attributable to Customer B amounted to approximately HK$49,000, HK$8,000 and HK$25,000 during the Track Record Period.

Customer D is a listed company on the Stock Exchange which is principally engaged in the provision of integrated telecommunication and technology solution, and was one of our five largest customers for FY2019/2020. During the Track Record Period, Customer D purchased data communication and systems infrastructure and cyber security products (including but not limited to HCI, endpoint security and firewall products) from us, and our revenue attributable to Customer D amounted to approximately HK$31.2 million, HK$2.4 million and HK$3.8 million respectively. At the same time, we engaged Customer D primarily for the provision of ethernet and broadband services, and our cost of sales and services attributable to Customer D amounted to approximately HK$85,000, HK$81,000 and HK$61,000 during the Track Record Period.

Customer H is a listed company on the Stock Exchange, which is principally engaged in the delivery of comprehensive one-stop IT services, and was one of our five largest customers for FY2019/2020 and FY2020/2021. During the Track Record Period, Customer H purchased data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services from us, and our revenue attributable to Customer H amounted to approximately HK$8.9 million, HK$11.6 million and HK$5.7 million respectively. At the same time, we purchased licences for operating system products and web application vulnerability services from Customer H, and our cost of sales and services attributable to Customer H amounted to approximately HK$44,000, HK$1,000 and HK$57,000 during the Track Record Period.

Customer I is a private company incorporated in Hong Kong which is principally engaged in the provision of telecommunications services, data centre services, information and communications technology solutions and broadband services, and was one of our five largest customers for FY2020/2021 and FY2021/2022. During the Track Record Period, Customer I purchased data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services form us, and our revenue attributable to Customer I amounted to approximately HK$2.0 million, HK$32.8 million and HK$22.8 million respectively. At the same time, we engaged Customer I primarily for the provision of broadband services, and our cost and services attributable to Customer I amounted to nil, approximately HK$16,000 and nil during the Track Record Period.

Customer K is a private company incorporated in Hong Kong which is principally engaged in the provision of IT consultations, deployments and customer services. During the Track Record Period, Customer K mainly purchased data communication and systems infrastructure products and cyber security products from us, and our revenue attributable to Customer K amounted to approximately HK$6.6 million, HK$11,000 and HK$0.6 respectively. At the same time, we engaged Customer K for the provision of subcontracting services, and our cost of sales and services attributable to Customer K amounted to approximately HK$34,000, nil and nil during the Track Record Period.

Customer L is a subsidiary of a listed company on the Stock Exchange which is principally engaged in the provision of telecommunications services. During the Track Record Period, Customer L mainly purchased data communication and systems infrastructure products, cyber security products and IT infrastructure solutions services from us, and our revenue attributable to Customer L amounted to approximately HK$7.2 million, HK$3.2 million and HK$2.8 million respectively. At the same time, we engaged Customer L for the provision of subcontracting services, and our cost of sales and services attributable to Customer L amounted to approximately HK$254,000, nil and nil during the Track Record Period.

Supplier A is a private company incorporated in Hong Kong which is principally engaged in the provision of cloud technology services, and was one of our five largest customers for FY2021/2022. During the Track Record Period, Supplier A purchased data communication and systems infrastructure and cyber security products (including but not limited to CDN licences, switch, endpoint security and firewall products) from us, and our revenue attributable to Supplier A amounted to approximately HK$3.0 million, HK$0.8 million and HK$108.4 million respectively. In particular, to the best knowledge and belief of our Directors, Supplier A obtained CDN licences of approximately HK$106.6 million from our Group during FY2021/2022 to facilitate the needs of its customer in the education industry to support their online video education courses. At the same time, we engaged Supplier A mainly for the provision of specialised work in relation to cloud, and our cost of sales and services attributable to Supplier A amounted to approximately HK$7.2 million, HK$0.1 million and nil during the Track Record Period.

Supplier B is a private company incorporated in Hong Kong which is principally engaged in the distribution of IT products of over 80 brands, and was one of our five largest suppliers for FY2019/2020, FY2020/2021 and FY2021/2022. During the Track Record Period, Supplier B purchased licences for operating system products from us, and our revenue attributable to Supplier B amounted to nil, approximately HK$0.6 million and HK$25,000 respectively. At the same time, we purchased data communication and systems infrastructure and cyber security products (including but not limited to switch, server desktop, firewall and antivirus) from Supplier B, and our cost of sales and services attributable to Supplier B amounted to HK$21.3 million, HK$19.5 million and HK$15.2 million during the Track Record Period.

Without taking into account the revenue and cost of sales and services from Customer B, Customer D, Customer H, Customer I, Customer K, Customer L, Supplier A and Supplier B, our revenue from Customers-Suppliers would only represent approximately 3.9%, 3.7% and 4.5% of our total revenue during the Track Record Period respectively, and our cost of sales and services from Customers-Suppliers would only represent approximately 2.5%, 3.7% and 3.8% of our total cost of sales and services for the corresponding year respectively.

For the Customers-Suppliers, we sold to and also purchased from Customers-Suppliers mainly due to the following reasons:

(i) For certain Customers-Suppliers, which are mainly IT-related companies and telecommunication companies, we sold IT products to them in our distribution business or we provided SI solutions to them in our SI solutions business as they had difficulty in providing certain specialised solutions in-house. On the other hand, we required subcontracting services from these Customers-Suppliers for reasons disclosed in the paragraph headed "Suppliers – Subcontracting arrangement" above in this section; and

(ii) Certain Customers-Suppliers are different entities but belong to the same group and therefore we categorise them as our Customers-Suppliers.

Our Directors confirmed that negotiations of the salient terms of our sales and purchase from these parties were conducted separately. As a result, the sales and purchases in question were neither inter-connected with nor inter-conditional upon each other. The terms of transactions with the overlapping customers and suppliers were similar to those with our other customers and suppliers, which our Directors considered to be normal commercial terms.

To the best knowledge and belief of our Directors, all of our Customers-Suppliers are Independent Third Parties. None of our Directors, chief executive or their respective close associates or our existing Shareholders who own more than 5% of the issued capital of our Company, has or had any interest in any of our Customers-Suppliers during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, none of our suppliers were also our customers during the Track Record Period.

INVENTORY MANAGEMENT

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

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

Our inventory management process adopts a first-in-first-out policy. Slow-moving inventories were identified by our management based on aging analysis and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by our management by considering the latest selling prices and current market conditions. Allowance is recognised if the net realisable value is estimated to be below the cost. During the Track Record Period, write-down of inventories amounted to approximately HK$0.9 million, HK$1.1 million and HK$0.7 million respectively. Besides, during the Track Record Period, our average inventory turnover days were approximately 23.3 days, 16.9 days and 9.1 days respectively. For details of our inventory policy, please refer to the section headed "Financial Information — Principal components of our current assets and current liabilities" in this document.

QUALITY CONTROL

Due to the nature of the IT products, we generally rely on our suppliers' quality control. Upon arrival of the IT products at our warehouse, our technical team will check the IT products against the specifications as set out in our relevant purchase orders placed. Upon discovery of any products being different from the specifications we have placed orders for or any apparent defects, we will immediately contact the relevant supplier and reach a mutually agreed mechanism for return or exchange of the products concerned.

In our SI solutions business, if we are engaged to provide IT infrastructure solutions services on integrated basis, our technical team will monitor the progress of the project in all respects to ensure that it satisfies our customers' requirements and can be delivered to our customers within the agreed timeframe. Our technical team will have regular meetings with our project managers to report project progress and whenever issues or problems arise, they will report immediately to the project managers.

As at the Latest Practicable Date, our technical team consisted of 48 staff, who had been accredited with technical-specific qualifications and/or obtained undergraduate and/or postgraduate degrees in IT or computer science.

AWARDS, RECOGNITION AND QUALIFICATIONS

The following table sets forth the major awards and recognition we received during the Track Record Period:

Year of issue	Award/Recognition/Qualification	Awarding entity
2021	FY21 Premier Partner	Barracuda
	PC Partner — Gold	Lenovo
	Elite Coverage Business Award FY20	Aruba
	2020 Partner of the Year Award — Sangfor Best Gold Partner	Sangfor
2020	Fujitsu Platform Product Partner of the Year 2019	Fujitsu
	2020 Business Partner — Gold	Lenovo
	Kaspersky Outstanding Partner 2020	Kaspersky
	Partner Award 2020H1 Best Growth Propartner	Veeam
	ERB Manpower Developer Award Scheme — Manpower Developer 2020 — 2022	Employees Retraining Board
2019	Gold Cloud Platform	Microsoft
	Gold Small and Midmarket Cloud Solutions	Microsoft
	Gold Datacenter	Microsoft
	Partner Persistence Award 2018	Pure Storage
	Fujitsu Platform Product Partner of the Year FY2018	Fujitsu
	ETERNUS Storage Growth Partner of the Year FY2018	Fujitsu

Year of issue	Award/Recognition/Qualification	Awarding entity
	Premier Solution Provider	VMware
	FY19 Outstanding Marketing Award	VMware
	FY19 Partner of the Year	VMware
	Caring Company 5 Year Plus Award: Years of Award 2013-2019	The Hong Kong Council of Social Service
	FY19 Award Coverage Business	Aruba
	2019 Business Partner — Gold	Lenovo
	The 10th Hong Kong Outstanding Corporate Citizenship Logo: Enterprise Category	Hong Kong Productivity Council
	FY18 The Best New Business Reseller	Micro Focus
	FY18 The Highest Growth VAD	Micro Focus
	2019 Happy Company	Promoting Happiness Index Foundation
	The 10th Hong Kong Outstanding Corporate Citizenship Logo	Hong Kong Productivity Council
	2019 Bright Future SME's Youth Creative Entrepreneurship Award	The Hong Kong General Chamber of Small and Medium Business
	Ruijie Cloud Loyalty Partner Award 2019	Ruijie
	2019 Best Distributor	Sangfor
	Touching CSR Award 2018 (Assessment based in International Guideline ISO 26000 clause 6)	The Association of Distinguished Corporation

Year of issue	Award/Recognition/Qualification	Awarding entity
2018	Touching CSR Award (Reference to ISO 26000 clause 6) 2017	The Association of Distinguished Corporation
	Cisco FY18H1 Fast Starter Award — Cloud	Cisco
	ERB Manpower Developer Award Scheme — Manpower Developer 2018-2020	Employees Retraining Board
	Best Business Developer of the Year 2017	Fujitsu
	Best Partner (Fujitsu Platform Product) FY2017	Fujitsu
	5 Years Plus Caring Company — Years of Award 2013-2018	The Hong Kong Council of Social Service
	FY18 Top VAR Award	Microsoft
	ELITE Partner 2018-2019	Pure Storage
	Certificate of Appreciation 2018	Society for the Prevention of Cruelty to Animals
	Propartner Gold Reseller	Veeam
	VMware FY18 Partner of the Year — vSAN	VMware
	Best Distributor	Sangfor
	Premier Partner 2017/18 Distributor	Micro Focus
	Meritorious Family-Friendly Employers	Family Council and Home Affairs Bureau

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We acknowledge our responsibility on environmental protection and social responsibilities and are committed to comply with the environmental, social and governance reporting requirements upon [REDACTED] pursuant to Rule 13.91 of the Listing Rules.

In terms of our governance on environmental, social and climate-related ("**ESG**") issues, we have formulated and adopted our ESG policy in accordance with the Listing Rules, which sets forth, among others (i) the governance structure of our Group with respect to ESG related matters; (ii) the Board's oversight of ESG issues; (iii) material ESG issues management; and (iv) ESG related target progress review.

Governance

Our Board has the overall responsibility for evaluating and determining our ESG related risks and establishing, adopting and reviewing our ESG vision, policy and target. Principal duties and responsibilities include among others:

- Keeping abreast of emerging market and international trends regarding ESG-related issues which may potentially impact business operations;
- Supervising the establishment of communication methods between the Company and major stakeholders;
- Building clear criteria and basis to identify potential ESG related issues and formulate appropriate measures to address material issues; and
- Implementing policies to improve, maintain and rectify ESG performance against goals and targets.

Actual and potential impact

We have also taken into account quantitative information that reflects our management on environmental, social and climate risks. During the Track Record Period, our Group's expenses in relation to ESG matters material to our Group amounted to approximately HK$522,000, HK$533,000 and HK$850,000, respectively. Such expenses primarily comprised electricity and motor vehicle expenses, group medical expenses and expenses on employees' compensation insurance. We estimate our expenses in relation to ESG matters material to our Group for the year ending 31 March 2023 and 2024 will amount to approximately HK$695,000 and HK$725,000, respectively. Such expenses will mainly comprise expected electricity and motor vehicle expenses, group medical expenses, expenses on employees' compensation insurance and expenses for engaging external ESG consultation services.

Under the Producer Responsibility Scheme on Waste Electrical and Electronic Equipment, we as a seller of certain regulated electrical equipment such as monitors, scanners and printers, are required to arrange free removal service for our consumers to dispose of the same class of equipment abandoned by the consumers in accordance with the removal service plan endorsed by Environment Protection Department. During the Track Record Period, we have provided such removal service to our consumers but no expenses were incurred as such removal service were conducted by recycling service providers free of charge.

During the Track Record Period and up to the Latest Practicable Date, we had complied in all material respects with the statutory requirements under the Producer Responsibility Scheme and were not subject to any major environment claims, lawsuits, penalties or disciplinary actions. For details of the regulatory requirements, please refer to the section headed "Regulatory Overview" in this document.

Measures to identify, assess and manage ESG related risks

We intend to adopt various strategies and measures to identify, assess and manage ESG related risks, including but not limited to:

- Reviewing and referencing MSCI's ESG Industry Materiality Map and the Sustainability Accounting Standards Board's Materiality Map to identify ESG issues material to our Group;
- Reviewing and assessing ESG reports of similar companies in the IT industry to ensure relevant ESG related risks are identified on a timely basis;
- Discussing with management from time to time to ensure material ESG related issues are addressed and reported;
- Establishing communication channels and discussing with key stakeholders on an ongoing basis to understand ESG related concerns and monitor how our environmental, social and climate-related performance has impacted key stakeholders; and
- Engaging professional advisers to advise on compliance with ESG matters.

We have identified the following material ESG issues and their potential impacts.

Material ESG issues	Potential Risks, Opportunities and Impacts
Energy management	Ineffective energy management may potentially lead to excessive energy usage, which leads to increased operational cost due to unnecessary usage of energy.
Opportunities for clean technology	Selecting clean technology such as energy efficient equipment in our business operations may reduce long term costs and potentially build positive brand image for our Group with respect to environmental awareness.
Impact of climate change	Climate change may lead to risks like more frequent extreme weather conditions. Such risks may lead to potential injuries to employees and increase in insurance premiums.
Human capital development	Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities may put our Group at risk of higher turnover rates and less competent workforce. Strong human capital development and the provision of competitive benefit packages may improve employee retention and productivity.

Privacy & data security	Ineffective privacy and data protection policies may put our Group at risk of data leakages and privacy breaches, potentially, leading to increased costs in addressing regulatory actions, involving litigations and potential fines, while also potentially tarnishing our reputation.

Our Group has also adopted measures to manage ESG risks, including (i) arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees and increase in insurance premiums, (ii) requiring employees to sign a non-disclosure agreement to mitigate privacy and data security risks; and (iii) reviewing and accounting for greenhouse gas emissions and resource consumptions.

Metric and Targets on Environmental, Social and Climate-related Risks

We have taken into account the quantitative information that reflect our management of ESG risks, which include greenhouse gas emissions and resource consumption. Our Group's emissions and resource consumption during the Track Record Period are as follows:

Emissions	**FY2019/2020**	**FY2020/2021**	**FY2021/2022**
Greenhouse gas emissions (tonnes CO_2 equivalent)	54	41	54
Scope 1 direct emissions (tonnes CO_2 equivalent) Note 1	2	2	2
Scope 2 indirect emissions (tonnes CO_2 equivalent) Note 2	52	39	52
Intensity of greenhouse gas emissions (tonnes CO_2 equivalent/ million HK$ revenue)	0.16	0.10	0.09

Note:

(1) Scope 1 direct emissions include greenhouse gas emissions from the use of vehicles.

(2) Scope 2 indirect emissions include greenhouse gas emissions from the use of purchased electricity.

Resource Consumption	**FY2019/2020**	**FY2020/2021**	**FY2021/2022**
Energy consumption (MWh)	148	114	148
Direct consumption (MWh)	7	7	7
Indirect consumption (MWh)	141	107	141
Intensity of energy consumption (MWh/million HK$ revenue)	0.43	0.28	0.23

In the foreseeable future, our expenses regarding ESG issues are estimated to increase along with our overall business development, however, the proportion of such expenses against our total revenue is estimated to trend downwards.

HEALTH AND WORK SAFETY

We are required to comply with various occupational health and safety laws and regulations in Hong Kong. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, we were in compliance with the safety laws and regulations in all material respects.

We have taken measures to promote occupational health awareness and safety at workplace. We have implemented internal training programmes and a workplace health and safety memorandum, through which we educate and remind our employees of the importance of and the correct practices for health and safety in the workplace. Our human resources and administration team has designated personnel to record and keep track of any injuries of our employees that have occurred in our workplace, to ensure insurance claims and treatments are effectively pursued to protect our employees and us. During the Track Record Period, we had not experienced any significant workplace accident.

EMPLOYEES

As at the Latest Practicable Date, we had 139 full-time employees. A breakdown of our employees by function and geographical locations as at the Latest Practicable Date is set forth below:

	As at the Latest Practicable Date
Hong Kong	
Management	5
Sales	45
Marketing	12
Technical	48
Product	8
Finance and account	10
Human resources and administration	8
The PRC	
Technical	3
Macau *(Note)*	
Sales	—
Total	139

Note: During the Track Record Period, Multisoft Macau had one full-time employee, who had resigned from the position in October 2020. As confirmed by our Directors, we are in the process of recruiting a new sales staff for replacement.

Recruitment and remuneration

We recruit our employees based on factors including work experience, education background, qualifications and certifications possessed and vacancy. We generally recruit from the open market and enter into employment contracts with our employees.

The remuneration package for our employees generally includes salary, commission and/or discretionary bonus. We regularly review the performance of our employees and make reference to such performance reviews in our salary review and promotional appraisal in order to attract and retain talented employees.

For the Track Record Period, we incurred staff costs (including directors' emoluments) of approximately HK$39.5 million, HK$45.0 million and HK$56.6 million respectively, which accounted for approximately 11.9%, 11.6% and 8.9% of our revenue for the corresponding year respectively.

Employee training

We recognise that having qualified and competent employees are crucial to our continued success. We organise internal training programmes as well as send employees to external training courses to assist our employees in achieving better quality and higher safety standards.

Our in-house training programmes include orientation programmes for new employees to familiarise them with the general working environment and work culture and also on-the-job training for all employees to enhance their awareness of the latest industry developments. We also sponsor our employees to attend external trainings offered by our IT products vendors and distributors in order to keep them abreast of the latest development in the IT industry.

We did not experience any material dispute with our employees or disruption to our operations due to labour disputes during the Track Record Period. There is no labour union established by our employees.

INSURANCE

We maintained insurance coverage in relation to our business that our Directors consider is adequate for business of our size and generally in line with our industry norm. We provide medical insurance coverage and maintain employees' compensation insurance in compliance with applicable laws in Hong Kong for our employees in Hong Kong. Social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions are paid pursuant to the PRC laws and regulations in respect of our employees in the PRC. For our employee in Macau, we had participated in and contributed in the social security fund as required under Law no. 4/2010, Social Security System. We have also maintained and paid employees' compensation insurance premium in compliance with the applicable laws in Macau for our employee in Macau.

During the Track Record Period and up to the Latest Practicable Date, we maintain insurance coverage against, including among others, (i) business interruption; (ii) damage of properties; and (iii) public liabilities. Our Directors are of the view that we have obtained adequate insurance coverage for the operation of our business and such insurance coverage is in line with the industry norm. Our Directors believe that there is no material risk in connection with our business operation which is not covered by the abovementioned insurance. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims.

MARKET AND COMPETITION

IT products distribution industry

In 2019, there were approximately 30 to 40 IT products distributors in Hong Kong, of which less than ten market players were active in the IT products distribution industry. The IT products distribution industry is consolidated, with three market players dominated the market, which in aggregate is estimated to hold no less than approximately 60% of the market share in terms of revenue in 2019. With the exception of the three dominated market players, the remaining market is observed as fragmented. The revenue from our distribution business in FY2020/2021 amounted to approximately HK$203.5 million, representing a market share of approximately 0.2% in 2020.

Competition among distributors in Hong Kong is intensifying. Distributors are also facing competition from IT products vendors that sell directly to traders and wholesalers, retailers and end-users. Distributors mainly position themselves by having divergent focus in terms of different brands, product types and/or IT solutions. Besides, some of the distributors in the industry are extending their operations by offering value-added services that are able to differentiate themselves from their competitors.

SI solutions industry

In 2019, there were approximately 2,000 companies offering SI solutions in Hong Kong, characterising the industry as highly competitive and fragmented. An SI solutions provider not only competes with other local industry players but also competes with the international SI solutions providers located in Hong Kong as well as IT products vendors who directly provide similar SI solutions services to customers. The SI solutions industry is fragmented, with each of the top five SI solutions providers accounting for less than 3% of the total industry revenue in 2019. The revenue from our SI solutions business in FY2020/2021 amounted to approximately HK$183.9 million, representing a market share of approximately 0.4% in 2020. Most of the companies which offer SI solutions services are small in scale, with only a small number of large companies operating in the SI solutions industry.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we had registered three trademarks in Hong Kong, two trademarks in PRC and one trademark in Macau and three domain names which are material to our business operation. For details, please refer to the section headed "Statutory and General Information — Further information about our business - 8. Intellectual property rights of our Group" in Appendix IV to this document. Save for the above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions.

During the Track Record Period, there had not been any pending or threatened claims against our Group, nor has any claim been made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties. As at the Latest Practicable Date, we were not aware of any infringement (i) by us of any intellectual property rights owned by any third party; or (ii) by any third party of any intellectual property rights owned by us.

PROPERTIES

The following table sets forth the address and function of our leased properties in Hong Kong and the PRC as at the Latest Practicable Date:

Location	Address	Gross floor area	Monthly rental	Function	Lease/tenancy period
Hong Kong	19/F Kin Sang Commercial Centre, 49 King Yip Street, Kwun Tong, Kowloon	6,309 sq. ft.	HK$145,107	Office	From 15 August 2020 to 14 August 2022
Hong Kong	30/F., Gravity, No. 29 Hing Yip Street, Kwun Tong, Kowloon	4,420 sq. ft.	HK$120,000	Office	From 15 August 2019 to 14 August 2022
Hong Kong	Flat 2, 1/F, Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Kowloon	2,558 sq. ft.	HK$28,138	Warehouse	From 15 February 2021 to 14 February 2024
The PRC	D18, 36/F, Block A, Electronic Technology Building, No. 2070 Shennan Middle Road, Futian District, Shenzhen*	10 sq. m.	RMB4,000	Office	From 11 August 2021 to 30 September 2022

LICENCE AND PERMITS

Save for (i) business registration certificates; (ii) obtaining the relevant license applications during the import or export of certain IT products which are classified as strategic commodities in accordance with the Strategic Trade Controls Branch of the Trade and Industry Department; (iii) obtaining certain approvals from the Director-General of Trade and Industry for the re-export, resale, transfer or disposal of such products where the circumstances require; and (iv) the statutory requirements under Producer Responsibly Scheme on Waste Electrical and Electronic Equipment, our Directors confirmed that our Hong Kong subsidiaries are not required to obtain any major industry-specific qualification, license or permit for our operation in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, we have obtained all the material approval, permits, licences and certificates that are required for conducting our business in Hong Kong, the PRC and Macau which are material to our operations.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

Claims settled, pending or threatened against our Group

Our Directors confirmed that no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

Legal compliance

Our Directors confirmed that, saved as disclosed below, we had complied with all applicable laws and regulations which are material to our operations in Hong Kong, the PRC and Macau, being the jurisdictions in which we operate in all material respects during the Track Record Period and up to the Latest Practicable Date.

Particulars of non-compliance	Reason for the non-compliance	Legal consequences and maximum potential penalty	Remedial actions taken and current status as at the Latest Practicable Date	Measures adopted by our Group to prevent recurrence of the non-compliance
During the Track Record Period, TriTech and Multisoft (i) failed to file notification by an employer of an employee who commences to be employed (the "**Form IR56E**") pursuant to section 52(4) of the IRO for all new hires who are likely to be chargeable to individual tax within three months after the commencement of the new employment, involving 122 employees; and (ii) failed to file notification by an employer of an employee who is about to cease to be employed (the "**Form IR56F**") pursuant to section 52(5) of the IRO for the cessation of employment of employees no later than one month before the date of cessation involving 116 employees.	The relevant human resources and administration staff responsible for filings to the IRD (i) was unaware of the obligation of TriTech and Multisoft as an employer to file Form IR56E for new employment; and (ii) had mistakenly believed that the filing of Form IR56F once a year would be sufficient to satisfy our notification obligation as an employer for cessation of employment. Such obligation and mistaken belief were only discovered during the preparation of the [REDACTED]. These incidents were not willful but were due to misunderstanding of the relevant regulatory requirement possessed by the relevant human resources and administration staff. Our Directors had no direct or willful involvement in the breach nor willfully defaulted in its compliance. Despite our failure to file Form IR56E and failure to file Form IR56F within the prescribed time limit to the IRD for the Track Record Period, Form IR56B in relation to each of our employee was filed annually, which contained, among other things, the identity, employment period and salary of such employees during each of the YOAs, allowing the IRD to be fully informed of our employment affairs and to compute the tax payable by us and such employees respectively. Our Directors confirmed that we have not received any notice from the IRD in relation to our failure to submit Form IR56E and late filing of Form IR56F during the Track Record Period up to the Latest Practicable Date.	Section 80(1) of the IRO states that any person who without reasonable excuse fails to comply with the requirement under section 52(4) or (5) of the IRO commits an offence and is liable on conviction a level 3 fine at HK$10,000 and the court may order the person convicted within a time specified in the order to do the act which he has failed to do.	In October 2020, our tax representative called the IRD assessor in respect of TriTech and Multisoft's filings of Form IR56E and IR56F, who verbally confirmed that it is not required to submit the overdue Forms IR56E and IR56F for employees who commenced or ceased employment, provided that the relevant information had already been disclosed in Form IR56B submitted by TriTech and Multisoft. As confirmed by our Directors, TriTech and Multisoft had duly disclosed and filed Form IR56B for all employees during the Track Record Period. Based on the tax representative's verbal confirmation with the IRD and its practical experience, our Directors are of the view that (i) the IRD would normally treat the cases leniently and the chance of the IRD imposing penalty under section 80(1) of the IRO is low; and (ii) the fact that the IRD has not imposed penalty for such non-compliance within a reasonable time indicates that the IRD has no intention to penalise us. Therefore, our Directors are of the view that such non-compliances will not have a material impact on our business operation and the legal risk of us being subject to any penalty as a result by the IRD is remote.	With effect from 1 September 2020, the human resources and administration team have begun to maintain a register for the commencement and resignation of employment of all employees to ensure that Forms IR56E and IR56F are filed to the IRD when appropriate. Our chief financial officer, Mr. Chu Kwok On will conduct monthly review of the register and the relevant filing. In addition, our chief financial officer will provide training sessions on the latest IRO requirements to our staff in the human resources and administration team from time to time to ensure that they understand the latest IRO requirements. We have filed Forms IR56E and IR56F for our employees who commenced or ceased employment since 1 September 2020. In addition, TriTech and Multisoft also adopted the updated human resources and payment management policies and procedures manual to enable our human resources staff to comply with required policies and procedures.

Particulars of non-compliance	Reason for the non-compliance	Legal consequences and maximum potential penalty	Remedial actions taken and current status as at the Latest Practicable Date	Measures adopted by our Group to prevent recurrence of the non-compliance
TriTech and Multisoft failed to file their respective profits tax return for the YOA 2018/19 within the prescribed time limit pursuant to section 51(1) of the IRO.	The non-compliance was due to (i) unintentional and inadvertent oversight of the relevant finance and account staff who had overlooked the due date of the filing of profits tax return; and (ii) lack of qualified and experienced staff for preparing the management accounts in a timely manner for auditing and tax filing purposes at the material time.	Having taken into account the advice of our tax representative, under section 51(1) of the IRO, an assessor may give notice in writing to any person requiring him within a reasonable time stated in such notice to furnish any return. Any entity failing to submit its profits tax return within the stipulated time may be subject to penal action under sections 80(2), 80(5) or 82A of the IRO. Under section 80(2) of the IRO, the IRD may prosecute a taxpayer if it considers that it failed to comply with the requirement to furnish a return in time without reasonable excuse. Under section 80(2) of the IRO, the maximum penalty upon conviction is the imposition of a fine at level 3 (HK$10,000) and a further fine of treble the amount of the tax undercharged. In lieu of prosecution under section 80(2) of the IRO, the IRD may impose an administrative penalty under section 80(5) of the IRO by way of a compound penalty ranging from HK$1,200 to HK$10,000, or section 82A of the IRO by way of an assessment of additional tax as a penalty, not exceeding treble the amount of tax which has been undercharged or would have undercharged. Based on the advice of the tax representative, if section 82A of the IRO is invoked by the IRD, the maximum amount of additional tax that may be imposed on TriTech and Multisoft is estimated to be approximately HK$1.3 million in aggregate for the late filing of profits tax returns for the YOA 2018/19.	In respect of YOA 2018/19, compound penalty offer of HK$3,000 was imposed on each of TriTech and Multisoft by the IRD in July 2020 for failure to file profits tax return within the prescribed time limit, which was when TriTech and Multisoft realised their failures. In October 2020, our tax representative liaised with the IRD in relation to, among the others, filing of profits tax return for YOA 2018/19 and settle the submission of the outstanding profits tax returns of TriTech and Multisoft for the YOA 2018/19. Our tax representative subsequently filed the relevant profits tax returns together with the supporting documents and the duly signed compound penalty notices to the IRD on 23 October 2020. Despite the fact that Multisoft had subsequently filed the duly signed compound notice to the IRD, the offer of compound penalty had lapsed by the time of filing. In December 2021, the IRD confirmed the compound penalty offer of HK$3,000 for Multisoft, which was settled before due date. In respect of TriTech, in January 2021, the IRD confirmed the compound penalty offer of HK$3,000, which was duly settled before the due date. In respect of Multisoft and TriTech, having taken into account the advice of our tax representative, given that the IRD had confirmed the compound penalty, which had been duly settled by Multisoft and TriTech, the chance of the IRD assessing additional tax under section 82A of the IRO is remote.	We have formulated and adopted internal control measures, which include procedures for tax filing, recording and payment to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Legal proceedings and legal compliance Internal control measures to prevent the recurrence of non-compliances" below in this section.

Particulars of non-compliance	Reason for the non-compliance	Legal consequences and maximum potential penalty	Remedial actions taken and current status as at the Latest Practicable Date	Measures adopted by our Group to prevent recurrence of the non-compliance
Multisoft failed to make full payment of its estimated profits tax for YOA 2018/19 within the stipulated due date on 21 February 2020.	The non-compliance was due to (i) unintentional and inadvertent oversight of the relevant finance and account staff who overlooked the due date of tax payable; and (ii) lack of proper system and control to keep track of our compliance status. For YOA 2018/19, Multisoft applied in February 2020 for payment of tax by instalment before the due date of the tax demand notes, which was pursuant to relief measure in light of the outbreak of COVID-19. Since then, Multisoft had been liaising with the IRD regarding the application and had made part payments pursuant to its proposed instalment payment. In June 2020, Multisoft was notified by the IRD that its application was not approved due to insufficient supporting documents provided and demanded Multisoft for settlement of the tax payable.	Having taken into account the advice of our tax representative, we may be subject to 5% and 10% surcharge under sections 71(5) and 71(5A) of the IRO respectively.	Multisoft had fully settled the outstanding tax demanded under the estimated assessment in September 2020. As at the Latest Practicable Date, Multisoft had not received any notice of surcharge for late payment of tax. Based on the advice of our tax representative and given that we have already made full settlement of tax payment, our Directors consider that the chance of the IRD taking any further action against us would be remote.	We have formulated and adopted internal control measures, which include procedures for tax filing, recording and payment to prevent recurrence of non-compliance incidents. For further details, please refer to the paragraph headed "Legal proceedings and legal compliance Internal control measures to prevent the recurrence of non-compliances" below in this section.

Internal control measures to prevent the recurrence of non-compliances

In order to ensure the ongoing compliance with the relevant regulatory requirements, we have engaged an independent internal control consultant consultancy firm (the "**Internal Control Consultant**") to perform internal control reviews and have implemented or will implement the following measures recommended by the Internal Control Consultant:

(i) we have, since October 2020, engaged an international accounting firm as our tax representative for preparing and submitting profits tax return on behalf of our Group, who will be required to return a copy of the submitted tax returns to our Group for record keeping;

(ii) our Directors shall attend training session in which they are given an overview on the applicable laws and regulations in Hong Kong. Various trainings shall be provided by external legal adviser and/or other appropriate accredited institution, to reinforce our Directors' awareness of the applicable laws and regulations;

(iii) our management team will ensure our finance and account team is equipped with personnel having sufficient experience and knowledge on tax issue, tax filing and tax computation and where necessary, advice will be sought from external adviser from time to time to ensure that our finance and account team are aware of the regulatory development and changes;

(iv) we have appointed our chief financial officer, Mr. Chu Kwok On, on 14 September 2020, to oversee the financial operations and to supervise our account and finance team. The management accounts and financial information prepared by our accounting staff will be reviewed by our chief financial officer before approval by our Directors;

(v) we will continue to engage the internal control consultant after the [REDACTED] to review the adequacy and effectiveness of our internal control system, including areas of financial compliance; and

(vi) our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations.

Indemnity given by our Controlling Shareholder

Our Controlling Shareholder, Mr. Charlie Ip, as the indemnifier, [entered] into the Deed of Indemnity whereby Mr. Charlie Ip has agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of non-compliance of the legal and/or regulation requirements as disclosed in the paragraph headed "Legal proceedings and legal compliance" in this document. Further details of the Deed of Indemnity are set out in the section headed "Statutory and General Information — Other information — 14. Tax and other indemnity" in Appendix IV to this document.

View of our Directors and the Sole Sponsor

After due consideration, our Directors are of the view that the enhanced internal control measures as set out above are adequate and effective.

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. In arriving at their view, our Directors have taken into consideration of the followings:

(i) the non-compliance incidents were not wilful and principally due to inadequate understanding of the relevant regulatory requirement possessed by and inadvertent omission of the relevant members of staff and lack of qualified and experienced personnel at the material time. It did not involve intentional misconduct, fraud or dishonesty on the part of our Directors;

(ii) our Directors have primarily focused their attention on the commercial aspects and strategic expansion of our Group. Our Directors nevertheless took proactive measures and delegated such duties to our staff to handle human resources and tax matters and therefore relied on the relevant staff to handle the Form IR56E and IR56F and other tax matters of our Group, reasonable expecting they would handle the matters in time;

(iii) upon discovery of the late filing of the returns, our Directors had taken prompt actions to rectify the situation by settling the compound penalties and filing the relevant tax returns; and

(iv) our Directors have taken actions to prevent the recurrence of non-compliances to the extent practicable, including but not limited to the engagement of an international accounting firm as our tax representative, hiring of chief financial officer and strengthening our internal control system immediately after being informed of the non-compliance incidents.

The Sole Sponsor, after considering the above and having reviewed the internal control measures adopted by our Group, concurs with the view of our Directors that (i) the various internal control measures adopted by us are adequate and effective; (ii) our Directors have the standard of integrity and competence commensurate with positions as directors of a [REDACTED] issuer under Rules 3.08 and 3.09 of the Listing Rules; and (iii) the abovementioned non-compliance incidents would not affect the suitability of our Directors under Rules 3.08, 3.09 and 8.15 of the Listing Rules and the suitability of [REDACTED] of our Company under Rule 8.04 of the Listing Rules.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors recognise that corporate governance and risk management are crucial to the development and success of our business. We have adopted risk management measures and corporate governance measures in various aspects of our business operations such as financial reporting, legal compliance, information system, premises safety and human resources management.

Internal control

In preparation for the [REDACTED], our Company has engaged Internal Control Consultant, an independent consulting firm, to assist us in reviewing our internal control system. The scope of work of the review was discussed with and agreed by us and the Sole Sponsor. The first review of the Company's internal control system was conducted in August 2020. The review covers corporate level controls and operational level controls such as revenue management process, expenditure, inventory, human resources and payroll, cash, fixed assets, insurance, tax and customs, intellectual property management and litigation and claims. The control review described above was conducted based on information provided by our Company and no assurance or opinion on internal controls was expressed by the Internal Control Consultant.

During the period from Late August 2020 to October 2020, we took remedial actions in response to the findings and recommendations from the Internal Control Consultant. The Internal Control Consultant also performed a follow-up review (the "**Follow-up Review**") in October 2020 to review the status of the management actions taken by our Company to address the findings of the internal control review.

We have adopted and implemented a series of internal control policies and procedures to meet our specific business needs and to minimise our risk exposure. The written policies and procedures are designed to ensure effective and efficient operations, reliable financial reporting and compliance with related laws and regulations. Based on the result of the Follow-up Review, our Directors confirmed that the corresponding remedial actions have been implemented according to suggestions of the Internal Control Consultant. Our management will continuously monitor and improve the procedures to ensure that effective operation of our internal control measures is in line with the growth of our business and good corporate governance practice.

Corporate governance

In terms of corporate governance, we, inter alia, (i) [have appointed] three independent non-executive Directors to ensure the effective exercise of independent judgement on its decision-making process and provide independent advice to our Board; (ii) have established the audit committee to review our financial reporting system, risk management and internal control system; (iii) have provided and will continue to provide, our Directors and senior management with training and development programmes on applicable legal and regulatory requirements from time to time; and (iv) [have appointed] Innovax Capital as our compliance adviser in compliance with the applicable Listing Rules.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

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 respectively hold [REDACTED] and [REDACTED] of our issued Shares. Ip Group and IPW Group are legally and beneficially wholly-owned by Mr. Charlie Ip. Hence, Ip Group, IPW Group and Mr. Charlie Ip will be a group of Controlling Shareholders under the Listing Rules.

As at the Latest Practicable Date, none of our Controlling Shareholders has any interest in a business apart from our Group's business which competes or is likely to compete, either directly or indirectly with our Group's business, which would be required to be disclosed pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors consider that our Group is capable of carrying our business independently of our Controlling Shareholders and their respective close associates following the [REDACTED].

Management Independence

Our board comprises of two executive Directors and three independent non-executive Directors. Mr. Charlie Ip and Mr. Chan are our executive Directors and Mr. Charlie Ip is also a Controlling Shareholder of our Group. Having considered the following factors, our Directors consider the management of our Group is capable to operate independently from the Controlling Shareholders after the [REDACTED]:

(a) each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(c) our Group has established internal control procedures independent from our Controlling Shareholders to facilitate the effective operation of our business activities;

(d) all of our licenses are held by our operating subsidiaries instead of our Controlling Shareholders;

(e) Mr. Chan and our senior management members are independent from our Controlling Shareholders and are responsible for the daily operations of our Group; and

(f) our independent non-executive Directors have sufficient and competent knowledge and experience and will bring independent judgment to the decision making process of our Board, taking into account the advice of the senior management of our Group.

Financial Independence

Our Group has its own financial management and accounting systems and the ability to operate independently from our Controlling Shareholders from the financial perspective. Our Group is capable of making financial decisions according to our own business needs. Our Directors also believe that we have sufficient capital, internal resources and credit profile in the case of future external financing needs to support our daily operations independently from our Controlling Shareholders and their respective close associates.

All amounts due from our Controlling Shareholders and amounts due from and to companies controlled by our Controlling Shareholders disclosed in notes 21 and 22 to the Accountants' Report in Appendix I to this document, as well as all guarantees, indemnities and other securities provided by us for the benefit of our Controlling Shareholders and companies controlled by our Controlling Shareholders or vice versa, will be fully settled or released prior to or upon the [REDACTED]. There will be no financial assistance, security and/or guarantee provided by our Controlling Shareholders in favour of our Group or vice versa upon the [REDACTED]. Accordingly, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and/or their respective close associates after the [REDACTED].

Operational independence

Our Company is capable of making business decisions independently. On the basis of the following factors, our Directors believe that our Company will continue to operate independently from our Controlling Shareholders and/or their respective close associates:

(a) our Group has established a set of internal control measures to facilitate the effective operations of our business;

(b) our Group has its own administrative and corporate governance infrastructure across each of our core functions;

(c) our Group's customers and suppliers are all independent from our Controlling Shareholders and we do not rely on our Controlling Shareholders or their respective close associates for any access to suppliers and customers;

(d) as of the Latest Practicable Date, all of our full-time employees were recruited independently;

(e) All of our licenses are held by our operating subsidiaries instead of our Controlling Shareholders; and

(f) Immediately after the [REDACTED], it is expected that there will be no non-exempt continuing transactions between our Company and our Controlling Shareholders and/or their respective associates.

During the Track Record Period, certain entities controlled by Mr. Charlie Ip, our executive Director and Controlling Shareholder, had entered into related party transactions with our Group. Such related party transactions are disclosed in note 31 to the Accountants' Report in Appendix I.

Our Directors confirm that all related party transactions with our Controlling Shareholders were entered in the ordinary course of business and on normal commercial terms or better and such related party transactions had been discontinued prior to the [REDACTED].

CORPORATE GOVERNANCE MEASURES

We will adopt the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of our Shareholders:

(i) a Controlling Shareholder will excuse itself from the Board meetings of our Company and abstain from voting on any Board resolutions in relation to any proposal in which that Controlling Shareholder(s) would have conflicting interests to those of the other Shareholders. In such case, the other non-interested Directors and the independent non-executive Directors, with the assistance of our senior management, will be responsible for making decisions for the Board. If necessary, our Company will engage external professionals such as auditors, valuers and other advisers to give advice;

(ii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her personal interests. If potential conflict of interest arises, the interested Director(s) will bring the matter to the independent non-executive Directors and shall not be present during the discussion of the relevant resolution in which the conflict of interest may arise and shall abstain from voting on such proposed resolution;

(iii) our Company [has appointed] Innovax Capital as our compliance adviser who shall ensure that our Company is properly guided and advised as to compliance with the Listing Rules and any other applicable laws and regulations;

(iv) the independent non-executive Directors may engage an independent professional advisers in appropriate circumstances at the Company's costs; and

(v) our Directors are obliged under the Articles of Association to declare to the Board any potential conflict of interest with our Group at Board meetings. It is provided in the Articles of Association that a Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested. The Board (including the independent non-executive Directors) will monitor the potential conflict of interest of Directors and our Directors have to submit confirmations to the Board disclosing details of any interests in competing businesses in any interim or annual reports to be issued by our Company.

DIRECTORS

Our Board currently consists of five Directors, comprising two executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings, reporting our Board's work at Shareholders' meetings, determining business and investment plans, preparing annual financial budgets and exercising other powers, functions and duties as conferred by the Articles. We [have entered] into service agreements with each of our executive Directors. We [have also entered] into letter of appointments with each of our independent non-executive Directors.

The following table sets out information in respect of our Directors[1]:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities
Executive Directors					
Mr. Ip Ka Wai, Charlie (葉嘉威)	41	Executive Director, chairman of our Board and chief executive officer	18 December 2006	24 July 2020	Responsible for the overall strategic development, major business decision-making and management of our Group
Mr. Chan Tim Cheung (陳添祥)	41	Executive Director	3 October 2007	1 February 2021	Responsible for assisting in the overall strategic development, operational planning and daily operation of our Group
Independent non-executive Directors					
Mr. Lam Chi Wing (林至頴)	42	Independent non-executive Director	[•••]	[•••]	Responsible for providing independent advice to our Board
Ms. Chung Anita Mei Yiu (鍾美瑤)	42	Independent non-executive Director	[•••]	[•••]	Responsible for providing independent advice to our Board
Ms. Wu Ching Tung Grace (胡青桐)	40	Independent non-executive Director	[•••]	[•••]	Responsible for providing independent advice to our Board

[1] *None of our Directors is personally related to any other Directors, senior management, substantial shareholders or Controlling Shareholders of the Group.*

SENIOR MANAGEMENT

The following table sets out information in respect of the current members of our senior management (other than our Directors) who are responsible for the operation and management of our Group:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Tam Yiu Hong (譚耀康)	43	Senior technical manager	16 April 2007	1 April 2015	Responsible for over-seeing pre and post-sales support, project management and training of our SI solutions business
Mr. Chu Kwok On (朱國安)	54	Chief financial officer	14 September 2020	14 September 2020	Responsible for financial management of our Group
Mr. Chan Yung (陳勇)	46	General manager	1 April 2021	1 April 2021	Responsible for business development, operational management and partner management of our distribution business

Executive Directors

Mr. Ip Ka Wai Charlie (葉嘉威), aged 41, was appointed as our Director on 24 July 2020 and was re-designated as our executive Director, chairman of our Board and chief executive officer on 22 October 2020. Mr. Charlie Ip is responsible for the overall strategic development, major business decision-making, and management of our Group. Mr. Charlie Ip is (i) a director in six of our subsidiaries, namely Multisoft, Multisoft BVI, Tritech, Tritech BVI, Multisoft Macau and MTS Group; and (ii) the general manger of Multisoft WFOE. Mr. Charlie Ip was the founder of our Group and joined our management as a director of Multisoft on 17 December 2013. He has over 15 years of experience in the information and technology service industry. Prior to joining our Group, he derived experience in customer account management and business development as an account manager, assistant sales manager and sales manager in various companies which were specialised in providing networking, security and accounting solutions. Mr. Charlie Ip obtained a bachelor of business (business administration) degree from RMIT University in September 2006 through courses via The Hong Kong Management Association and a master of business administration from the Hong Kong Baptist University in November 2010.

Mr. Charlie Ip is currently a director of Pok Oi Hospital, a director of Hong Kong Shine Tak Foundation, a member of the Entrepreneur Committee of the Hong Kong Baptist University Foundation, a director of Rotary Club of Kowloon East Limited, a president of China Star Light Charity Fund Association and a member of Lions Club of Tuen Mun.

Mr. Charlie Ip was a director of the following two private companies incorporated in Hong Kong, which were dissolved due to cessation of business: (i) Alpha Intelligent Company Limited (智能會社有限公司), a company principally engaged in operation of a tutorial centre, which was dissolved by deregistration in February 2002; and (ii) Asialink Service Limited, a company principally engaged in operation of an employment centre, which was dissolved by deregistration in July 2009. Mr. Charlie Ip confirmed that there is no outstanding claim or liability against him in connection with these dissolved companies, these companies were solvent at the time they were dissolved and there is no wrongful act on his part leading up to the dissolution of these companies.

Mr. Chan Tim Cheung (陳添祥), aged 41, was appointed as our executive Director on 1 February 2021. Mr. Chan is responsible for assisting in the overall strategic development, operational planning and daily operation of our Group, with a particular focus in overseeing and managing sales function of our Group. Mr. Chan is also a director in Multisoft. He has over 18 years experience in the information and technology industry. Prior to joining our Group, he derived experience in overseeing customer account management and developing business opportunities as an account manager in various companies providing networking, security and IT solutions. Mr. Chan obtained a bachelor of arts in computing degree from The Hong Kong Polytechnic University in December 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Chi Wing (林至頴)("**Mr. Lam**"), aged 42, was appointed as our independent non-executive Director on [•••] and is responsible for providing independent advice to our Board.

Mr. Lam obtained a bachelor of business administration in accounting and finance degree from The University of Hong Kong in December 2003, a master of science in knowledge management degree from The Hong Kong Polytechnic University in December 2006 and a master of business administration degree from The Chinese University of Hong Kong in December 2010.

Mr. Lam was employed in Li & Fung Group from September 2003 to July 2015, where his last appointment prior to his departure was group chief representative and general manager, Southern China of Li & Fung Development (China) Limited. Since June 2020, he has been a brand and new retail strategic officer at Bonjour Holdings Limited.

Mr. Lam is a member of the Twelfth Guangdong Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣東省委員) and the Eleventh & Twelfth Zhongshan Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆、十二屆中山市委員). Mr. Lam is currently the vice chairman of the Hong Kong Guangdong Youth Association (香港廣東青年總會), vice chairman of the eighth council of the Guangdong Society of Commercial Economy (廣東省商業經濟學會第八屆理事會副會長), a member of the advisory committee of the Sustainable Agricultural Development Fund of the Government of Hong Kong, a committee member of the Appeal Panel (Housing) of the Government of Hong Kong and a committee member of the Mainland Business Advisory Committee of the Hong Kong Trade Development Council. Mr. Lam is also currently an adjunct associate professor in the department of information systems, business statistics and operations management of the business school at The Hong Kong University of Science and Technology.

Mr. Lam has served as a director of the following companies listed on the Main Board of the Stock Exchange in the past three years:

Company name	Stock Code	Period	Position
Adigong Maternal & Child Health Limited (formerly known as Common Splendor International Health Industry Group Limited)	286	Since March 2016	independent non-executive director
Wai Hung Group Holdings Limited	3321	Since March 2019	independent non-executive director
Bonjour Holdings Limited	653	Since July 2020	executive director

Ms. Chung Anita Mei Yiu (**鍾美瑤**) ("**Ms. Chung**"), aged 42, was appointed as our independent non-executive Director on [•••] and is responsible for providing independent advice to our Board.

Ms. Chung obtained a postgraduate certificate in laws from The University of Hong Kong in August 2013, and a bachelor of laws degree and a graduate diploma in English and Hong Kong law (common professional examination) awarded by The Manchester Metropolitan University respectively in July 2011 and July 2010 through studying at Hong Kong University School of Professional and Continuing Education. Ms. Chung obtained a bachelor of science in computer science degree from University of British Columbia in May 2001.

Ms. Chung was admitted as a solicitor in Hong Kong in 2016. Ms. Chung has practised as a solicitor at Messrs. Au-Yeung, Cheng, Ho & Tin Solicitors since July 2016 and is responsible for handling civil and criminal litigation matters and other non-contentious matters such as probate and conveyancing. Ms. Chung was a trainee solicitor at Messrs. Au-Yeung, Cheng, Ho & Tin Solicitors from June 2014 to June 2016. Prior to joining the legal profession, Ms. Chung worked as a senior account manager at RSG Resources Limited from September 2009 to October 2013, a senior sales executive (last position as an account manager) at JCDecaux Pearl & Dean Limited from September 2005 to August 2009, an account executive at sales department of Television Broadcasts Limited from May 2003 to April 2005 and an account manager at Hong Kong Broadband Network Limited from June 2002 to April 2003.

Ms. Wu Ching Tung Grace (**胡青桐**)("**Ms. Wu**"), aged 40, was appointed as our independent non-executive Director on [•••] and is responsible for providing independent advice to our Board.

Ms. Wu obtained a bachelor of commerce degree from the University of Melbourne in December 2005. She has been a CPA of CPA Australia since January 2010.

Ms. Wu has over 14 years of experience in the accounting industry. Ms. Wu was employed at (i) Grant Thornton from April 2006 to December 2009, where she last served as a senior accountant in its assurance division; and (ii) Gammon Construction Limited from December 2009 to January 2011, where she last served as an accountant. Since February 2011, Ms. Wu has been employed at Johnson Electric Industrial Manufactory Limited and is currently a manager in the financial planning and analysis team.

SENIOR MANAGEMENT

Mr. Tam Yiu Hong (**譚耀康**)("**Mr. Tam**"), aged 43, joined our Group on 16 April 2007 as senior system engineer and was promoted to technical consultant on 1 May 2008, technical manager on 1 April 2012 and further to his present position as senior technical manager on 1 April 2015. Mr. Tam is primarily responsible for overseeing pre and post-sales support, project management and training of our SI solutions business. Mr. Tam was awarded a postgraduate diploma in strategic business information technology from NCC Education in April 2005.

Mr. Tam has over 20 years in the information and technology industry. Prior to joining our Group, he was (i) a trainer/consultant with MIS Technologies Centre (HK) Ltd from May 2000 to December 2002 and was later promoted to senior consultant from January 2003 to December 2004, where he was responsible for providing training, engaging in marketing and providing IT solutions to corporate clients; and (ii) a system engineer with Active e-Solution Limited from March 2005 to April 2007 in the services and support department.

Mr. Chu Kwok On (**朱國安**)("**Mr. Chu**"), aged 54, joined our Group on 14 September 2020 as chief financial officer. Mr. Chu is primarily responsible for the financial management of our Group. Mr. Chu obtained a bachelor of arts in business studies degree from Hong Kong Polytechnic University in November 1993, a master of science in financial engineering degree from City University of Hong Kong in November 2000, a master of science in investment management degree from The Hong Kong University of Science and Technology in November 2004 and a master of laws in corporate and financial law degree from The University of Hong Kong in December 2017.

Mr. Chu has over 15 years of experience in the financial services industry. Prior to joining our Group, he was (i) an executive director of the global financial markets department at RaboBank International Hong Kong Branch from June 2005 to November 2013; (ii) an executive director of the fixed income department at KGI Hong Kong Limited from March 2015 to November 2016; and (iii) a director in fixed income sales at UniCredit Bank AG (Hong Kong Branch) from September 2017 to August 2020. In such roles, he derived experience in advising on corporate finance transactions, derivative products, risk management and distribution of financial products.

Mr. Chan Yung (陳勇) ("**Mr. Alex Chan**") aged 46, joined our Group on 1 April 2021 as general manager. Mr. Alex Chan is primarily responsible for business development, operational management and partner management of our distribution business. Mr. Alex Chan obtained a bachelor of arts degree from The Chinese University of Hong Kong in December 1998. Mr. Alex Chan was awarded a postgraduate diploma in strategic business information technology from NCC Education in January 2008.

Mr. Alex Chan has around 20 years of sales and marketing experience in the IT industry. Prior to joining our Group, he was employed at (i) Microsoft Hong Kong Limited from January 2012 to March 2021 and his last position was senior territory channel manager; (ii) Oracle Systems Hong Kong Limited from June 2011 to January 2012 and his last position was senior channel sales manager; (iii) Hewlett-Packard HK SAR Limited from July 2006 to June 2011 and his last position was partner sales representative III, systems; (iv) Phoenix Technologies Asia Pacific Ltd as a sales manager; (v) Innovative Information Systems Ltd from August 2003 to January 2005 as a marketing manager; and (vi) Jardine OneSolution (HK) Limited from February 2001 to August 2003 and his last position was assistant product manager.

Directors' and Senior Management's Interests

Save as disclosed above in this section, none of our Directors or senior management has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas, in the three years immediately preceding the date of this document. Save as disclosed above in this section, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date. Save as disclosed in the section headed "Statutory and General Information — Further information about Directors and Shareholders" in Appendix IV this document, as at the Latest Practicable Date, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO. Save as disclosed above in this section, as at the Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

COMPANY SECRETARY

Ms. Yiu Suk Han (**姚淑嫻**)("**Ms. Yiu**"), was appointed as our company secretary on [•••]. Ms. Yiu is a manager of corporate services of Tricor Services Limited and is responsible for assisting listed companies in professional corporate secretarial work. She has over 18 years of experience in the corporate secretarial field and is an associate of The Hong Kong Institute of Company Secretaries and The Chartered Governance Institute. Ms. Yiu obtained a bachelor of social sciences degree from The University of Hong Kong in November 1995 and a postgraduate diploma in corporate administration from the City University of Hong Kong in November 1998.

REMUNERATION POLICY

The aggregate amounts of remuneration of our Directors for the year ended 31 March 2020, 2021 and 2022 were approximately HK$1.3 million, HK$1.8 million and HK$2.3 million respectively. Details of the arrangement for remuneration are set out in note 13 to the Accountants' Report set out in Appendix I to this document. Under such arrangement and pursuant to our Directors' service contracts referred to in the section headed "Statutory and General Information — Further information about Directors and Shareholders — 10. Directors — (c) Directors' remuneration" in Appendix IV to this document, the aggregate amount of Directors' fee and other emoluments payable to our Directors (excluding any performance bonuses and discretionary bonuses) for the year ended 31 March 2023 is estimated to be approximately HK$2.8 million.

Our Group's principal policies concerning remuneration of Directors or staff of high calibre are determined based on the relevant Director's or staff's duties, responsibilities, experience and skills. Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses relating to the performance of our Group. Our Company also reimburses them for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to our operations. Our Company regularly reviews and determines the remuneration and compensation packages of our Directors and senior management. Our Company regularly provides discretionary bonuses to our senior management and key employees as incentive.

Our Company has conditionally adopted the Share Option Scheme on [•••] to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Please refer to the section headed "Statutory and General Information — Other information — 13. Share Option Scheme" in Appendix IV to this document for further details of the Share Option Scheme.

After [REDACTED], our Remuneration Committee will review and determine the remuneration and compensation packages of our Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

During the Track Record Period, no remuneration was paid by our Company to or received by, our Directors as an inducement to join or upon joining our Company.

BOARD COMMITTEES

The Audit Committee, Remuneration Committee and Nomination Committee of our Company were approved to be established by resolutions passed by the Board on [•••]. Each of the three committees has written terms of reference. The functions of the three committees are summarised as follows:

Audit Committee

Our Company established an audit committee on [•••] by a resolution of the Board passed on [•••] with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises three independent non-executive Directors: Mr. Lam, Ms. Chung and Ms. Wu. Ms. Wu was appointed to serve as the chairlady of the Audit Committee. The primary duties of our audit committee are mainly to make recommendations to the Board on the appointment and dismissal of the external auditor, review the financial statements and information and provide advice in respect of financial reporting and oversee the internal control procedures of our Company.

Remuneration Committee

Our Company established a remuneration committee on [•••] by a resolution of the Board passed on [•••] with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee comprises an executive Director: Mr. Charlie Ip and two independent non-executive Directors: Mr. Lam and Ms. Chung. Mr. Lam was appointed as the chairman of the remuneration committee. The primary functions of our remuneration committee are to make recommendations to the Board on the overall remuneration policy and the compensation structure relating to all Directors and senior management of our Group, review performance-based remuneration and ensure none of our Directors determines their own remuneration.

Nomination Committee

Our Company established a nomination committee on [•••] by a resolution of the Board passed on [•••] with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee comprises an executive Director: Mr. Charlie Ip and two independent non-executive Directors: Mr. Lam and Ms. Wu. Mr. Charlie Ip was appointed as the chairman of the nomination committee. Our nomination committee has written terms of reference in compliance with the CG Code. The primary functions of our nomination committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations to the Board on any proposed changes to the Board to complement our Company's corporate strategy, identify individuals suitably qualified as potential Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships, to assess the independence of our independent non-executive Directors and make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors, in particular that of the chairman of our Board.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

We are committed to achieving high standards of corporate governance with a view to safeguard the interests of our Shareholders. Upon the [REDACTED], we expect to comply with the CG Code and the Listing Rules, except for the deviation set out below.

Pursuant to A.2.1 of Appendix 14 to the Listing Rules, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Charlie Ip is currently the chairman of our Board and our chief executive officer. The Board believes that vesting the roles of chairman of our Board and chief executive officer in Mr. Charlie Ip has the benefit of ensuring consistency leadership within our Group and enables more effective and efficient overall strategic planning of our Group. Furthermore, in view of Mr. Charlie Ip's experience in the industry and role in our Group, we consider it is to the benefit of our Group that Mr. Charlie Ip acts as both chairman of our Board and our chief executive officer after the [REDACTED]. We consider that the balance of power and authority of such arrangement will not be impaired as our Board comprises experienced individuals, including three independent non-executive Directors, who would be able to offer advice from various perspectives and all major decisions will be made in consultation with members of our Board and the relevant Board committees. As such, we will not separate the roles of the chairman and chief executive officer pursuant to the requirement under A.2.1 of Appendix 14 to the Listing Rules. Our Directors will review the structure from time to time, considering the circumstances of our Group as a whole.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to talent, skills, professional experience, independence and knowledge. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

COMPLIANCE ADVISER

We [have appointed] Innovax Capital as our compliance adviser in accordance with Rule 3A.19 of the Listing Rules. Our compliance adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(iii) where we propose to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry to our Company in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our compliance adviser shall commence on the [REDACTED] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED].

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [REDACTED] with and without taking into account any Shares that may be allotted and issued upon exercise of the [REDACTED] but without taking into account any options which may be granted under the Share Option Scheme:

		Nominal value *HK$*
Authorised share capital as at the date of this document:		
[10,000,000,000]	Shares (HK$0.01 each)	[100,000,000]

Assuming the [REDACTED] is not exercised, the issued share capital of our Company immediately following the [REDACTED] will be as follows:

Issued and to be issued, fully paid or credited as fully paid, upon completion of the [REDACTED] and the [REDACTED]:

300	Shares in issue as at the date of this document	3
[REDACTED]	Shares to be issued under the [REDACTED] (including [REDACTED])	[REDACTED]
[REDACTED]	[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Shares in total	[REDACTED]

Assuming the [REDACTED] is exercised in full, the issued share capital of our Company immediately following the [REDACTED] will be as follows:

Issued and to be issued, fully paid or credited as fully paid, upon completion of the [REDACTED] and the [REDACTED] and the exercise of the [REDACTED] in full:

300	Shares in issue as at the date of this document	3
[REDACTED]	Shares to be issued under the [REDACTED] (including [REDACTED])	[REDACTED]
[REDACTED]	[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	[REDACTED] to be issued pursuant to the exercise of the [REDACTED] in full	[REDACTED]
[REDACTED]	Shares in total	[REDACTED]

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or bought back by our Company pursuant to the general mandate given to our Directors to allot and issue or buy back Shares as described below.

RANKING

The [REDACTED] and the Shares that may be issued pursuant to exercise of the [REDACTED] will rank pari passu in all respects with all other existing Shares in issue as mentioned in this document and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this document.

[REDACTED]

Pursuant to the written resolutions of our Shareholders passed on [•••] and subject to the conditions set out therein, our Directors were authorised to allot and issue a total of [REDACTED] Shares credited as fully paid at par to the Shareholders whose name appear on the register of members of our Company at close of business on a date prior to the [REDACTED] by way of [REDACTED] of an appropriate sum standing to the credit of the share premium account of our Company and the Shares to be allotted and issued under this resolution shall rank pari passu in all respects with the existing issued Shares. For further details, please refer to the section headed "Statutory and General Information — Further Information about our Group — 3. Resolutions of the Shareholders" in Appendix IV to this document.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [•••]. Under the Share Option Scheme, the eligible participants of the scheme, including Directors, full-time employees of and advisors and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the [REDACTED]. Further details of the terms of the Share Option Scheme are summarised in the section headed "Statutory and General Information — Other information — 13. Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the [REDACTED]; and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to the Shares which they are authorised to issue under this issuing mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options which may be granted under the Share Option Scheme. The aggregate nominal value of the Shares which our Directors are authorised to allot and issue under the issuing mandate will not be reduced by the allotment and issue of such Shares.

This issuing mandate will expire:

(i) at the conclusion of our Company's next annual general meeting;

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

See the section headed "Statutory and General Information — Further information about our Group — 3. Resolutions of the Shareholders" in Appendix IV to this document for further details of this issuing mandate.

REPURCHASE MANDATE TO BUY BACK SHARES

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme).

This repurchase mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are [REDACTED] (and which is recognised by the SFC and the Stock Exchange for this purpose) and which are made in accordance with all applicable laws and the requirements of the Listing Rules. Further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares is set out in the section headed "Statutory and General Information — Further information about our Group — 6. Securities repurchase mandate" in Appendix IV to this document.

This repurchase mandate will expire:

(i) at the conclusion of our Company's next annual general meeting;

(ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or

(iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

See the section headed "Statutory and General Information — Further information about our Group — 3. Resolutions of the Shareholders" in Appendix IV to this document for further information about this repurchase mandate.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Cayman Islands Companies Act and the terms of the Memorandum of Association and the Articles of Association, our Company may from time to time by Shareholders' ordinary resolution (i) increase our capital; (ii) consolidate and divide our Share capital into Shares of larger amount or smaller amount; (iii) divide our unissued Shares into classes; (iv) subdivide our Shares into Shares of smaller amount than is fixed by Memorandum of Association; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to sanction by the courts in the Cayman Islands, reduce our Share capital by Shareholders' special resolution. See the section headed "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III to this document for more details.

Pursuant to the Cayman Islands Companies Act and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. See the section headed "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III to this document for more details.

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

		As at the Latest Practicable Date		Immediately upon the completion of the [REDACTED] and the [REDACTED]	
Name of substantial Shareholder	**Capacity/ Nature of interest**	**Number of Shares held** *(Note 1)*	**Percentage of shareholding in our Company**	**Number of Shares held** *(Note 1)*	**Percentage of shareholding in our Company**
Ip Group	Beneficial interest	270 (L)	90%	[REDACTED] (L)	[REDACTED]
IPW Group	Beneficial interest	30 (L)	10%	[REDACTED] (L)	[REDACTED]
Mr. Charlie Ip *(Note 2)*	Interest of controlled corporations	300 (L)	100%	[REDACTED] (L)	[REDACTED]
Ms. Wong Pui Man *(Note 3)*	Interest of spouse	300 (L)	100%	[REDACTED] (L)	[REDACTED]

Notes:

(1) the letter "L" denotes the entity/person's long position in the Shares.

(2) [REDACTED] Shares are registered in the name of Ip Group, the entire share capital of which is wholly owned by Mr. Charlie Ip. [REDACTED] Shares are registered in the name of IPW Group, the entire share capital of which is wholly owned by Mr. Charlie Ip. Under the SFO, Mr. Charlie Ip is deemed to be interested in all the Shares held by Ip Group and IPW Group.

(3) Ms. Wong Pui Man is the spouse of Mr. Charlie Ip and is therefore deemed to be interested in all the Shares that Mr. Charlie Ip is interested in via Ip Group and IPW Group under the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the [REDACTED] and [REDACTED] (without taking into account any Shares which may be issued upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of our Company and any other member of our Group.

As at the Latest Practicable Date, our Directors were not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

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

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

OVERVIEW

We are a vertically integrated IT solutions provider established in Hong Kong, primarily engaged in distribution of IT products in Hong Kong and provision of SI solutions in Hong Kong, the PRC and Macau. Our products and solutions are primarily classified into three categories, namely data communication and systems infrastructure, cyber security and digital transformation. For our distribution business, we introduce, market and distribute a board spectrum of IT products comprising hardware, software and/or auxiliary products to resellers. Ancillary to our distribution of IT products, we also provide IT implementation services to resellers and end-users. For our SI solutions business, we provide comprehensive, integrated, up-to-date and customised SI solutions to end-users based on their IT needs and specifications. According to the Ipsos Report, our vertically integrated business model is rare and unique and is intrinsically different from the traditional SI model or traditional distribution model engaged by most of the market players in the IT industry in Hong Kong. Leveraging on our competitive advantages gained from the parallel operation of both distribution and SI solutions businesses and with the continuous efforts of our management, we have achieved a balanced development in both businesses.

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

FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

Our ability to maintain business relationships with our suppliers

Our ability to provide innovative and up-to-date product portfolio and solution offerings to our customers stem from our strong relationships with our suppliers. We have forged strategic and solid relationships with our suppliers, who are mainly divided into three categories, namely IT products vendors, their authorised distributors and other services providers. With our sterling efforts in delivering quality services and generating business growth for our IT products vendors and their authorised distributors, we are able to maintain a good and stable relationship with our suppliers and enjoy close collaboration with IT products vendors and therefore obtain a high level of support and resources from them. In our vertically integrated business model, we have entered into distributorship agreements and partnership agreements with IT products vendors in our distribution business and SI solutions business respectively, for a typical term of one year and shall be automatically renewed until terminated by either party pursuant to the terms and conditions of the agreements. There is no assurance that these IT products vendors will not enter into exclusive agreements with another distributor or reseller, conduct acquisition or merger activities which may lead to a change of focus of the IT products vendors' product line or these distributorship or partnership agreements will not be terminated or will be renewed, extended upon expiry or continued without interruption. If the relevant distributorship agreements or partnership agreements are terminated, not renewed or extended or are subsequently interrupted and we are unable to identify suitable alternative sources in a timely manner, on favourable terms, or at all, our business, results of operations and profitability may be adversely affected.

Our ability to secure sizeable and profitable contracts

During the Track Record Period, our revenue comprised the revenue from (i) the distribution of IT products; and (ii) the provision of SI solutions comprising IT infrastructure solutions services and IT maintenance and support services. Due to the nature of the IT industry, the procurement of IT products in our distribution business are for usage in specific project while the provision of IT infrastructure solutions services in our SI solutions business are on project basis, and hence are non-recurring in nature. Our revenue growth in the future depends on whether we are able to continue to participate in future enhancement works or conduct upgrades for the IT infrastructure systems integrated by us from previous projects or to implement new IT infrastructure solutions services after the retirement of outdated ones for our customers. However, there is no assurance that our customers will continue to provide us with new business opportunities or to continue with the business relationships after completion of our contracts. If we fail to maintain business relationships with our existing customers and secure new orders or new projects from existing or new customers, the growth of our revenue may decrease and as a result, our business, financial performance and results of operations may be adversely affected.

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

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

Our ability to maintain and expand our customer base

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

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

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

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

Hypothetical fluctuations of cost of inventories *(Note)*

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

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

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

BASIS OF PREPARATION

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

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

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

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

SIGNIFICANT ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Revenue from contracts with customers

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

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

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

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

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

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

We recognise revenue according to the following basis:

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

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

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

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

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

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

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

Trade and other receivables

(i) Recognition and measurement of trade and other receivables

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

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

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

(ii) Impairment of trade and other receivables

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

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

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

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

APPLICATION OF NEW AND REVISED HKFRS

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

RESULTS OF OPERATIONS

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

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

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS

Revenue

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

Revenue by business segment

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

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

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

Distribution business

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

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

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

* The percentage calculated is less than 0.1%.

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

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

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

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

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

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

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

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

SI solutions business

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

Revenue by customer type

We served over 1,000 customers for each of the three years ended 31 March 2022. Our customers are mainly divided into two categories, namely (i) resellers; and (ii) end-users. Our reseller customers primarily include SI solutions providers, telecommunication companies and traders and wholesalers who usually procure our IT products for sale or provision of services to end-users while our end-user customers primarily include government, public utilities, NGOs and SMEs to large multinational and local business enterprises spanning across industries of financial services, property development and healthcare. For details of these categories, please refer to the section headed "Business — Customers" in this document. The following table sets forth the breakdown of our revenue by customer type for the years indicated:

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

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

Revenue of our SI solutions business by customer sector

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

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

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

Revenue by geographic location

During the Track Record Period, our geographic presence primarily covered Hong Kong, the PRC and Macau. The following table sets forth the breakdown of our revenue by geographical location for the years indicated:

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

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

Cost of sales and services

Our cost of sales and services primarily consisted of costs directly associated with both our distribution and SI solutions businesses. The following table sets forth a breakdown of our cost of sales and services for the years indicated:

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

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

Subcontracting fees primarily represented the expenses incurred to our subcontractors for subcontracting certain work tasks to them in our distribution and SI solutions businesses, such as (i) certain labour-intensive work with low skill requirements; (ii) certain installation, implementation and maintenance and support work when particular types of qualifications, skills, resources, spare parts or equipment are involved; and (iii) certain specialised expertise that we have not yet possessed such as coding and algorithm in digital transformation services.

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

Gross profit and gross profit margin

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other income

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

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

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

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

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

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

Other gains and losses

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

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

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

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

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

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

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

Selling and distribution expenses

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

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

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

Administrative expenses

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

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

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

Finance costs

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

[REDACTED]

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

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

Income tax expenses

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

(i) Cayman Islands and BVI

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

(ii) Hong Kong

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

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

(iii) The PRC

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

(iv) Macau

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

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

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

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

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

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

REVIEW OF RESULTS OF OPERATIONS

FY2021/2022 compared to FY2020/2021

Revenue

Our total revenue increased by approximately HK$244.1 million or 63.0% from approximately HK$387.4 million for FY2020/2021 to approximately HK$631.5 million for FY2021/2022, primarily attributable to the significant increase in revenue from our distribution business.

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

The revenue from our SI solutions business increased by approximately HK$20.5 million or 11.1% from approximately HK$183.9 million for FY2020/2021 to HK$204.4 million for FY2021/2022. Such increase was primarily attributable to the increase in number of customers of our SI solution business from approximately 996 for FY2020/2021 to approximately 1,146 for FY2021/2022.

Cost of sales

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

Cost of inventories

Our cost of inventories increased by approximately HK$200.1 million or 74.2% from approximately HK$269.7 million for FY2020/2021 to approximately HK$469.8 million for FY2021/2022. Such increase was primarily attributable to the corresponding increase in revenue from our Group during the same period.

Subcontracting fees

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

Staff costs

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

Gross profit and gross profit margin

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

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

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

Other income

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

Other gains and losses

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

Profit for the period

As a result of the foregoing, our profit for the period increased by approximately HK$22.5 million or 90.7% from approximately HK$24.8 million for FY2020/2021 to approximately HK$47.3 million for FY2021/2022. Our net profit margin increased from approximately 6.4% for FY2020/2021 to approximately 7.5% for FY2021/2022. The increase in our net profit margin for FY2021/2022 was primarily attributable to the (i) increase of our revenue and (ii) the decrease in [REDACTED] of approximately HK$[REDACTED] from approximately HK$[REDACTED] for FY2020/2021 to approximately HK$[REDACTED] for FY2021/2022.

FY2020/2021 compared to FY2019/2020

Revenue

Our total revenue increased by approximately HK$55.5 million or 16.7% from approximately HK$331.9 million for FY2019/2020 to approximately HK$387.4 million for FY2020/2021, primarily attributable to the increase in revenue from both our distribution business and SI solutions business.

The revenue from our distribution business increased by approximately HK$39.0 million or 23.7% from approximately HK$164.5 million for FY2019/2020 to approximately HK$203.5 million for FY2020/2021, primarily attributable to the increase in revenue of approximately HK$69.7 million or 57.2% for the ten months ended 31 March 2021 as compared to the corresponding period in 2020 which was mainly due to the increase in sales to certain telecommunication companies including Customer B and Customer I, and Customer J, which involved the construction and setting up of data centre to support their expansion of their loyalty points platform. The increase in revenue for the ten months ended 31 March 2021 was partially offset by the significant decrease in revenue of approximately HK$30.7 million or 72.1% for the two months ended 31 May 2020 as compared to the corresponding period in 2019. The significant decrease for the two months ended 31 May 2020 was primarily due to the combined effect of (i) the outbreak of COVID-19 and the corresponding social distancing measures implemented by the Government, public organisations and private enterprises, resulting in (a) deferring the provision of on-site implementation services and thereby delaying the execution and implementation of IT projects while at the same time; and (b) reshaping the IT applications in both commercial activities and daily lives causing fundamental changes in the underlying IT needs which prompted commercial organisations to be more conservative in budgeting their IT expenditure and take more time to observe, analyse and ascertain their IT needs and business performance and hence delayed their spending on IT products; and (ii) the significant contracts of Customer D amounting to approximately HK$24.0 million recognised for the two months ended 31 May 2019.

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

Cost of sales and services

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

Cost of inventories

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

Subcontracting fees

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

Staff costs

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

Gross profit and gross profit margin

Our overall gross profit increased by approximately HK$17.1 million or 24.7% from HK$69.2 million for FY2019/2020 to HK$86.3 million for FY2020/2021 and our overall gross profit margin increased from approximately 20.8% for FY2019/2020 to approximately 22.3% for FY2020/2021.

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

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

Other income

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

Other gains and losses

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Income tax expense

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

Profit for the year

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

PRINCIPAL COMPONENTS OF OUR CURRENT ASSETS AND CURRENT LIABILITIES

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

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

Net current assets

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

Our net current assets increased to approximately HK$60.1 million as at 31 March 2022, which was primarily attributable to (i) the increase in trade and other receivables, deposits and prepayments of approximately HK$86.6 million mainly due to (a) the increase in trade receivables resulted from the significant increase in our revenue and the sales of CDN licences of approximately HK$83.6 million to our major customers, namely Customer J, Customer N and Supplier A, in February and March 2022, the trade receivables of which were within credit terms as at 31 March 2022; and (b) the increase in prepayments which was primarily attributable to the prepayments made to Supplier E for its CDN licences; and (ii) the increase in inventories of approximately HK$6.1 million, partially offset by (i) the decrease in amount due from a director of approximately HK$24.4 million; (ii) the decrease in amount due from related companies of approximately HK$20.8 million; (iii) the increase in contract liabilities of approximately HK$9.5 million; and (iv) the increase of bank borrowing of approximately HK$7.2 million.

Liquidity Management

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

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

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

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

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

(v) We closely monitor and strengthen both our short-term and long-term liquidity positions by evaluating the sufficiency of the working capital and the utilisation of bank borrowings. In particular, our assistant finance manager is responsible for preparing weekly and three-month cashflow forecast, taking into account the expected settlement of invoices and respective expenses for regular review and approval by our Group's liquidity management function. Our finance manager will also closely monitor our Group's daily bank balance through internal records and e-banking account. If any foreseeable liquidity issue is identified, our finance manager will notify the senior management, and our Group will contact our customers to follow up on outstanding payments and/or negotiate for early settlement. As a measure to monitor our cashflow positions, we periodically review our banking facilities portfolio. We obtained the Facility A of HK$8.0 million in March 2022, and we expect to be able to draw down HK$25.0 million under the Facility B of HK$33.0 million upon satisfying collateral requirements for the Facility B. HK$8.0 million of the Facility B has already been drawn down as at 31 December 2021. The New Facilities of HK$33.0 million (comprising the HK$8.0 million from the Facility A and the amount of HK$25.0 million to be drawn down under the Facility B) will not be entirely used for improving our liquidity position, as we plan to utilise in full the amount of HK$25.0 million to be drawn down under the Facility B for repaying in full the borrowings under an existing bank facility and the existing collaterals with such bank will be transferred for satisfying the collateral requirements for the Facility B. For details of the material terms of the New Facilities, please refer to the section headed "Financial Information — Indebtedness — Bank Borrowings" in this document; and

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

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

Inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade receivables

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

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

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

Our trade receivables further increased by approximately HK$45.4 million or 40.4% to approximately HK$157.8 million as at 31 March 2022 primarily attributable to the significant increase in our revenue for FY2021/2022 and the sales of CDN licences approximately HK$83.6 million to our major customers, namely Customer J, Customer N and Supplier A, in February and March 2022, the trade receivables of which were within credit terms as at 31 March 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Credit risk and impairment assessment

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

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

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

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

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

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

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

Contract assets/liabilities

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

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

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

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

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

As at 31 March 2020, 2021 and 2022, we recorded contract liabilities of approximately HK$14.7 million, HK$15.9 million and HK$25.5 million respectively. Our increase in contract liabilities represented an increase in amount of upfront deposits received from our customers.

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

Other receivables, deposits and prepayments

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

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

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

Pledged bank deposits

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

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

Trade payables

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

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

As at 31 March 2021, our trade payables decreased by approximately HK$35.0 million or 33.8% from HK$103.5 million as at 31 March 2020 to approximately HK$68.5 million primarily attributable to our substantial payments of trade payables to our suppliers, in particular, the trade payables to Kwong Ming Engineering decreased by approximately HK$38.8 million or 63.6% from approximately HK$61.0 million as at 31 March 2020 to approximately HK$22.2 million as at 31 March 2021.

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

Trade payables to Kwong Ming Engineering

The trade payables to Kwong Ming Engineering gradually accumulated to approximately HK$34.2 million and HK$61.0 million as at 31 March 2019 and 2020 respectively, as the Group continued to engage Kwong Ming Engineering in network and system infrastructure projects for FY2018/2019 and FY2019/2020. As we managed to negotiate favourable settlement terms of fees payable to Kwong Ming Engineering, Kwong Ming Engineering did not demand us to settle the outstanding trade payables per the 30-day credit term and there was no repayment schedule agreed between our Group and Kwong Ming Engineering. Save for the usual invoices and purchase orders as part of our ordinary course of business, we did not enter into any distribution, partnership or side agreement or arrangement with Kwong Ming Engineering.

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

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

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

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

(ii) Profitable business engagements

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

Other payables and accrued charges

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

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

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

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

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

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

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

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

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

Amounts due from/to related companies

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

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

Notes:

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

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

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

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

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

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

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

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

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

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

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

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

Tax payables

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

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

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

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

Property and equipment

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

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

Financial assets at FVTPL

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

	FY2019/2020	FY2020/2021	FY2021/2022
	(HK$'000)	(HK$'000)	(HK$'000)
Operating cash flows before movements in working capital	35,968	38,838	62,476
Change in working capital	14,252	(72,394)	(84,516)
Income tax paid	(41)	(4,706)	(10,442)
Net cash from (used in) operating activities	50,179	(38,262)	(32,482)
Net cash (used in) from investing activities	(63,200)	25,908	40,726
Net cash from financing activities	18,270	11,325	1,460
Net (decrease) increase in cash and cash equivalents	5,249	(1,029)	9,704
Cash and cash equivalents at beginning of the year	3,057	8,259	7,376
Effect on foreign exchange rate changes	(47)	146	86
Cash and cash equivalents at end of the year represented by bank balances and cash	8,259	7,376	17,166

Net cash from (used in) operating activities

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

For FY2020/2021, we recorded net cash used in operating activities of approximately HK$38.3 million for FY2020/2021, primarily due to profit before taxation of HK$31.1 million as adjusted by (i) an increase in trade and other receivables, deposits and prepayments of HK$56.7 million mainly due to (a) an increase in revenue and (b) the sales of approximately HK$49.8 million to our major customers, namely Customer B and Customer I, in the fourth quarter of FY2020/2021, the accounts receivables of which were within credit terms as at 31 March 2021; and (ii) a decrease in trade and other payables and accrued charges of approximately HK$24.6 million mainly due to the decrease in trade payables to Kwong Ming Engineering by approximately HK$38.8 million from approximately HK$61.0 million as at 31 March 2020 to approximately HK$22.2 million as at 31 March 2021, primarily due to payments made by our Group and decrease in project needs amid the slow down of smart city infrastructure projects since mid 2019 due to uncertainty brought by the social movement and outbreak of COVID-19 and decrease in project needs amid the slow down of smart city infrastructure projects since mid 2019 due to uncertainty brought by the social movement and outbreak of COVID-19. For details of our trade payables to Kwong Ming Engineering, please refer to the paragraph headed "Principal components of our current assets and current liabilities Trade payables – Trade payables to Kwong Ming Engineering" in this section above.

For FY2021/2022, we further recorded net cash used in operating activities of approximately HK$32.5 million, primarily due to profit before taxation of HK$57.7 million as adjusted by the combined effect of (i) an increase in contract liabilities of approximately HK$9.6 million due to an increase in amount of upfront deposits received from customers; and (ii) an increase in trade and other receivables, deposits and prepayments of approximately HK$84.9 million primarily due to (a) an increase in trade receivables by approximately HK$45.4 million from approximately HK$112.4 million as at 31 March 2021 to approximately HK$157.8 million as at 31 March 2022 which in turn is mainly due to our sales of CDN licenses of approximately HK$83.6 million to our major customers, namely Customer J, Customer N and Supplier A, in February and March 2022, the trade receivables of which were within credit terms as at 31 March 2022; and (b) the increase in prepayments by approximately HK$40.7 million or 714.0% from approximately HK$5.7 million as at 31 March 2021 to approximately HK$46.4 million as at 31 March 2022 mainly due to our prepayments of approximately HK$33.5 million made to Supplier E to purchase its CDN licences, which has been fully utilised as at the Latest Practicable Date.

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

Net cash (used in) from investing activities

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

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

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

Net cash from financing activities

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

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

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

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

WORKING CAPITAL

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

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

WORKING CAPITAL SUFFICIENCY

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

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

CAPITAL EXPENDITURES

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

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

CONTRACTUAL COMMITMENTS

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

PROPERTY INTERESTS

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

CONTINGENT LIABILITIES

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

INDEBTEDNESS

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

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

Bank Borrowings

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

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

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

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

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

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

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

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

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

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

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

As a measure to monitor our cashflow positions, we periodically review our banking facilities portfolio. We obtained a new bank facility of HK$8.0 million in March 2022 (the "**Facility A**"), and we expect to be able to draw down HK$25.0 million under another bank facility of HK$33.0 million (the "**Facility B**") upon satisfying collateral requirements for the Facility B. HK$8.0 million of the Facility B has already been drawn down as at 31 December 2021. The New Facilities of HK$33.0 million (comprising the HK$8.0 million from the Facility A and the amount of HK$25.0 million to be drawn down under the Facility B) will not be entirely used for improving our liquidity position, as we plan to utilise in full the amount of HK$25.0 million to be drawn down under the Facility B for repaying in full the borrowings under an existing bank facility and the existing collaterals with such bank will be transferred for satisfying the collateral requirements for the Facility B.

The principal terms of the New Facilities are summarised below:

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

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

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

Lease liabilities

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

KEY FINANCIAL RATIOS

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

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

Return on assets

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

Return on equity

Our return on equity decreased from approximately 222.0% for FY2019/2020 to 80.4% for FY2020/2021, primarily attributable to the increase in total equity by approximately 162.0% for FY2020/2021 and the decrease in profit by approximately 5.0% for FY2020/2021. Our return on equity decreased from approximately 80.4% for FY2020/2021 to approximately 61.4% for FY2021/2022, primarily attributable to the significant increase in equity by approximately 149.8% and the increase in profit by approximately 90.7% for FY2021/2022.

Interest coverage

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

Current ratio

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

Quick ratio

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

Gearing ratio

Our gearing ratio decreased from approximately 454.8% as at 31 March 2020 to approximately 247.8% and 104.3% as at 31 March 2021 and 2022 respectively primarily attributable to the increase in total equity which outweighed the increase in bank borrowings as at the respective year end.

Net debt to equity ratio

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

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

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

MATERIAL RELATED PARTY TRANSACTIONS

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

DIVIDENDS

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

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

DISTRIBUTABLE RESERVES

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

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

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

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

[REDACTED]

The total estimated [REDACTED] in connection with the [REDACTED] are approximately HK$[REDACTED] (based on the mid-point of the [REDACTED] of HK$[REDACTED] per [REDACTED] and assuming no [REDACTED] will be exercised), which are estimated to be approximately [REDACTED] of the gross [REDACTED] from the [REDACTED], of which approximately HK$[REDACTED] and HK$[REDACTED] has been charged to our profit or loss for FY2020/2021 and FY2021/2022 respectively, approximately HK$[REDACTED] is expected to be charged to our profit or loss for the year ending 31 March 2023, approximately HK$[REDACTED] is expected to be accounted for as a deduction from equity upon the [REDACTED] and the remaining amount of approximately HK$[REDACTED] will be borne by the [REDACTED].

UNAUDITED [REDACTED] STATEMENT OF [REDACTED]

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

DISCLOSURE REQUIRED UNDER THE LISTING RULES

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

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$*	Implementation activities
Expand our distribution business	[REDACTED]	**[REDACTED]**	**[REDACTED]**	— Acquire inventory to fulfill the minimum purchase obligations stated in the new distribution agreements
	including:			
	1. HK$[REDACTED] for enriching our product portfolio by entering into distribution agreements with IT products vendors	[REDACTED]	[REDACTED]	— Carry out sales enablement marketing activities (including advertisement and marketing events such as live webinars, exhibition workshops)
	2. HK$[REDACTED] for expanding our service offerings by launching subscription-based laptop rental services	[REDACTED]	[REDACTED]	— Purchase laptops and software licence from IT products vendors
	3. HK$[REDACTED] for hiring new staff	[REDACTED]	[REDACTED]	— Pay the salaries of newly recruited staff
Expand our SI solutions business	[REDACTED]	**[REDACTED]**	**[REDACTED]**	— Pay the salaries of newly recruited staff
	including:			
	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.

[REDACTED]

[REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report, set out on pages I-1 to I-76, received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF MTT GROUP HOLDINGS LIMITED AND INNOVAX CAPITAL LIMITED

INTRODUCTION

We report on the historical financial information of MTT Group Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [I-4 to I-76], which comprises the consolidated statements of financial position of the Group as at 31 March 2020, 2021 and 2022, the statement of financial position of the Company as at 31 March 2021 and 2022 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 March 2022 (the "**Track Record Period**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [I-4 to I-76] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [•••] 2022 (the "**Document**") in connection with the [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2020, 2021 and 2022, of the Company's financial position as at 31 March 2021 and 2022 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which contains information about the dividends declared and paid or settled by the Company's subsidiaries in respect of the Track Record Period and states that [no dividends was declared or paid by the Company since its incorporation.]

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Hong Kong Dollars ("**HK$**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*6*	331,886	387,437	631,512
Cost of sales and services		(262,725)	(301,181)	(515,447)
Gross profit		69,161	86,256	116,065
Other income	*8*	2,176	7,158	190
Other gains and losses	*8*	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	*9*	(1,898)	(2,093)	(2,037)
[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]
Profit before taxation		30,601	31,086	57,715
Taxation	*10*	(4,492)	(6,310)	(10,457)
Profit for the year	*11*	26,109	24,776	47,258
Other comprehensive (expense) income:				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations		(148)	270	171
Total comprehensive income for the year		25,961	25,046	47,429
Earnings per share (Basic — HK cents)	*14*	[REDACTED]	[REDACTED]	[REDACTED]

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 March		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property and equipment	*15*	4,579	7,519	5,073
Financial assets at fair value through profit or loss ("**FVTPL**")	*16*	7,465	7,569	11,090
Deposits	*18*	812	931	986
Deposits paid for acquisition of property, and equipment		—	—	1,090
Deferred tax assets	*27*	332	675	209
		13,188	16,694	18,448
Current assets				
Inventories	*17*	18,150	9,754	15,822
Trade and other receivables, deposits and prepayments	*18*	68,864	123,099	209,693
Contract assets	*19*	770	361	561
Amount due from a director	*20*	65,647	24,407	—
Amounts due from related companies	*21*	20,389	20,949	149
Pledged bank deposits	*22*	—	9,778	8,445
Bank balances and cash	*22*	8,259	7,376	17,166
		182,079	195,724	251,836
Current liabilities				
Trade and other payables and accrued charges	*23*	106,554	78,687	74,866
Contract liabilities	*24*	14,428	15,113	24,636
Amount due to a former director of a subsidiary	*20*	17	—	—
Amount to a director	*20*	—	—	2,419
Amount due to a related company	*21*	593	593	593
Tax payables		8,162	10,109	9,658
Lease liabilities	*25*	2,168	3,977	2,583
Bank borrowings	*26*	49,680	69,800	77,008
		181,602	178,279	191,763
Net current assets		477	17,445	60,073
Total assets less current liabilities		13,665	34,139	78,521

		As at 31 March		
		2020	**2021**	**2022**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Lease liabilities	*25*	1,629	2,555	667
Contract liabilities	*24*	277	779	896
		1,906	3,334	1,563
Net assets		11,759	30,805	76,958
Capital and reserves				
Share capital	*28*	20	—*	—*
Reserves		11,739	30,805	76,958
Total equity		11,759	30,805	76,958

** Amounts less than HK$1,000.*

STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 March 2021** *HK$'000*	**As at 31 March 2022** *HK$'000*
Non-current asset			
Investments in subsidiaries	*35*	15,061	15,061
Current asset			
Prepayments	*18*	4,914	5,241
Bank balance	*22*	—	19
		4,914	5,260
Current liabilities			
Accrued charges	*23*	6,800	6,269
Amounts due to subsidiaries	*36*	13,943	21,456
		20,743	27,725
Net current liabilities		(15,829)	(22,465)
Net liabilities		(768)	(7,404)
Capital and reserves			
Share capital		—*	—*
Reserves	*37*	(768)	(7,404)
Total equity		(768)	(7,404)

* Amounts less than HK$1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Translation reserves	Accumulated profits	Total
	HK$'000	*HK$'000* *(note)*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2019	20	—	1,099	18	6,241	7,378
Profit for the year	—	—	—	—	26,109	26,109
Other comprehensive expense for the year	—	—	—	(148)	—	(148)
Total comprehensive (expense) income for the year	—	—	—	(148)	26,109	25,961
Dividend declared *(note 13)*	—	—	—	—	(20,000)	(20,000)
Deemed distribution from discounting of interest-free amount due from a related company	—	—	(1,580)	—	—	(1,580)
At 31 March 2020	20	—	(481)	(130)	12,350	11,759
Profit for the year	—	—	—	—	24,776	24,776
Other comprehensive income for the year	—	—	—	270	—	270
Total comprehensive income for the year	—	—	—	270	24,776	25,046
Transfer upon reorganisation *(notes 2(vii) and (ix))*	(20)	15,061	(15,041)	—	—	—
Dividend declared *(note 13)*	—	—	—	—	(6,000)	(6,000)
At 31 March 2021	—*	15,061	(15,522)	140	31,126	30,805

** Amount less than HK$1,000.*

	Share capital HK$'000	Share premium HK$'000 (note)	Other reserves HK$'000 (note)	Translation reserves HK$'000	Accumulated profits HK$'000	Total HK$'000
At 31 March 2021	—*	15,061	(15,522)	140	31,126	30,805
Profit for the year	—	—	—	—	47,258	47,258
Other comprehensive income for the year	—	—	—	171	—	171
Total comprehensive income for the year	—	—	—	171	47,258	47,429
Deemed distribution to the owner of the Company	—	—	(1,276)	—	—	(1,276)
At 31 March 2022	—*	15,061	(16,798)	311	78,384	76,958

** Amounts less than HK$1,000.*

Note: Other reserves represent the aggregate amount of (i) deemed distribution from discounting of interest-free amount due from a related company; (ii) the disposal of entire issued share capital of MTS Marketing Limited ("**MTSM**") to Mr. Charlie Ip in prior year, resulting a gain on disposal of approximately HK$3,789,000 crediting to other reserves; (iii) the transfer of entire issued share capital of Multisoft Limited ("**Multisoft**") and TriTech Distribution Limited ("**TriTech**") with aggregate amount of HK$20,000 from Mr. Ip Ka Wai, Charlie ("**Mr. Charlie Ip**") to Multisoft Holding Limited ("**Multisoft BVI**") and TriTech Distribution Holding Limited ("**TriTech BVI**"), respectively, during the year ended 31 March 2021 upon reorganisation as disclosed in note 2; (iv) netting off by the equity items of TriTech BVI and Multisoft BVI in aggregate of approximately HK$15,061,000 which credited to share premium on 31 July 2020, when 100% equity interest in TriTech BVI and Multisoft BVI were transferred from Mr. Charlie Ip to the Company as disclosed in note 2(ix); and (v) deemed distribution of approximately HK$1,276,000 of which the [REDACTED] incurred by Mr. Charlie Ip as the owner of the Company during year ended 31 March 2022.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
OPERATING ACTIVITIES			
Profit before taxation	30,601	31,086	57,715
Adjustments for:			
Interest income	(2,029)	(1,634)	(75)
Finance costs	1,898	2,093	2,037
Depreciation of right-of-use assets	3,146	3,374	4,452
Depreciation of other property and equipment	485	462	600
Write-down of inventories	927	1,081	721
Loss on disposal and written-off of property and equipment	62	9	3
Fair value gain on financial assets at FVTPL	(80)	(104)	(99)
Net impairment losses (reversal of impairment losses) under expected credit loss model	958	2,471	(2,878)
Operating cash flows before movements in working capital	35,968	38,838	62,476
(Increase) decrease in inventories	(3,779)	7,356	(6,789)
Increase in trade and other receivables, deposits and prepayments	(14,089)	(56,667)	(84,944)
(Increase) decrease in contract assets	(162)	423	(184)
Increase (decrease) in trade and other payables and accrued charges	30,779	(24,636)	(2,239)
Increase in contract liabilities	1,503	1,130	9,640
Cash generated from (used in) operations	50,220	(33,556)	(22,040)
Hong Kong Profits Tax paid	—	(4,646)	(10,416)
Overseas income tax paid	(41)	(60)	(26)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	50,179	(38,262)	(32,482)

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
INVESTING ACTIVITIES			
Bank interest received	4	23	—
Purchase of property and equipment	(830)	(618)	(1,350)
Proceeds from disposal of property and equipment	11	21	8
Deposits paid for acquisition of property and equipment	—	—	(1,090)
Settlement of consideration receivable from a related company for disposal of property and equipment	—	94	—
Advances to related companies	(378)	—	—
Repayments from related companies	5,617	926	20,840
Investment in financial assets at FVTPL	(2,531)	—	(3,422)
Advance to a director	(77,759)	(22,158)	(108,937)
Repayment from a director	12,416	57,398	133,344
Placement of pledged bank deposits	—	(9,778)	(1,709)
Withdrawal of pledged bank deposit	250	—	3,042
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(63,200)	25,908	40,726
FINANCING ACTIVITIES			
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest paid	(1,898)	(2,093)	(2,037)
Bank borrowings raised	88,831	195,676	117,395
Repayments of bank borrowings	(65,774)	(175,556)	(110,187)
Repayments of lease liabilities	(2,873)	(3,453)	(4,548)
Advance from a director	—	—	2,419
Advance from a former director of a subsidiary	—	36	—
Repayment to a former director of a subsidiary	(16)	(54)	—
NET CASH FROM FINANCING ACTIVITIES	18,270	11,325	1,460
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,249	(1,029)	9,704
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	3,057	8,259	7,376
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(47)	146	86
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	8,259	7,376	17,166

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 July 2020 under the Companies Act Chapter 22 of the Cayman Islands. The Company is 70% owned by Ip Group Holdings Limited ("**Ip Group**"), a limited company incorporated in the British Virgin Islands ("**BVI**"), and 30% owned by IPW Group Holdings Limited ("**IPW Group**"), a limited company incorporated in the BVI. Both Ip Group and IPW Group are wholly-owned by Mr. Charlie Ip.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" to the Document.

The Company acts as an investment holding company and its subsidiaries are principally engaged in distribution of IT products and related provision of IT implementation services in Hong Kong Special Administrative Region ("**HKSAR**") of the People's Republic of China (the "**PRC**") ("**Hong Kong**"); and procurement of IT products and related provision of IT infrastructure solutions and IT maintenance and support services in Hong Kong, the PRC and Macau.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with HKFRSs issued by the HKICPA and the principles of merger accounting under Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") issued by the HKICPA.

Before the completion of the reorganisation detailed below, Multisoft and TriTech, the operating subsidiaries of the Group, were 100% owned by Mr. Charlie Ip.

In preparation of the [REDACTED] of the Company's shares on Main Board of the Stock Exchange (the "**[REDACTED]**"), the companies comprising the Group underwent a group reorganisation as described below:

(i) On 6 April 2018, Mr. Charlie Ip transferred 10,000 issued shares of MTS Group Limited ("**MTS Group**"), representing the entire issued share capital of MTS Group that he held, to Multisoft at a cash consideration of HK$10,000. Upon the completion of transfer, MTS Group is the wholly-owned subsidiary of Multisoft.

(ii) On 24 July 2020, Multisoft BVI was incorporated as a limited liability company in the BVI with an authorised share capital of 50,000 shares with a par value of HK$ 1 each. Upon incorporation, one share of Multisoft BVI was allotted and issued to Mr. Charlie Ip at par value.

(iii) On 24 July 2020, TriTech BVI was incorporated as a limited liability company in the BVI with an authorised share capital of 50,000 shares with a par value of HK$ 1 each. Upon incorporation, one share of TriTech BVI was allotted and issued to Mr. Charlie Ip at par value.

(iv) On 24 July 2020, the Company was incorporated as a limited liability company in the Cayman Islands with an authorised share capital of HK$10,000 divided into 1,000,000 shares with a par value of HK$0.01 each. Upon incorporation, one share was allotted and issued to the initial subscriber credited as fully paid and subsequently transferred to Mr. Charlie Ip at par value on the same day. 99 shares were allotted and issued to Mr. Charlie Ip at par value on the same day.

(v) On 24 July 2020, Ip Group was incorporated as a limited liability company in the BVI with an authorised share capital of 50,000 shares with a par value of HK$ 1 each. Upon incorporation, one share of Ip Group was allotted and issued to Mr. Charlie Ip at par value.

(vi) On 28 July 2020, IPW Group was incorporated as a limited liability company in the BVI with an authorised share capital of 50,000 shares with a par value of HK$ 1 each. Upon incorporation, one share of IPW Group was allotted and issued to Mr. Charlie Ip at par value.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION *(Continued)*

(vii) On 29 July 2020, Mr. Charlie Ip transferred 10,000 issued shares of Multisoft, representing the entire issued share capital of Multisoft that he held, to Multisoft BVI and Multisoft BVI allotted and issued one share of Multisoft BVI at HK$1 to Mr. Charlie Ip. On the same day, Mr. Charlie Ip transferred 10,000 issued shares of TriTech, representing the entire issued share capital of TriTech that he held, to TriTech BVI and TriTech BVI in return allotted and issued one share of TriTech BVI at HK$1 to Mr. Charlie Ip. Upon the completion of the transfers, Multisoft and TriTech become the wholly-owned subsidiaries of Multisoft BVI and TriTech BVI, respectively.

(viii) On 30 July 2020, Mr. Charlie Ip transferred 70 shares of the Company, representing 70% of the entire issued share capital of the Company to Ip Group and transferred 30 shares of the Company, representing 30% of the entire issued share capital of the Company to IPW Group.

(ix) On 31 July 2020, Mr. Charlie Ip transferred two shares of Multisoft BVI, representing all the issued shares of Multisoft BVI to the Company and the Company issued 100 shares to Mr. Charlie Ip at HK$0.01 each. On the same day, Mr. Charlie Ip transferred two shares of TriTech BVI representing all the issued shares of TriTech BVI to the Company and the Company issued 100 shares to Mr. Charlie Ip at HK$0.01 each. Upon the completion, Multisoft BVI and TriTech BVI became the wholly-owned subsidiaries of the Company.

Pursuant to the reorganisation detailed above, the Company has become the holding company of the companies now comprising the Group on 31 July 2020. The Group comprising the Company and its subsidiaries resulting from the Reorganisation have always been under the control of Mr. Charlie Ip regardless of the actual date when the Company formally becomes the holding company of the Group or the incorporation dates of the subsidiaries, therefore, the Group is regarded as a continuing entity. Accordingly, the Historical Financial Information has been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 March 2020 and 2021 include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation, which is a shorter period.

The consolidated statements of financial position of the Group as at 31 March 2020 have been prepared to present the assets and liabilities of the companies now comprising the Group, as if the group structure has been in existence of those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in a jurisdiction where are no statutory audit requirements.

3. APPLICATION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the HKFRSs issued by the HKICPA, including HKFRS 16 "Leases" throughout the Track Record Period.

3. APPLICATION OF NEW AND REVISED HKFRSs *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of HKFRS 16, "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of assets".

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining business first came under common control of Mr. Charlie Ip.

The net assets of the combining businesses are consolidated using the existing carrying values from Mr. Charlie Ip's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets and liabilities over cost at the time of common control combination, to the extent of the continuation of Mr. Charlie Ip's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the dates when the combining businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease, at inception of a contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Definition of a lease *(Continued)*

The Group as lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of data centre, warehouses and temporary offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

Definition of a lease *(Continued)*

The Group as lessee (Continued)

Lease liabilities *(Continued)*

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserves.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefits costs

Payments to state-managed retirement benefit scheme and Mandatory Provident Fund Scheme ("**MPF Scheme**") are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Short-term and other long-term employee benefits *(Continued)*

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property and equipment

Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted on for a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment loss on assets other than financial assets and contract assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets other than financial assets and contract assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of assets other than financial assets and contract assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets *(Continued)*

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items

The Group recognises a loss allowance for ECL on financial assets (including trade and other receivables and deposits, amounts due from a director and related companies, pledged bank deposits and bank balances), contract assets and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing components. Except for debtors who are listed companies or subsidiaries of the listed companies, non-governmental and non-profitable organisation ("NGO") debtors and debtors with aggregate outstanding balances exceeding HK$1,000,000 and relevant contract assets were assessed individually, the remaining trade receivables and contract assets are assessed collectively using a provision matrix grouped based on past due status of the trade receivables. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables and contract assets on the same basis.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items *(Continued)*

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items *(Continued)*

Measurement and recognition of ECL (Continued)

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the debtors who are listed companies or subsidiaries of the listed companies, NGO debtors and debtors with aggregate outstanding balances exceeding HK$1,000,000 and relevant contract assets, other receivables and, deposits, amounts due from a director and related companies, pledged bank deposits and bank balances are assessed for ECL on an individual basis and remaining trade receivables and contract assets are assessed as a separate group);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and accrued charges, amount due to a former director of a subsidiary, a director, and a related company and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Allowance for inventories

Slow-moving inventories were identified by the management of the Group based on aging analysis and marketability of inventories. Allowance was applied to inventories based on assessment of net realisable value by the management of the Group by considering the latest selling prices and current market conditions. Allowance is recognised if the net realisable value is estimated to be below the cost.

Write-down of inventories of approximately HK$927,000, HK$1,081,000 and HK$721,000 was recognised for the years ended 31 March 2020, 2021 and 2022 respectively. The carrying amounts of inventories are approximately HK$18,150,000, HK$9,754,000 and HK$15,822,000 as at 31 March 2020, 2021 and 2022, respectively.

Estimated impairment of trade receivables and contract assets

When there is objective evidence that trade receivables may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed on initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

The management of the Group measures and assesses lifetime ECL on trade receivables based on (i) debtors who are listed companies or subsidiaries of the listed companies, NGO debtors and debtors with aggregate outstanding balances exceeding HK$1,000,000 and relevant contract assets are assessed individually; and (ii) remaining trade receivables and contract assets are based on provision matrix through past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and forward-looking information. The assessment of credit risk of trade receivables involves high degree of estimation uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise accordingly in future periods. The ECL assessment is sensitive to changes in estimates. The information about the Group's trade receivables, contract assets and the ECL are disclosed in notes 18, 19 and 32, respectively. The carrying amount of trade receivables is approximately HK$63,735,000, HK$112,363,000 and HK$157,802,000 as at 31 March 2020, 2021 and 2022, respectively. The carrying amount of contract assets is approximately HK$770,000, HK$361,000 and HK$561,000 as at 31 March 2020, 2021 and 2022, respectively.

6. REVENUE

Revenue from goods and services

An analysis of the Group's revenue from goods and services by segment for the year is as follows:

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	HK$'000	HK$'000
Types of goods or services:			
Distribution Business*			
— distribution of IT products	150,011	189,959	393,236
— provision of IT implementation services	14,496	13,585	33,895
	164,507	203,544	427,131
System Integration Solutions Business*			
— procurement of IT products	137,832	148,323	166,668
— provision of IT infrastructure solutions services	21,745	23,761	21,005
— provision of IT maintenance and support services	7,802	11,809	16,708
	167,379	183,893	204,381
	331,886	387,437	631,512

* The segment names are defined in the section "Segment information" in note 7.

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Timing of revenue recognition:			
Over time	44,043	49,155	71,608
A point in time	287,843	338,282	559,904
	331,886	387,437	631,512

Performance obligations for contracts with customers

Revenue from distribution or procurement of IT products

Revenue from distribution or procurement of IT products is recognised when control of the products has been transferred to the customers, being at the point the products are delivered to the customer's specific location. Transportation and other related activities that occur before customers obtain control of the related products are considered as fulfilment activities. A receivable is recognised by the Group when the products are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The Group requires certain customers to provide upfront deposits range from 20% to 50% of total contract sum, when the Group receives a deposit before the delivery of products, this will give rise to contract liabilities at the start of a contract, until the products are delivered to the customers. The normal credit term is 0 to 60 days upon delivery.

6. REVENUE *(Continued)*

Revenue from goods and services *(Continued)*

Performance obligations for contracts with customers *(Continued)*

Revenue from provision of IT implementation services and IT infrastructure solutions services

The Group provides IT implementation services and IT infrastructure solutions services to customers. Such services are recognised as a performance obligation satisfied over time as the Group enhances the assets that the customer controls as the assets are enhanced. The progress towards completing satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts (i.e. direct staff costs) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation. The normal payment term is 0 to 60 days upon the issuance of invoices to the customers. The Group requires customers to provide upfront deposit range from 20% to 50% of total contract sum, when the Group receives the advance payment before the services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Revenue from provision of IT maintenance and support services

The Group provides IT maintenance and support services to customers. Such services are recognised as a performance obligation satisfied over time on a straight-line basis over the period of services as the customers simultaneously receives and consumes the benefits provided by the Group's performance. The normal payment term is 0 to 60 days upon the issuance of invoices to the customers. The Group generally requires customers to pay the total contract sum in advance, when the Group receives the advance payment before the services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the specific contract exceeds the amount of the deposit.

Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 March 2020, 2021 and 2022 and the expected timing of recognising revenue are as follows:

	IT maintenance and support services		
	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	3,669	2,585	3,406
More than one year but not more than two years	228	479	614
More than two years	49	300	282
	3,946	3,364	4,302

All the Group's other contracts with customers either have original expected duration of one year or less or grant the Group a right to consideration that responds directly with value of the customer of the Group's performance completed to date. As permitted under HKFRS 15, the transaction price allocated to the remaining performance obligations (unsatisfied or satisfied) of these contracts as at 31 March 2020, 2021 and 2022 is not disclosed.

7. SEGMENT INFORMATION

Segment revenue and results

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments are therefore as follows:

(1) Distribution Business refers to distribution of IT products of which the Group obtained the authorised distributorship from the suppliers and related provision of IT implementation services by the Group; and

(2) System Integration Solutions Business refers to procurement of IT products and related provision of IT infrastructure solutions services and IT maintenance and support services by the Group.

An analysis of the Group's operating and reportable segment revenue and segment results is as below:

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Distribution Business *HK$'000*	**System Integration Solutions Business** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
For the year ended 31 March 2020				
Segment revenue	164,507	167,379	—	331,886
Inter-segment sales	10,062	—	(10,062)	—
Total	174,569	167,379	(10,062)	331,886
Segment results	33,519	35,642		69,161
Other income				2,176
Other gains and losses				57
Net impairment losses under expected credit loss model				(958)
Selling and distribution expenses				(23,366)
Administrative expenses				(14,571)
Finance costs				(1,898)
Profit before taxation				30,601

	Distribution Business *HK$'000*	**System Integration Solutions Business** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
For the year ended 31 March 2021				
Segment revenue	203,544	183,893	—	387,437
Inter-segment sales	12,694	42	(12,736)	—
Total	216,238	183,935	(12,736)	387,437
Segment results	44,282	41,974		86,256
Other income				7,158
Other gains and losses				322
Net impairment losses under expected credit loss model				(2,471)
Selling and distribution expenses				(25,274)
Administrative expenses				(16,983)
Finance costs				(2,093)
[REDACTED]				[REDACTED]
Profit before taxation				31,086

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

	Distribution Business *HK$'000*	System Integration Solutions Business *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
For the year ended 31 March 2022				
Segment revenue	427,131	204,381	—	631,512
Inter-segment sales	11,012	6,754	(17,766)	—
Total	438,143	211,135	(17,766)	631,512
Segment results	76,246	39,819		116,065
Other income				190
Other gains and losses				162
Net reversal of impairment losses under expected credit loss model				2,878
Selling and distribution expenses				(29,881)
Administrative expenses				(24,393)
Finance costs				(2,037)
[REDACTED]				[REDACTED]
Profit before taxation				57,715

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment result represents the profit earned by each segment without allocation of other income, other gains and losses, net (impairment losses) reversal of impairment losses under expected credit loss model, selling and distribution expenses, administrative expenses, finance costs, [REDACTED] and taxation.

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as it is not regularly provided to the CODM for review.

Geographical information

The Group's operations are located in Hong Kong, the PRC (excluding Hong Kong and Macau) and Macau. Information about the Group's revenue from continuing operations is analysed by location of the shipments of goods or the services provided.

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	322,140	366,923	605,103
The PRC (excluding Hong Kong and Macau)	6,605	14,231	20,173
Macau	3,141	6,283	6,326
	331,886	387,437	631,512

Information about the Group's non-current assets (excluding financial assets and deferred tax assets) which is presented based on geographical location of the assets, is as follows:

	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong	4,549	7,483	6,134
The PRC (excluding Hong Kong and Macau)	30	36	29
	4,579	7,519	6,163

Information about major customers

An analysis of revenue from customers contributing to over 10% of the Group's total revenue for the years ended 31 March 2020, 2021 and 2022 is as follows:

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Customer A[1]	—[2]	—[2]	108,406
Customer B[1]	—[2]	—[2]	67,385
Customer C[1]	—[2]	—[2]	64,059

1 Revenue derived from Distribution Business.

2 The corresponding revenue did not contribute over 10% of total revenue of the Group for the respective year.

8. OTHER INCOME AND OTHER GAINS AND LOSSES

Other income

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Bank interest income	4	23	—
Interest income on rental deposits	28	31	35
Effective interest income on amount due from a related company	1,997	1,580	40
Sponsorship income	—	220	16
Government grant *(Note)*	126	5,253	—
Others	21	51	99
	2,176	7,158	190

Note: The government grant received of approximately HK$126,000 during the year ended 31 March 2020 represented the government subsidy received under Branding, Upgrading and Domestic Sales Fund Scheme from the Government of the HKSAR for branding and marketing. The government grant received of approximately HK$5,253,000 during the year ended 31 March 2021 represented the government subsidy received under Employment Support Scheme launched by the Government of the HKSAR.

Other gains and losses

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Loss on disposals and written-off of property and equipment	(62)	(9)	(3)
Net exchange gain	39	227	66
Fair value gain on financial assets at FVTPL	80	104	99
	57	322	162

9. FINANCE COSTS

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Interest on bank borrowings	1,691	1,825	1,764
Interest on lease liabilities	207	268	273
	1,898	2,093	2,037

10. TAXATION

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Current tax:			
— Hong Kong Profits Tax	4,623	6,608	9,939
— PRC Enterprise Income Tax ("**EIT**")	48	45	26
Deferred tax (credit) charge *(note 27)*	(179)	(343)	466
Underprovision in prior years	—	—	26
	4,492	6,310	10,457

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the years ended 31 March 2020, 2021 and 2022, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2,000,000 of the estimated assessable profits of one of the companies comprising the Group and at 16.5% on the estimated assessable profits above HK$2,000,000. The profits of corporations not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%.

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

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

10. TAXATION *(Continued)*

The taxation for the year can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	30,601	31,086	57,715
Taxation at Hong Kong Profits Tax rate of 16.5%	5,049	5,129	9,523
Tax effect of income not taxable for tax purposes	(356)	(1,181)	(117)
Tax effect of expenses not deductible for tax purposes	131	2,749	1,186
Underprovision in respect of prior years	—	—	26
One-off tax deduction	(40)	(20)	—
Tax effect of PRC small-scale entity	(216)	(300)	(46)
Tax effect of two-tiered tax rate	(165)	(165)	(165)
Effect of different tax rates of subsidiary operating in other jurisdiction	89	98	50
Taxation for the year	4,492	6,310	10,457

11. PROFIT FOR THE YEAR

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year has been arrived at after charging (crediting):			
Staff costs:			
Directors' remuneration *(note 12)*	1,301	1,834	2,819
Salaries, allowances and other benefits for other staff	36,707	41,487	51,790
Contributions to retirement benefits schemes for other staff	1,505	1,672	2,034
	39,513	44,993	56,643
Depreciation:			
Depreciation of right-of-use assets	3,146	3,374	4,452
Depreciation of other property and equipment	485	462	600
	3,631	3,836	5,052
Auditor's remuneration	100	107	100
Cost of inventories recognised as an expense *(note)*	238,032	269,682	469,780
Net impairment losses (reversal of impairment losses) on trade receivables	929	2,485	(2,862)
Net impairment losses (reversal of impairment losses) on contract assets	29	(14)	(16)
Net impairment losses (reversal of impairment losses) under expected credit loss model	958	2,471	(2,878)

Note: The amount included the write-down of inventories of HK$927,000, HK$1,081,000, and HK$721,000 for the years ended 31 March 2020, 2021 and 2022, respectively.

[•••]

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

Mr. Charlie Ip was appointed as director of the Company on 24 July 2020. On 22 October 2020, Mr. Charlie Ip was re-designated as executive director of the Company. On 1 February 2021, Mr. Chan Tim Cheung ("Mr. Tim Chan") was appointed as executive director of the Company. The emoluments paid or payable to them (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) by entities comprising the Group during the Track Record Period were as follows:

	Fees	Salaries, allowances and other benefits	Performance related bonuses	Retirement benefit scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000* *(note)*	*HK$'000*	*HK$'000*
Year ended 31 March 2020					
Mr. Charlie Ip	—	521	—	33	554
Mr. Tim Chan	—	729	—	18	747
	—	1,250	—	51	1,301
Year ended 31 March 2021					
Mr. Charlie Ip	—	1,065	37	37	1,139
Mr. Tim Chan	—	677	—	18	695
	—	1,742	37	55	1,834
Year ended 31 March 2022					
Mr. Charlie Ip	—	1,909	43	62	2,014
Mr. Tim Chan	—	717	70	18	805
	—	2,626	113	80	2,819

Note: Performance related bonus was determined by reference to their duties and responsibilities of the relevant individuals within the Group and Group's performance.

Mr. Charlie Ip acts as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

The executive directors' emoluments are for their services in connection with the management of the affairs of the Group.

During the year ended 31 March 2022, the Group has been providing accommodation, which is leased from a third party, to Mr. Charlie Ip for use by him and his family members at no charge. The estimated money value of the benefit in kind is approximately HK$490,000.

None of the directors nor chief executive waived any emoluments during the Track Record Period.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

(b) Employees' emoluments

The five highest paid individuals included 1, 1 and 1 director of the Company whose emoluments are included in the disclosures in (a) above for the years ended 31 March 2020, 2021 and 2022, respectively. The emoluments of the remaining 4, 4 and 4 individuals for the years ended 31 March 2020, 2021 and 2022, respectively, were as follows:

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, allowance and other benefits	3,678	4,162	4,704
Performance related bonuses *(note)*	60	113	532
Retirement benefits scheme contributions	87	85	72
	3,825	4,360	5,308

Note: Performance related bonus was determined by reference to their duties and responsibilities of the relevant individuals within the Group and Group's performance.

Their emoluments were within the following bands:

	Year ended 31 March		
	2020	**2021**	**2022**
	No. of employees	**No. of employees**	**No. of employees**
Nil to HK$1,000,000	2	2	—
HK$1,000,001 to HK$1,500,000	2	2	2
HK$1,500,001 to HK$2,000,000	—	—	2

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDEND

During the year ended 31 March 2020, Multisoft and TriTech declared dividends of HK$4,000,000 and HK$16,000,000, respectively to the then shareholder.

During the year ended 31 March 2021, Multisoft and TriTech declared dividends of HK$1,000,000 and HK$5,000,000, respectively to the then shareholder.

During the year ended 31 March 2022, no dividend was paid or declared by the Group's subsidiaries to the then shareholder.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividend was declared or paid by the Company since its incorporation.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year attributable to owners of the Company	26,109	24,776	47,258

	Year ended 31 March		
	2020	**2021**	**2022**
	'000	*'000*	*'000*
Number of ordinary shares in issue for the purpose of calculating basic earnings per share	[REDACTED]	[REDACTED]	[REDACTED]

The number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the reorganisation and the [REDACTED] as described in notes 2 and 38 respectively had been effective on 1 April 2019.

No diluted earnings per share information has been presented as there were no potential ordinary shares in issue for Track Record Period.

15. PROPERTY AND EQUIPMENT

	Leased properties	Leasehold improvements	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST						
At 1 April 2019	10,754	1,020	2,776	875	444	15,869
Exchange adjustments	(26)	—	—	—	—	(26)
Additions	3,666	483	161	—	186	4,496
Modifications	136	—	—	—	—	136
Written-off	—	(61)	—	—	—	(61)
Disposals	(1,370)	—	(20)	—	(175)	(1,565)
At 31 March 2020	13,160	1,442	2,917	875	455	18,849
Exchange adjustments	21	—	—	—	—	21
Additions	1,006	497	100	1,815	21	3,439
Modifications	3,364	—	—	—	—	3,364
Written-off	—	—	(22)	—	—	(22)
Disposals	—	—	(21)	—	—	(21)
At 31 March 2021	17,551	1,939	2,974	2,690	476	25,630
Exchange adjustments	6	—	—	—	—	6
Additions	1,193	197	1,130	—	23	2,543
Modifications	83	—	—	—	—	83
Disposals	(310)	—	(16)	—	—	(326)
At 31 March 2022	18,523	2,136	4,088	2,690	499	27,936

15. PROPERTY AND EQUIPMENT *(Continued)*

	Leased properties	Leasehold improvements	Office equipment	Motor vehicles	Furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ACCUMULATED DEPRECIATION						
At 1 April 2019	8,186	984	1,990	546	415	12,121
Exchange adjustments	(23)	—	—	—	—	(23)
Provided for the year	2,899	76	387	247	22	3,631
Eliminated on disposals	(1,370)	—	(6)	—	(56)	(1,432)
Eliminated on written-off	—	(27)	—	—	—	(27)
At 31 March 2020	9,692	1,033	2,371	793	381	14,270
Exchange adjustments	18	—	—	—	—	18
Provided for the year	3,072	120	324	302	18	3,836
Eliminated on written-off	—	—	(7)	—	—	(7)
Eliminated on disposals	—	—	(6)	—	—	(6)
At 31 March 2021	12,782	1,153	2,682	1,095	399	18,111
Exchange adjustments	5	—	—	—	—	5
Provided for the year	3,792	220	354	660	26	5,052
Eliminated on disposals	(300)	—	(5)	—	—	(305)
At 31 March 2022	16,279	1,373	3,031	1,755	425	22,863
CARRYING VALUES						
At 31 March 2020	3,468	409	546	82	74	4,579
At 31 March 2021	4,769	786	292	1,595	77	7,519
At 31 March 2022	2,244	763	1,057	935	74	5,073

Depreciation is charged so as to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leased properties	Over the lease terms
Leasehold improvements	Over the lease terms
Office equipment	30%
Motor vehicles	Over the shorter of lease term or 30%
Furniture and fixtures	20%

15. PROPERTY AND EQUIPMENT *(Continued)*

The Group as lessee

Right-of-use assets

	Leased properties	**Motor vehicle**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Carrying values			
At 31 March 2020	3,468	82	3,550
At 31 March 2021	4,769	1,595	6,364
At 31 March 2022	2,244	935	3,179
Depreciation charge			
For the year ended 31 March 2020	2,899	247	3,146
For the year ended 31 March 2021	3,072	302	3,374
For the year ended 31 March 2022	3,792	660	4,452

For the years ended 31 March 2020, 2021 and 2022, the Group leases various offices, staff quarter, data centre, warehouses, temporary offices and motor vehicle for its operations. Lease contracts are entered into for fixed term of six months to three years, but may have termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

For the years ended 31 March 2020, 2021 and 2022, the expense relating to short-term leases are approximately HK$194,000, HK$146,000, and HK$482,000, respectively.

The Group regularly entered into short-term leases for data centre, warehouses and temporary offices. As at 31 March 2020, 2021 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in this note.

For the years ended 31 March 2020, 2021 and 2022, the total cash outflow for leases are approximately HK$3,274,000, HK$3,867,000 and HK$5,303,000, respectively. Amount includes payments of principal and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date. These amounts could be presented in operating or financing cash flows.

In addition, the Group reassesses whether it is reasonably certain not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the Track Record Period, there is no such triggering event. As at 31 March 2020, 2021 and 2022, all leases by the Group do not have extension option.

For the years ended 31 March 2020, 2021 and 2022, the additions to right-of-use assets amounted to approximately HK$3,666,000, HK$2,821,000 and HK$1,193,000, respectively.

15. PROPERTY AND EQUIPMENT *(Continued)*

The Group as lessee *(Continued)*

Right-of-use assets *(Continued)*

During the Track Record Period, the Group has modifications on certain leased properties in relation to renewal of respective lease contracts.

In addition, lease liabilities of approximately HK$3,797,000, HK$6,532,000 and HK$3,250,000, respectively, are recognised with related right-of-use assets of HK$3,550,000, HK$6,364,000 and HK$3,179,000, respectively, as at 31 March 2020, 2021 and 2022. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor, leased assets may not be used as security for borrowing purpose.

16. FINANCIAL ASSETS AT FVTPL

	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Life insurance contracts for a director	7,465	7,569	11,090

Before the Track Record Period, the Group entered into a life insurance contract with a bank to insure a director of the Company. Under the policy, the beneficiary and policy holder is Multisoft and the total insured sum is approximately United States Dollars ("**US$**") 2,250,000 (equivalent to approximately HK$17,550,000). Multisoft paid a gross premium of approximately US$372,000 (equivalent to approximately HK$2,905,000) at inception of the policies. Multisoft may request a partial surrender or full surrender of the insurance contract at any time and receive cash back based on the account value of the policy ("**Account Value**") at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified surrender charge deducted from Account Value. The bank will pay Multisoft a guaranteed interest rate of 4.2% per annum for the first year of the contract and a variable return per annum afterwards (with minimum guaranteed interest rate of 2% per annum) during the effective period of the policy.

Before the Track Record Period, the Group also entered into a life insurance contract with an insurance institution to insure a director of the Company. Under the policy, the beneficiary and policy holder is Multisoft and the total insured sum is approximately US$1,200,000 (equivalent to approximately HK$9,360,000). Multisoft paid a gross premium of approximately US$217,000 (equivalent to approximately HK$1,693,000, at inception of the policies. Multisoft may request a partial surrender or full surrender of the insurance contract at any time and receive cash back based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 25th policy year, there is a specified surrender charge deducted from Account Value. The insurance institution will pay Multisoft variable returns per annum during the effective period of the policy.

During the year ended 31 March 2020, the Group further entered into a life insurance contract with an insurance institution to insure a director of the Company. Under the policy, the beneficiary and policy holder is TriTech and the total insured sum is approximately US$1,520,000 (equivalent to approximately HK$11,856,000). TriTech paid a gross premium of approximately US$325,000 (equivalent to approximately HK$2,531,000) at inception of the policies. TriTech may request a partial surrender or full surrender of the insurance contract at any time and receive cash back based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 9th policy year, the Group could only redeem an specified fixed amount of approximately US$260,000 (equivalent to approximately HK$2,028,000) from the insurance institution. If withdrawal is made on or after 10th policy year, the Group could redeem the specified fixed amount of approximately US$260,000 (equivalent to approximately HK$2,028,000) plus accumulated variable returns from the insurance institution as at the withdrawal date. The insurance institution will pay TriTech variable returns per annum during the effective period of the policy.

16. FINANCIAL ASSETS AT FVTPL *(Continued)*

During the year ended 31 March 2022, the Group further entered into a life insurance contract with an insurance institution to insure a director of the Company. Under the policy, the beneficiary and policy holder is TriTech and the total insured sum is approximately US$2,000,000 (equivalent to approximately HK$15,555,000). TriTech paid a gross premium of approximately US$440,000 (equivalent to approximately HK$3,422,000) at inception of the policies. TriTech may request a partial surrender or full surrender of the insurance contract at any time and receive cash back based on the Account Value at the date of withdrawal, which is determined by the gross premium paid plus accumulated interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 34th policy year, there is a specified surrender charge deducted from Account Value. The bank will pay TriTech a guaranteed interest rate of 4.2% per annum for the first year of the contract and a variable return per annum afterwards (with minimum guaranteed interest rate of 2% per annum) during the effective period of the policy.

At the inception date of these contracts, the upfront payment included a fixed policy premium charge and deposits. Monthly policy expense and insurance charges will be incurred over the insurance period with reference to the terms set out in the policy.

Payment for a life insurance policy is classified as financial assets at FVTPL as contractual rights to cash flows do not represent contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The directors of the Company represent that the Group will not terminate the contract nor withdraw cash prior to the end of the surrender period and the expected life of the policy remained unchanged from the initial recognition at each of the reporting period.

Life insurance contracts for a director are measured under Level 3 fair value hierarchy. The fair value is measured with reference to the adjusted cash value provided by counterparties which represents the premium paid to the life insurance policies adjusted by net yield with reference to the average expected return rate of 2%. The significant unobservable input is the average expected return rate. Assuming other inputs were held consistent, an increase in average expected return rate would result in an increase in the fair value of the life insurance contracts and vice versa. In the opinion of the directors of the Company, the change of average expected return rate of the life insurance policies is insignificant based on the historical records and therefore no sensitivity analysis is provided. There is no transfer among the fair value hierarchy during the Track Record Period.

17. INVENTORIES

		As at 31 March	
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Finished goods at cost	18,150	9,754	15,822

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group

	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Gross carrying amounts	65,945	116,728	159,314
Less: allowance for credit losses	(2,210)	(4,365)	(1,512)
	63,735	112,363	157,802
Rental and other deposits	1,539	943	997
Prepayments *(note)*	4,362	5,658	46,447
Prepaid [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other receivables	40	152	192
Total	69,676	124,030	210,679
Presented as non-current assets	812	931	986
Presented as current assets	68,864	123,099	209,693
	69,676	124,030	210,679

Note: Included in the prepayments as at 31 March 2022 was a prepayment to a vendor amounted to approximately HK$33,540,000 for the IT products under Distribution Business and was subsequently utilised in April 2022.

As at 1 April 2019, trade receivables from contracts with customers were approximately HK$51,671,000.

The Company	**As at 31 March 2021**	**As at 31 March 2022**
	HK$'000	*HK$'000*
Prepaid [REDACTED]	[REDACTED]	[REDACTED]
Deferred [REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]

18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The Group normally allows credit period of 0 to 60 days to its customers. The following is an ageing analysis of trade receivables, net of allowance on credit losses, presented based on the invoice date at the end of each reporting period.

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

Note: The Group offered certain customers (mainly NGOs) on interest-free instalment settlement arrangement with instalment period ranged from 4 months to 36 months. In the opinion of the directors of the Company, the financing components of the contracts with instalment settlement arrangement were insignificant in contract level during the Track Record Period.

As at 31 March 2020, 2021 and 2022, included in the trade receivables balance are debtors with an aggregate carrying amount of approximately HK$47,606,000, HK$47,820,000 and HK$50,341,000, respectively, which have past due at the end of the reporting period. Out of the past due balances, approximately HK$18,988,000, HK$16,407,000 and HK$13,781,000, respectively, as at 31 March 2020, 2021 and 2022 has been past due 90 days or more and is not considered as in default. With reference to the historical records, past experience and also available reasonable and supportive forward-looking information to those customers, the management of the Group does not consider these receivables as credit impaired as these customers have a good business relationship with the Group and recurring overdue records of these customers with satisfactory settlement history.

Details of impairment assessment of trade and other receivables and deposits as at 31 March 2020, 2021 and 2022 are set out in note 32.

19. CONTRACT ASSETS

	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Contract assets from IT infrastructure solutions services contracts	813	390	574
Less: allowance for credit losses	(43)	(29)	(13)
	770	361	561

As at 1 April 2019, the carrying amounts of contract assets were approximately HK$637,000.

The contract assets primarily relate to the Group's right to consideration for the services performed and not billed because the rights are conditioned on user acceptance by customers. The contract assets are transferred to trade receivables when the rights become unconditional. The normal credit term is 0 to 60 days upon the issuance of invoices to the customers.

The Group classifies these contract assets as current assets because the Group expects to realise them in its normal operating cycle which is within 12 months after the end of the reporting period.

Details of the impairment assessment of contract assets as at 31 March 2020, 2021 and 2022 are set out in note 32.

20. AMOUNT DUE FROM/TO A DIRECTOR/AMOUNT DUE TO A FORMER DIRECTOR OF A SUBSIDIARY

The amounts are non-trade, unsecured, interest-free and repayable on demand. [As represented by the directors of the Company, the amount will be settled before the [REDACTED].]

Details of amount due from a director are stated as follows:

	As at 1 April	As at 31 March			Maximum amount outstanding during the year ended 31 March		
	2019	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Mr. Charlie Ip	20,304	65,647	24,407	—	84,872	67,166	24,407

Details of impairment assessment of amount due from a director as at 31 March 2020 and 2021 are set out in note 32.

Details of amount due to a director are stated as follows:

	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Charlie Ip	—	—	2,419

Details of amount due to a former director of a subsidiary are stated as follows:

	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Mr. Wu Wai Hung ("**Mr. Vincent Wu**")	17	—	—

21. AMOUNTS DUE FROM/TO RELATED COMPANIES

Amounts due from related companies

Details of amounts due from related companies are stated as follows:

	As at 1 April	As at 31 March			Maximum amount outstanding during the year ended 31 March		
	2019	2020	2021	2022	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Wefi Limited ("**WEFI**")	8	8	—	—	8	8	—
MTSM	149	149	149	149	149	149	149
China Solar Investment Limited ("**CSIL**")	24,960	19,854	20,800	—	26,957	26,957	20,800
TTDIST SDN. BHD. ("**TTDIST**")	—	378	N/A	N/A	—	378	N/A
	25,117	20,389	20,949	149			

All related companies are controlled by Mr. Charlie Ip. TTDIST was 51% owned by Mr. Charlie Ip. On 12 August 2020, Mr. Charlie Ip transferred his 51% interest in TTDIST to an independent third party and TTDIST become a former related company of the Group.

The amounts due from related companies are non-trade in nature, unsecured, interest-free as at 31 March 2020, 2021 and 2022.

Since the beginning of the Track Record Period and during the Track Record Period, the Group advanced the funds to finance the operations of the related companies controlled by Mr. Charlie Ip. The amounts due from related companies are classified as current assets as at 31 March 2020 and 2021 and 2022 as the management's intention to settle such advances upon [the [REDACTED]]. The amounts due from related companies are carried at effective interest rate of 8.14% per annum.

Included in the amount due from CSIL of HK$94,000 represented the consideration receivables from CSIL for disposal of property and equipment to CSIL as at 31 March 2020. The amount was settled during the year ended 31 March 2021.

[As represented by the directors of the Company, the amounts due from related companies will be settled before the [REDACTED].]

Details of the impairment assessment of amounts due from related companies as at 31 March 2020, 2021 and 2022 are set out in note 32.

21. AMOUNTS DUE FROM/TO RELATED COMPANIES *(Continued)*

Amount due to a related company

Details of amount due to a related company are stated as follows:

	As at 31 March		
	2020	**2021**	**2022**
	HK\$'000	*HK\$'000*	*HK\$'000*
MTSM	593	593	593

MTSM is controlled by Mr. Charlie Ip.

The amount is trade in nature, unsecured, interest-free, repayable on demand and, aged over one year as at 31 March 2020, 2021 and 2022.

22. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

As at 31 March 2021 and 2022, the Group pledged bank balances with aggregate carrying amount of approximately HK$ 9,778,000 and HK$8,445,000, respectively, to a bank to secure the bank borrowings and facilities granted by the bank as disclosed in note 26.

Bank balances and cash comprise cash held and short term bank deposits with an original maturity of three months or less. As at 31 March 2020, 2021 and 2022, the pledged bank deposits and bank balances of the Group carried interest at prevailing market rate of 0.00% to 0.01%, 0.00% to 0.01% and 0.00% to 0.01% per annum, respectively.

Details of impairment assessment of pledged bank deposits and bank balances as at 31 March 2020, 2021 and 2022 are set out in note 32.

23. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

The Group

	As at 31 March		
	2020	**2021**	**2022**
	HK\$'000	*HK\$'000*	*HK\$'000*
Trade payables	103,460	68,463	64,682
Staff costs payables	2,535	2,570	3,261
Other payables and accrued charges	559	854	654
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Accrued [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	106,554	78,687	74,866

23. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES *(Continued)*

The Company

	At 31 March 2021	**As at 31 March 2022**
	HK$'000	*HK$'000*
Accrued [REDACTED]	[REDACTED]	[REDACTED]
Accrued [REDACTED]	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]

The credit period granted by suppliers is generally 0 to 60 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period.

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

24. CONTRACT LIABILITIES

		As at 31 March	
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Contract liabilities from:			
Distribution or procurement of IT Products	10,525	12,022	20,780
Provision of IT infrastructure solutions services	234	506	450
Provision of IT maintenance and support services	3,946	3,364	4,302
	14,705	15,892	25,532
Analysed for reporting purpose as:			
Current liabilities	14,428	15,113	24,636
Non-current liabilities	277	779	896
	14,705	15,892	25,532

24. CONTRACT LIABILITIES *(Continued)*

As at 1 April 2019, the carrying amounts of contract liabilities were approximately HK$13,202,000.

The contract liabilities from provision of IT maintenance and support services are recognised as revenue using straight-line method over the terms of respective contracts and amounts to be released to profit or loss after twelve months of the reporting period are presented as non-current liabilities. The Group classifies other contract liabilities as current liabilities because the Group expects to be settled in its normal operating cycle which is within 12 months after the end of the reporting period.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	For the year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:			
Revenue from distribution or procurement of IT products	9,480	10,525	12,022
Revenue from provision of IT infrastructure solutions services	174	234	506
Revenue from provision of IT maintenance and support services	3,044	3,669	2,585
	12,698	14,428	15,113

25. LEASE LIABILITIES

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

25. LEASE LIABILITIES *(Continued)*

The lease liabilities are secured by the rental deposits of HK$686,000, HK$675,000 and HK$783,000, respectively as at 31 March 2020, 2021 and 2022.

As at 31 March 2021 and 2022, lease liabilities of approximately HK$1,482,000 and HK$890,000, respectively are guaranteed by Mr. Charlie Ip.

[As represented by the management of the Group, the personal guaranteed provided by Mr. Charlie Ip will be released upon the [REDACTED].]

26. BANK BORROWINGS

		As at 31 March	
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Secured variable-rate bank borrowings	47,997	53,571	61,212
Unsecured fixed-rate bank borrowings	1,683	4,442	2,856
Secured fixed-rate bank borrowings	—	11,787	12,940
	49,680	69,800	77,008
The carrying amounts of bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable*:			
Within one year	49,239	56,483	65,381
Within a period of more than one year but not exceeding two years	441	4,337	2,362
Within a period of more than two years but not exceeding five years	—	2,895	1,070
More than five years	—	6,085	8,195
	49,680	69,800	77,008

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

As at 31 March 2020, the variable-rate bank borrowings of approximately HK$24,035,000 are secured by properties owned by Mr. Charlie Ip or CSIL and guaranteed by Mr. Charlie Ip, CSIL, Multisoft and MTS Group.

As at 31 March 2020, 2021 and 2022, the secured variable-rate bank borrowings of approximately HK$23,962,000, HK$53,571,000 and HK$53,261,000, respectively are secured by properties owned by CSIL as well as the life insurance contracts as disclosed in note 16 and guaranteed by Mr. Charlie Ip, CSIL and Multisoft. As at 31 March 2021 and 2022, the variable-rate bank borrowings of approximately HK$26,845,000 and HK$28,287,000 are also secured by the pledged bank deposits as disclosed in note 22.

As at 31 March 2022, the secured variable-rate bank borrowings of approximately HK$7,951,000 are secured by properties owned by CSIL , the life insurance contracts as disclosed in note 16 and guaranteed by Mr. Charlie Ip, Multisoft, TriTech and CSIL.

As at 31 March 2020, 2021 and 2022, the unsecured fixed-rate bank borrowings of approximately HK$1,683,000, HK$4,442,000 and HK$2,856,000, respectively are guaranteed by HKMC Insurance Limited.

26. BANK BORROWINGS *(Continued)*

As at 31 March 2021 and 2022, the secured fixed-rate bank borrowings of approximately HK$11,787,000 and HK$12,940,000 are secured by properties owned by CSIL, the life insurance contracts as disclosed in note 17 and the pledged bank deposits as disclosed in note 22 and guaranteed by Mr. Charlie Ip, Multisoft and CSIL.

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

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

[As represented by the management of the Group, the pledged of assets, the corporate guarantees and the personal guarantees provided by the related parties will be released upon the [REDACTED].]

27. DEFERRED TAX ASSETS

The following is the deferred tax assets recognised and movements thereon during the Track Record Period.

	ECL provision	**Accelerated accounting (tax) depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2019	153	—	153
Credit to profit or loss	155	24	179
At 31 March 2020	308	24	332
Credit (charge) to profit or loss	359	(16)	343
At 31 March 2021	667	8	675
Charge to profit or loss	(417)	(49)	(466)
At 31 March 2022	250	(41)	209

28. SHARE CAPITAL

The share capital as at 31 March 2020 represented the share capital of Multisoft and TriTech.

The share capital as at 31 March 2021 and 2022 represented the share capital of the Company. Details of the Company's shares are disclosed as follows:

	Number of shares	**Amount**	
		HK$	*HK$'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 24 July 2020 (date of incorporation) and 31 March 2021 and 2022	1,000,000	10,000	10
Issued and fully paid:			
At 24 July 2020 (date of incorporation) *(note 2(iv))*	100	1	—
Issue of shares *(note 2(ix))*	200	2	—
At 31 March 2021 and 2022	300	3	—

29. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

The employees of the Group's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the local municipal government of Shenzhen. The PRC subsidiary is required to contribute 10% to 15% of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the year ended 31 March 2020, 2021 and 2022, there were no significant forfeited contributions which arose upon employees leaving the schemes before they are fully vested in the contributions and which are available to reduce the contributions payable by the Group in the future.

The total expenses recognised in profit or loss of approximately HK$1,556,000, HK$1,727,000, and HK$2,114,000 for the years ended 31 March 2020, 2021 and 2022 represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

30. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the Historical Financial Information, the Group has entered into the following related party transactions:

	As at/for the year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Disposal of property and equipment to CSIL	94	—	—
Effective interest income on amount due from a related company	1,997	1,581	40

Compensation of key management personnel

The remuneration of the key management personnel of the Group during the Track Record Period were as follows:

	Year ended 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
Short-term benefits	3,728	4,351	4,766
Post-employment benefits	120	132	87
	3,848	4,483	4,853

Financial guarantee contracts

On 21 June 2018, a bank granted joint banking facilities of approximately HK$17,024,000 and HK$6,776,000 to Multisoft and CSIL, respectively. On 26 June 2019, the bank renewed and granted joint banking facilities of approximately HK$17,024,000 and HK$6,353,000 to Multisoft and CSIL, respectively. On 20 January 2020, the bank renewed and granted joint banking facilities of approximately HK$26,024,000 and HK$6,101,000 to Multisoft and CSIL, respectively. On 7 September 2020, the bank renewed and granted joint banking facilities of approximately HK$26,024,000 and HK$5,843,000 to Multisoft and CSIL, respectively. On 27 August 2021, the bank renewed and granted joint banking facilities of approximately HK$26,024,000 and HK$5,393,000 to Multisoft and CSIL, respectively. The banking facilities are secured by properties owned by CSIL as well as the life insurance contracts as disclosed in note 16 and guaranteed by Mr. Charlie Ip, CSIL and Multisoft. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Asset Appraisal Limited ("Asset Appraisal"), independent qualified professional valuer not connected with the Group. The address of Asset Appraisal is Room 901, 9/F, On Hong Commercial Building, 145 Hennessy Road, Wanchai, Hong Kong. Asset Appraisal is a member of the Hong Kong Institute of Surveyors. The initial fair value of these financial guarantees were insignificant. As at 31 March 2020, 2021 and 2022, CSIL has utilised approximately HK$6,027,000, HK$5,581,000 and HK$5,125,000, respectively, banking facilities and did not default payment during the Track Record Period.

30. RELATED PARTY TRANSACTIONS *(Continued)*

[The management of the Group represents that the above financial guarantees provided to the banks in relation to banking facilities granted to CSIL will be released upon the [REDACTED].]

On 28 February 2019, another bank granted joint banking facilities of approximately HK$25,700,000 and HK$11,054,000 to Multisoft and CSIL, respectively. The banking facilities are guaranteed by Mr. Charlie Ip, CSIL, Multisoft and MTS Group and are also pledged by properties owned by CSIL. The fair values of the financial guarantee as at date of grant were arrived at on the basis of valuation carried out on that date by Asset Appraisal Limited. The initial fair value of these financial guarantees were insignificant. As at 31 March 2019, CSIL has utilised approximately HK$5,175,000, respectively, banking facilities and did not default payment during the Track Record Period. During the year ended 31 March 2020, this financial guarantee has been released.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debts, which includes the bank borrowings disclosed in note 26 and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The management of the Group considers the Group's credit facilities are able to renew on an on-going basis, which provide sufficient cash to finance the Group's working capital and balance its overall capital structure.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 March		
	2020	**2021**	**2022**
	HK$'000	*HK$'000*	*HK$'000*
The Group			
Financial assets			
Financial assets at amortised cost	159,609	175,934	184,560
Financial assets at FVTPL	7,465	7,569	11,090
Financial liabilities			
Amortised cost	156,844	149,080	154,886
The Company			
Financial assets			
Financial assets at amortised cost	—	—	19
Financial liabilities			
Amortised cost	—	20,743	27,725

32. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables and deposits, amount due from/to a director, amount due to a former director of a subsidiary, amounts due from/to related companies, pledged bank deposits, bank balances and cash, trade and other payables and accrued charges, bank borrowings and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

The Company's major financial instruments included bank balance, accrued charges and amounts due to subsidiaries.

Market risk

Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases and bank balances which expose the Group to foreign currency risk. Approximately 13%, 3% and 6%, respectively of the Group's sales for the year ended 31 March 2020, 2021 and 2022 is denominated in currencies other than the functional currency of the group entity making the sale, whilst almost 24%, 17% and 52%, respectively of the costs is denominated in currencies other than the functional currency of the group entity making purchase.

At the end of each reporting period, the carrying amounts of foreign currency denominated monetary liabilities recognised in the Historical Financial Information are as follows:

The Group

As at 31 March 2020

	US$
	HK$'000
Financial assets at FVTPL	7,465
Trade receivables	3,526
Bank balances and cash	3,150
Trade payables	18,154

As at 31 March 2021

	US$
	HK$'000
Financial assets at FVTPL	7,569
Pledged bank deposits	43
Bank balances and cash	30

As at 31 March 2022

	US$
	HK$'000
Financial assets at FVTPL	11,090
Pledged bank deposits	1
Bank balances and cash	2,473
Bank borrowings	13,056

32. FINANCIAL INSTRUMENTS *(Continued)*

Market risk *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

Since the exchange rate of HK$ is pegged with US$, the Group does not expect any significant movements in the US$/HK$ exchange rates. Therefore, no sensitivity analysis is provided on the change in foreign exchange rate of HK$ against US$.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to the Group's interest-free amount due from/to a director, amount due to a former director of a subsidiary (note 20), amounts due from/to related companies (note 21), lease liabilities (note 25) and fixed-rate bank borrowings (note 26). Also, the Group's cash flow interest rate risk primarily relates to the variable-rate pledged bank deposits and bank balances (note 22) and variable-rate bank borrowings (note 26). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of market interest rates on pledged bank deposits and bank balances and BLR, HIBOR and prime rate arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank borrowings. The analysis is prepared assuming the variable-rate bank borrowings at the end of each reporting period were outstanding for the whole year and 50 basis points increase or decrease are used. The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is not significant.

If interest rates have been 50 basis points higher/lower for variable-rate bank borrowings and all other variables were held constant, the Group's post-tax profit for the years ended 31 March 2020, 2021 and 2022 would decrease/increase by approximately HK$200,000, HK$224,000 and HK$256,000, respectively.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. The Group has several HIBOR bank borrowings which may be subject to interest rate benchmark reform. The management of the Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables and deposits, contract assets, amounts due from a director and related companies, pledged bank deposits, bank balances and financial guarantee contracts.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge the obligations by counterparties is arising from the carrying amount of the respective recognised financial assets and financial guarantee contracts as stated in the consolidated statements of financial position at the end of each reporting period.

32. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

The Group applies simplified approach and always recognises lifetime ECL for trade receivables. To measure the ECL of trade receivables, except for debtors who are listed companies or subsidiaries of the listed companies, NGO debtors and debtors with aggregate outstanding balances exceeding HK$1,000,000 and relevant contract assets that were assessed individually, the remaining trade receivables and contract assets are assessed collectively using a provision matrix grouped based on past due status of the trade receivables. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables and contract assets on the same basis.

As at 31 March 2020, 2021 and 2022, the Group had concentration of credit risk as 10%, 25% and 22%, respectively, of the total trade receivables was due from the Group's largest debtor and 33%, 61% and 58%, respectively, of the total trade receivables was due from the Group's top five largest debtors.

Other receivables and deposits

Management of the Group makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of other receivables and deposits. The Group performs impairment assessment under 12-month ECL model. As at 31 March 2020, 2021 and 2022, the Group assessed the ECL for other receivables and deposits was insignificant as the exposure of other receivables and deposits is insignificant.

Amount due from a director

The Group has significant concentration of credit risk on amount due from a director as at 31 March 2020 and 2021. In the opinion of the management of the Group, the risk of default by the director is not significant as the management of the Group considers the director with good credit worthiness based on his past experience and satisfactory settlement history. Also, the amount could be settled by the Company's dividend distribution attributable to the director. Thus, the Group assessed that the ECL on the balance is insignificant as at 31 March 2020 and 2021 and thus no impairment loss allowance is recognised.

Amounts due from related companies

The Group has significant concentration of credit risk on amounts due from related companies as at 31 March 2020, 2021 and 2022. Management of the Group considers the counterparties with good credit worthiness based on their past experience and satisfactory settlement history. As at 31 March 2020, 2021 and 2022, the Group assessed the ECL for amounts due from related companies was insignificant taking into account the insignificant estimated loss given default based on the financial position of these counterparties.

32. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

Pledged bank deposits and bank balances

The Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and therefore the management of the Group considers the risk of default is low. The Group uses 12-month ECL to perform the assessment under ECL model on balances individually based on the average loss rate by reference to credit ratings assigned by international credit-rating agencies. As at 31 March 2020, 2021 and 2022, the management of the Group considers the credit risk is limited and thus the ECL is insignificant.

The tables below detail the credit risk exposures of the Group's financial assets and other items which are subject to ECL assessment as at 31 March 2020, 2021 and 2022:

	Notes	External credit rating	12-month or lifetime ECL	Gross carrying amounts		
				As at 31 March 2020	As at 31 March 2021	As at 31 March 2022
				HK$'000	*HK$'000*	*HK$'000*
The Group						
Financial assets at amortised costs						
Trade receivables (note i)	18	N/A	Lifetime ECL — not credit-impaired	65,603	116,728	159,314
			Lifetime ECL — credit-impaired	342	—	—
				65,945	116,728	159,314
Other receivables and deposits (note ii)	*18*	N/A	12-month ECL	1,579	1,061	997
Amount due from a director	*20*	N/A	12-month ECL	65,647	24,407	—
Amounts due from related companies	*21*	N/A	12-month ECL	20,389	20,949	149
Pledged bank deposits	*22*	A1 *(note iii)*	12-month ECL	—	9,778	8,445
Bank balances	*22*	A1 to A2 *(note iii)*	12-month ECL	8,259	7,376	17,166
Other items						
Contract assets	*19*	N/A	Lifetime ECL — not credt-impaired	813	390	574
Financial guarantee contracts (note iv)	*30*	N/A	12-month ECL	6,101	5,843	5,393
The Company						
Financial assets at amortised costs						
Bank balance	22	A2	12-month ECL	—	—	19

32. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes:

i. The estimated loss rates based on historical observed default rates over the expected life of the debtors and study of other corporates' default and recovery data from international credit-rating agencies including Moody's and Standard and Poor's, and forward-looking information (for example, the current and forecasted economic growth rates in Hong Kong, the PRC and Macau, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Debtors who are listed companies or subsidiaries of the listed companies, NGO debtors and debtors with aggregated outstanding balances exceeding HK$1,000,000 with gross carrying amounts in aggregate of HK$38,749,000, HK$90,510,000 and HK$123,951,000 as at 31 March 2020, 2021 and 2022, respectively, and relevant contract assets with gross carrying amount of approximately HK$46,000, HK$40,000 and HK$198,000 as at 31 March 2020, 2021 and 2022, respectively, were assessed individually.

During the year ended 31 March 2020, the Group provided net impairment allowance of HK$728,000 and HK$28,000, respectively for trade receivables and contract assets assessed based on the provision matrix. Net impairment allowance of approximately HK$201,000 and HK$1,000, respectively was provided for trade receivables and contract assets which are assessed individually during the year ended 31 March 2020. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

	Average loss rate	**Trade receivables**	**Contract assets**
	%	*HK$'000*	*HK$'000*
Current (not past due)	0.65	6,470	—
1-90 days past due	2.97	12,824	524
More than 90 days past due	11.83	7,902	243
		27,196	767

32. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: (Continued)

i. *(Continued)*

During the year ended 31 March 2021, the Group provided net impairment allowance of approximately HK$1,874,000 and net reversal of impairment allowance of approximately HK$15,000, respectively for trade receivables and contract assets assessed based on the provision matrix. Net impairment allowance of approximately HK$611,000 and HK$1,000 was provided for trade receivables and contract assets, respectively which are assessed individually during the year ended 31 March 2021. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

	Average loss rate	Trade receivables	Contract assets
	%	*HK$'000*	*HK$'000*
Current (not past due)	3.49	4,216	22
1-90 days past due	5.50	13,179	221
More than 90 days past due	13.23	8,823	107
		26,218	350

During the year ended 31 March 2022, the Group provided net reversal of impairment allowance of approximately HK$1,179,000 and HK$15,000, respectively for trade receivables and contract assets assessed based on the provision matrix. Net reversal of impairment allowance of approximately HK$1,683,000 and HK$1,000 were provided for trade receivables and contract assets, respectively which are assessed individually during the year ended 31 March 2022. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

	Average loss rate	Trade receivables	Contract assets
	%	*HK$'000*	*HK$'000*
Current (not past due)	0.25	6,141	110
1-90 days past due	0.68	17,352	87
More than 90 days past due	6.19	11,870	179
		35,363	376

32. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

Notes: (Continued)

ii. For the purpose of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

	Past due	**Not past due/no fixed repayment terms**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Other receivables and deposits:			
At 31 March 2020	—	1,579	1,579
At 31 March 2021	—	1,061	1,061
At 31 March 2022	—	998	998

iii. External credit rating are from international credit-rating agency Moody's.

iv. For financial guarantee contracts as disclosed in note 31, the maximum amount that the Group has guaranteed under the respective contracts was approximately HK$6,101,000, HK$5,843,000 and HK$5,393,000, respectively, as at 31 March 2020, 2021 and 2022. At the end of each reporting period, the management of the Group has performed impairment assessment and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. Based on the assessment of the management, the ECL on financial guarantee contracts is insignificant in view of the loss given default in these contracts is insignificant as a result of the pledged properties by CSIL.

32. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables and contract assets under the simplified approach during the year ended 31 March 2020, 2021 and 2022.

	Trade receivables under lifetime ECL (credit-impaired)	Trade receivables under lifetime ECL (not credit-impaired)	Contract assets under lifetime ECL (not credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 1 April 2019	342	941	14	1,297
Changes due to financial instruments recognised at 1 April 2019				
— net impairment loss reversed	—	(871)	(14)	(885)
New financial assets originated	—	1,800	43	1,843
Exchange adjustments	—	(2)	—	(2)
As at 31 March 2020	342	1,868	43	2,253
Changes due to financial instruments recognised at 1 April 2020				
— net impairment loss reversed	—	(1,778)	(43)	(1,821)
New financial assets originated	—	4,263	29	4,292
Written off	(342)	—	—	(342)
Exchange adjustments	—	12	—	12
As at 31 March 2021	—	4,365	29	4,394
Changes due to financial instruments recognised at 1 April 2021				
— net impairment loss reversed	—	(4,308)	(29)	(4,337)
New financial assets originated	—	1,446	13	1,459
Exchange adjustments	—	9	—	9
As at 31 March 2022	—	1,512	13	1,525

During the year ended 31 March 2020, 2021 and 2022, changes in the loss allowance for trade receivables are mainly due to settlement in full of trade debtors with gross carrying amount of approximately HK$46,418,000, HK$63,877,000 and HK$113,480,000, respectively and new trade receivables with gross carrying amount of approximately HK$59,409,000, HK$114,660,000 and HK$156,066,000 respectively.

32. FINANCIAL INSTRUMENTS *(Continued)*

Credit risk and impairment assessment *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities and financial guarantee contracts. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and financial guarantee contracts based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities and financial guarantee contracts are based on the agreed repayment dates. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

32. FINANCIAL INSTRUMENTS *(Continued)*

***Liquidity risk** (Continued)*

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

The Group	Effective interest rate	On demand	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flow	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 March 2020								
Trade and other payables and accrued charges	N/A	—	106,554	—	—	—	106,554	106,554
Amount due to a former director of a subsidiary	N/A	17	—	—	—	—	17	17
Amounts due to related companies	N/A	593	—	—	—	—	593	593
Lease liabilities	5.1	—	1,025	1,264	1,680	—	3,969	3,797
Bank borrowings	3.9	49,680	—	—	—	—	49,680	49,680
Financial guarantee contracts	N/A	6,101	—	—	—	—	6,101	—
		56,391	107,579	1,264	1,680	—	166,914	160,641
As at 31 March 2021								
Trade and other payables and accrued charges	N/A	—	78,687	—	—	—	78,687	78,687
Amounts due to related companies	N/A	593	—	—	—	—	593	593
Lease liabilities	5.4	—	1,058	3,148	2,629	—	6,835	6,532
Bank borrowings	2.8	69,800	—	—	—	—	69,800	69,800
Financial guarantee contracts	N/A	5,843	—	—	—	—	5,843	—
		76,236	79,745	3,148	2,629	—	161,758	155,612
As at 31 March 2022								
Trade and other payables and accrued charges	N/A	—	74,866	—	—	—	74,866	74,866
Amounts due to related companies	N/A	593	—	—	—	—	593	593
Amount due to a director	N/A	2,419	—	—	—	—	2,419	2,419
Lease liabilities	5.4	—	1,204	1,462	678	—	3,344	3,250
Bank borrowings	2.5	77,008	—	—	—	—	77,008	77,008
Financial guarantee contracts	N/A	5,393	—	—	—	—	5,393	—
		85,413	76,070	1,462	678	—	163,623	158,136
The Company								
As at 31 March 2021								
Accrued charges	N/A	—	6,800	—	—	—	6,800	6,800
Amounts due to subsidiaries	N/A	13,943	—	—	—	—	13,943	13,943
		13,943	6,800	—	—	—	20,743	20,743
As at 31 March 2022								
Accrued charges	N/A	—	6,269	—	—	—	6,269	6,269
Amounts due to subsidiaries	N/A	21,456	—	—	—	—	21,456	21,456
		21,456	6,269	—	—	—	27,725	27,725

32. FINANCIAL INSTRUMENTS *(Continued)*

Liquidity risk *(Continued)*

The amount included above for variable interest instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

Bank borrowings with a repayment on demand clause are included in the "On demand" time band in the above maturity analysis. As at 31 March 2020, 2021 and 2022, the aggregate carrying amounts of these bank borrowings were approximately HK$49,680,000, HK$69,800,000 and HK$77,008,000, respectively.

Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management of the Group reviews the expected cash flow information of the Group's bank borrowings based on the scheduled repayment dates set out in the bank borrowing agreement as set out in the table below:

	Weighted average effective interest rate	Less than 1 months	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank borrowings:								
As at 31 March 2020	3.9	28,504	18,132	2,901	448	—	49,985	49,680
As at 31 March 2021	2.8	31,068	21,605	4,925	7,969	7,125	72,692	69,800
As at 31 March 2022	2.5	18,307	28,326	17,976	6,627	9,342	80,578	77,008

Fair value measurements of financial instruments

Details of the financial assets at FVTPL are stated in note 16.

Management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Accrued [REDACTED]	Bank borrowings	Amount due to a director	Amount due to a former director of a subsidiary	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2019	—	26,623	—	35	2,870	29,528
Financing cash flows *(note)*	—	21,366	—	(16)	(3,080)	18,270
Interest expense	—	1,691	—	—	207	1,898
New lease entered/lease modified *(note 15)*	—	—	—	—	3,802	3,802
Exchange adjustments	—	—	—	(2)	(2)	(4)
At 31 March 2020	—	49,680	—	17	3,797	53,494
Financing cash flows *(note)*	(3,231)	18,295	—	(18)	(3,721)	11,325
Interest expense	—	1,825	—	—	268	2,093
New lease entered/lease modified *(note 15)*	—	—	—	—	6,185	6,185
[REDACTED] accrued	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Exchange adjustments	—	—	—	1	3	4
At 31 March 2021	1,683	69,800	—	—	6,532	78,015
Financing cash flows *(note)*	(1,582)	5,444	2,419	—	(4,821)	1,460
Interest expense	—	1,764	—	—	273	2,037
New lease entered/lease modified *(note 15)*	—	—	—	—	1,276	1,276
Termination of lease	—	—	—	—	(10)	(10)
[REDACTED] accrued	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
At at 31 March 2022	1,254	77,008	2,419	—	3,250	83,931

Note: The financing cash flows include the drawdown and repayments of bank borrowings, advance and repayment of amounts due to a director and a former director of a subsidiary, repayments of lease liabilities and related finance costs paid.

34. NON-CASH TRANSACTIONS

Saved as disclosed elsewhere in the Historical Financial Information, the Group has followings non-cash transactions during the Track Record Period.

During the year ended 31 March 2020 and 2021, dividend payables of HK$20,000,000 and HK$6,000,000, respectively, were settled through amount due from a director.

35. PARTICULARS IN SUBSIDIARIES

Particulars of the Company's subsidiaries at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Shareholding/equity interest attributable to owners of the Company at 31 March				Principal activities	*Notes*
			2020	2021	2022	date of report		
Directly held:								
Multisoft BVI *(note (e))*	BVI 24 July 2020	HK$2	—	100%	100%	100%	Investment holding	(a)
TriTech BVI *(note (e))*	BVI 24 July 2020	HK$2	—	100%	100%	100%	Investment holding	(a)
Indirectly held:								
Multisoft	Hong Kong 18 December 2006	HK$10,000	100%	100%	100%	100%	Procurement of IT products and related provision of IT infrastructure solutions services and IT maintenance and support services	(b)
TriTech	Hong Kong 28 February 2014	HK$10,000	100%	100%	100%	100%	Distribution of IT products and related IT implementation services	(b)
MTS Group	Hong Kong 17 January 2012	HK$10,000	100%	100%	100%	100%	Investment holding	(b)
Multisoft (Macau) Limited ("Multisoft Macau")	Macau 4 December 2013	MOP25,000	100%	100%	100%	100%	Procurement of IT products	(a)
華譽中信科技(深圳)有限公司 ("Multisoft WFOE") *(note (d))*	The PRC 5 July 2012	HK$1,000,000	100%	100%	100%	100%	Procurement of IT products	(c)

Except for Multisoft WFOE, which adopted 31 December as its financial year end date, the Company and all other subsidiaries have adopted 31 March as their financial year end date.

35. PARTICULARS IN SUBSIDIARIES *(Continued)*

Notes:

(a) No audited financial statements of Multisoft BVI, TriTech BVI and Multisoft Macau have been prepared since its their respective date of incorporation as they were incorporated in the jurisdictions where there are no statutory audit requirements.

(b) We have acted as the statutory auditor of Multisoft, TriTech and MTS Group for the year ended 31 March 2020 and 2021. The statutory financial statements of these companies for the year ended 31 March 2020 and 2021 are prepared in accordance with HKFRSs issued by the HKICPA. The statutory financial statements of Multisoft, TriTech and MTS Group for the year ended 31 March 2022 are not due to issue.

(c) The statutory financial statements of Multisoft WFOE for the year ended 31 December 2019, 2020 and 2021 were prepared in accordance with the relevant accounting principles and financial regulations applicable to the enterprise established in the PRC. They were audited by 深圳中正銀合會計師事務所, certified public accountants registered in the PRC.

(d) Multisoft WFOE was established in the PRC in the form of wholly foreign-owned enterprise.

(e) The investment cost of Multisoft BVI and Tritech BVI by the Company with aggregate amount of approximately HK$15,061,000 is determined by the net assets value of Multisoft BVI and TriTech BVI on 31 July 2020, the date of acquisition.

36. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

37. RESERVES OF THE COMPANY

	Share premium *HK$'000*	**Other reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 24 July 2020 (date of incorporation)	—	—	—	—
Loss and total comprehensive expense for the period	—	—	(15,829)	(15,829)
Issue of shares upon the transfer upon reorganisation *(note 2(ix))*	15,061	—	—	15,061
At 31 March 2021	15,061	—	(15,829)	(768)
Loss and total comprehensive expense for the year	—	—	(5,360)	(5,360)
Deemed distribution to the owner of the Company	—	(1,276)	—	(1,276)
At 31 March 2022	15,061	(1,276)	(21,189)	(7,404)

38. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Historical Financial Information, subsequent events of the Group are detailed as below.

[Pursuant to the general meeting of all shareholders of the Company held on [•••], it was resolved, among other things, that:

— the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the subsection headed "Share Option Scheme" in Appendix IV to the Document;

— the authorised share capital of the Company was increased to HK$[•••] divided into [•••] shares of the Company of HK$[•••] each by the creation of an additional [•••] shares of the Company;

— conditional further on the share premium account of the Company being credited with the [REDACTED] of the [REDACTED] (as defined in the Document), the directors of the Company were authorised to [REDACTED] an amount of HK$[REDACTED] standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par [REDACTED] shares for allotment and issue to the person(s) whose names appear on the register of members of the Company at the close of business on [REDACTED] (or as they may direct) in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued shares, and the aforesaid issue and allotment of shares was approved, and the directors of the Company were authorised to give effect to such [REDACTED] and issue and allotment of shares.]

39. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company, any of its subsidiaries or the Group have been prepared in respect of any period subsequent to 31 March 2022.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Cayman Companies Act.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 July 2020 under the Cayman Companies Act. The Company's constitutional documents consist of its Memorandum and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [•••]. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated with the consent of at least three-fourths of the voting rights of the holders of the shares of that class present and voting in person or by proxy at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, provided that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Cayman Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, as at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one-third shall be the number of retiring Directors. Every Director (including those appointed for a specific term) shall be subject to retirement by notation at least once every three years. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The Company shall include the particulars of such proposed person for election as a Director in its announcement or supplementary circular, and shall give the shareholders at least seven days to consider the relevant information disclosed in such announcement or supplementary circular prior to the meeting of the election.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the members of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the retirement by rotation provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) he is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by no less than three-fourths in number of the Directors pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, provided that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, *pro rata*. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f)　Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g)　Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h)　Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [REDACTED] or sub- [REDACTED] of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Cayman Islands laws and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of members

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An ordinary resolution, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company, provided that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, it may appoint proxies or authorise such person or persons as it thinks fit to act as its representative(s), who enjoy rights equivalent to the rights of other members, at any meeting of the Company (including but not limited to general meetings and creditors meetings) or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote individually on a show of hands or on a poll.

All members of the Company (including a member which is a Clearing House (or its nominee(s))) shall have the right to speak and vote at a general meeting except where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, in which case any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted. Otherwise, all members shall have the right to vote at a general meeting.

(c) Annual general meetings

The Company must hold an annual general meeting in each financial year. Such meeting must be held within six months after the end of the Company's financial year.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95 per cent of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights, the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A corporation which is a member may execute a form of proxy under the hand of a duly authorised officer. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member present in person at any general meeting. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(g) Members' requisition for meetings

One or more members holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and add resolutions to the agenda of a meeting. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Act (which include all sales and purchases of goods by the Company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory, the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members of the Company shall appoint auditor(s) to hold office by an ordinary resolution of the members until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members of the Company in general meeting by an ordinary resolution of the members or by the Board if authority is so delegated by the members. The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid *pro rata* in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 per cent per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed in accordance with the Companies Ordinance) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under the Cayman Companies Acts, as summarised in paragraph 3.6 of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, provided that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN COMPANIES ACT

The Company was incorporated in the Cayman Islands as an exempted company on 24 July 2020 subject to the Cayman Companies Act. Certain provisions of the Cayman Companies Act are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Cayman Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the share premium account. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in section 37 of the Cayman Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under the Cayman Islands laws that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss vs. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it; and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2021 Revision) of the Cayman Islands.

3.15 Register of directors and officers

Pursuant to the Cayman Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers. The Registrar of Companies shall make available the list of the names of the current directors of the Company (and, where applicable, the current alternate directors of the Company) for inspection by any person upon payment of a fee by such person. A copy of the register of directors and officers must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75 per cent in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated, the dissenting member would have no rights comparable to the appraisal rights (that is, the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

The Cayman Islands laws do not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Economic Substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Act (2021 Revision) together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. The Company is required to comply with the economic substance requirements from July 1, 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it must satisfy an economic substance test.

4. GENERAL

Harney Westwood & Riegels, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of the Companies Act. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents on display" in Appendix V. Any person wishing to have a detailed summary of the Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Cayman Islands Companies Act as an exempted company with limited liability on 24 July 2020. We have established a principal place of business in Hong Kong at 19/F., Kin Sang Commercial Centre, 49 King Yip Street, Kwun Tong, Kowloon, Hong Kong and we were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 18 September 2020. Mr. Charlie Ip has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we are incorporated in the Cayman Islands, our operation is subject to the Cayman Islands laws and to the Memorandum of Association and the Articles of Association. A summary of certain parts of the Memorandum of Association and the Articles of Association and relevant aspects of the Cayman Companies Act is set forth in Appendix III to this document.

2. Changes in share capital of our Company

(a) As at the date of the incorporation, the authorised share capital of our Company was HK$10,000 divided into 1,000,000 Shares of HK$0.01 each. Upon incorporation, one Share was allotted and issued to the initial subscribing shareholder, an independent third party. On the same day, the initial subscribing shareholder transferred the one issued Share at par value to Mr. Charlie Ip. On the same day, 99 Shares were allotted and issued at par value to Mr. Charlie Ip.

(b) On 30 July 2020, Ip Group acquired 70 Shares from Mr. Charlie Ip, in consideration of Ip Group allotting and issuing one ordinary share in Ip Group credited as fully paid to Mr. Charlie Ip. On the same day, IPW Group acquired 30 Shares from Mr. Charlie Ip in consideration of IPW Group allotting and issuing one ordinary share in IPW Group credited as fully paid to Mr. Charlie Ip.

(c) On 31 July 2020, as part of the Reorganisation, in consideration for the transfer by Mr. Charlie Ip of all the issued ordinary shares of Multisoft BVI and TriTech BVI to our Company, Mr. Charlie Ip directed our Company to allot and issue 200 Shares to Ip Group.

(d) On [•••], our Shareholders resolved to increase the authorised share capital of our Company increased from HK$10,000 to HK$100,000,000, divided into 10,000,000,000 Shares of HK$0.01 each.

(e) Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme), [REDACTED] Shares will be issued, fully paid or credited as fully paid.

Other than pursuant to the exercise of the [REDACTED] and the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any part of our authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the paragraph headed "3. Resolutions of the Shareholders" in this Appendix below, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions of the Shareholders

Written resolutions were passed by our Shareholders on [•••] pursuant to which, among other matters:

(a) our Company approved and adopted the Articles of Association conditional upon and with effect from the [REDACTED];

(b) the authorised share capital of our Company increased from HK$10,000 divided into 1,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by way of addition of 9,999,000,000 new Shares which shall when issued and paid, rank *pari passu* in all respects with the existing issued Shares;

(c) conditional on (aa) the Listing Committee of the Stock Exchange granting [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document; (bb) the [REDACTED] having been determined; (cc) the execution and delivery of the [REDACTED] on or before the date as mentioned in this document; and (dd) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before such dates as may be specified in such agreements:

(i) the [REDACTED] and the [REDACTED] were approved and our Directors were authorised to allot and issue the [REDACTED] pursuant to the [REDACTED] and such number of Shares as may be required to be allotted and issued upon the exercise of the [REDACTED];

(ii) the rules of the Share Option Scheme were approved and adopted, and our Directors were authorised, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise HK$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares for allotment and issue to holder of Shares whose name appears on the register of members of our Company at the close of business on a date prior to the [REDACTED] (or such other time as our Directors may direct) and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation and distribution;

(iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles of Association, or pursuant to the exercise of any options granted or to be granted under the Share Option Scheme, or under the [REDACTED] or the [REDACTED] or upon the exercise of the [REDACTED], Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(v) a general unconditional mandate (the "**Repurchases Mandate**") was given to our Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be [REDACTED] and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the [REDACTED] and the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme) until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to our Directors, whichever occurs first; and

(vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Group reorganisation

The companies comprising our Group underwent a Reorganisation to rationalise our Group's structure in preparation for the [REDACTED]. See the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this document for more details regarding the Reorganisation.

5. Changes in number of shares or share capital of the subsidiaries of our Group

The subsidiaries of our Company are listed in the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" in this document, there has been no alteration in the number of shares or the share capital of our subsidiaries within the two years immediately preceding the date of this document.

6. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

(a) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company [REDACTED] on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on [•••], the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the [REDACTED] and the [REDACTED] (but excluding any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association and applicable laws to be held, or the passing of an ordinary resolution of Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. A [REDACTED] company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by us may be made out of profits of our Company, out of share premium account or out of the [REDACTED] of a fresh issue of Shares made for the purposes of the repurchase, or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital. Any premium payable on a purchase over the par value of the Shares to be repurchased must be provided for out of either or both of the profits of our Company or our Company's share premium account, or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Companies Act, out of capital.

(c) Reasons for repurchases

Our Directors believe that it is in the best interest of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the Listing Rules.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchases Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum of Association and the Articles of Association and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below [REDACTED] of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

7. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) sale and purchase agreement relating to the entire issued share capital of Multisoft dated 29 July 2020 and entered into between Mr. Charlie Ip and Multisoft BVI, pursuant to which Mr. Charlie Ip agreed to sell 10,000 ordinary shares in Multisoft, representing the entire issued share capital of Multisoft, to Multisoft BVI at an aggregate consideration of HK$17,066,954, which was settled by the allotment and issue by Multisoft BVI of one ordinary share in Multisoft BVI to Mr. Charlie Ip;

(b) sale and purchase agreement relating to the entire issued share capital of TriTech dated 29 July 2020 and entered into between Mr. Charlie Ip and TriTech BVI, pursuant to which Mr. Charlie Ip agreed to sell 10,000 ordinary shares in TriTech, representing the entire issued share capital of TriTech, to TriTech BVI at an aggregate consideration of HK$28,872,343, which was settled by the allotment and issue by TriTech BVI of one ordinary share in TriTech BVI to Mr. Charlie Ip;

(c) sale and purchase agreement relating to all the issued shares of Multisoft BVI and TriTech BVI dated 31 July 2020 and entered into between Mr. Charlie Ip and our Company, pursuant to which Mr. Charlie Ip agreed to sell to our Company (i) two ordinary shares in Multisoft BVI, representing all the issued shares of Multisoft BVI; and (ii) two ordinary shares in TriTech BVI, representing all the issued shares of TriTech BVI in consideration of the allotment and issue of 200 Shares by the Company to Ip Group at the direction of Mr. Charlie Ip;

(d) the Deed of Indemnity; and

(e) the [REDACTED].

8. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which are material to our business:

Trademark	Registered owner	Place of Registration	Class	Registration Number	Expiry Date
	Multisoft	Hong Kong	9, 35, 37, 41, 42 and 43	302894455	13 February 2024
	Multisoft	China	9	14156094	20 April 2025

	TriTech	Hong Kong	9, 35, 37, 38, 41 and 42	305374495	27 August 2030
	Company	Hong Kong	9, 35, 37, 38, 41 and 42	305374486	27 August 2030
	Company	China	37	49295631	20 April 2031
	Company	Macau	9, 35, 37, 38, 41 and 42	N/172822 to N/172827	26 March 2028

(b) Domain name

As at the Latest Practicable Date, our Group has the following material registered domain names:

Domain Name	**Expiry Date**
www.mttgholdings.com	17 July 2022
www.multisoft.com.hk	9 January 2026
www.ttdist.com	8 March 2024

Save as disclosed above, our Directors confirm that as at the Latest Practicable Date, there are no material trade or service marks, patents, other intellectual property rights which are material in relation to our business.

9. Related party transactions

Save as disclosed in the sections headed "Relationship with our Controlling Shareholders", "Financial Information" and the related party transactions set out in note 27 to the Accountant's Report in Appendix I to this document, during the two years immediately preceding the date of this document, our Company has not engaged in any other material related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS

10. Directors

(a) Disclosure of interests of Directors

(i) Our executive Director, Mr. Charlie Ip, is interested in the Reorganisation and the transactions as contemplated under the material contracts as set out in the paragraph headed "Further information about our business — 7. Summary of material contracts" in this Appendix above; and

(ii) Save as disclosed in this document, none of our Directors or their close associates were engaged in any dealings with our Group during the two years preceding the date of this document.

(b) Particulars of Directors' service contracts

Executive Directors

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the [REDACTED] (subject to termination in certain circumstances as stipulated in the relevant service contract).

The annual remuneration payable to our executive Directors by our Group (excluding any discretionary or performance bonus) is as follows:

Name	**Approximate annual salary HK($)**
Mr. Charlie Ip	1,252,776
Mr. Chan	978,000

Independent Non-executive Directors

Each of our independent non-executive Directors has been appointed for an initial term of two years commencing from the [REDACTED] (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each independent non-executive Director is entitled to an aggregate director's fee of HK$180,000 per annum.

Save for directors' fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as an independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) Directors' remuneration

(i) The aggregate emoluments paid and benefits in kind granted by our Group to our Directors in respect of the three years ended 31 March 2020, 2021 and 2022 were approximately HK$1.3 million, HK$1.8 million and HK$2.3 million respectively;

(ii) Under the arrangements currently in force, the aggregate emoluments (excluding performance bonuses and discretionary bonuses) payable by our Group to and benefits in kind receivable by our Directors (including the independent non-executive Directors in their respective capacity as Directors) for the year ended 31 March 2023 are expected to be approximately HK$2.8 million;

(iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 March 2020, 2021 and 2022 (i) as an inducement to join or upon joining our Group; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group; and

(iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended 31 March 2020, 2021 and 2022.

(d) Interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations

Immediately following completion of the [REDACTED] and 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, the interests or short positions of each Director and the chief executive of our Company in the shares, underlying shares or debentures of our Company and/or our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which he/she is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once the Shares are [REDACTED] on the Stock Exchange, will be as follows:

Long positions in our Company

Name of Director/ chief executive	Capacity/ Nature of interest	Number and class of Shares *(Note 1)*	Percentage of shareholding in the issued capital of our Company
Mr. Charlie Ip	Interest of controlled corporations	[REDACTED] ordinary shares (L) *(Note 2)*	[REDACTED]

Notes:

(1) The letter "L" denotes the entity/person's long position in the Shares.

(2) [REDACTED] Shares are registered in the name of Ip Group, the entire share capital of which is wholly owned by Mr. Charlie Ip. [REDACTED] Shares are registered in the name of IPW Group, the entire share capital of which is wholly owned by Mr. Charlie Ip. Under the SFO, Mr. Charlie Ip is deemed to be interested in all the Shares held by Ip Group and IPW Group.

Long positions in associated corporation

Name of Director/ chief executive	Name of associated corporation	Capacity/ Nature	Number of shares held/ percentage interested
Mr. Charlie Ip	Ip Group	Beneficial owner	2 shares/100%

11. Interests and/or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors and chief executive of our Company are not aware of any person who will, immediately following completion of the [REDACTED] and 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, other than a Director or chief executive of our Company whose interests are disclosed under the paragraph headed "Further Information about Directors and Shareholders — 10. Directors — (d) Interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations" in this Appendix above, have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group.

12. Disclaimers

Save as disclosed in the paragraph headed "Further Information about Directors and Shareholders" in this section above and herein:

(a) and taking no account of any Shares which may be taken up or acquired under the [REDACTED] or upon the exercise of the [REDACTED] and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the [REDACTED] and the [REDACTED] will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of shares or share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(b) none of our Directors or the chief executives of our Company has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

(c) none of our Directors nor any of the parties listed in the paragraph headed "21. Qualifications of Experts" in this Appendix below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the [REDACTED] either in his own name or in the name of a nominee;

(d) none of our Directors nor any of the parties listed in the paragraph headed "21. Qualifications of Experts" in this Appendix below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to business of our Group;

(e) save in connection with the [REDACTED], none of the parties listed in the paragraph headed "21. Qualifications of Experts" in this Appendix below:

(i) is interested legally or beneficially in any securities of any member of our Group; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors, their respective close associates or Shareholders of our Company is interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers and/or customers.

OTHER INFORMATION

13. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on [•••].

(a) Purpose

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions the Eligible Participants (as defined in paragraph (b) below) have had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

(i) motivating the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and

(ii) attracting and retaining or otherwise maintaining on-going business relationships with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

Our Board may, at its discretion, offer to grant an option to subscribe for such number of [REDACTED] as our Board may determine at an exercise price determined in accordance with paragraph (f) below to the following persons (the "**Eligible Participants**"):

(i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;

(ii) any Directors (including non-executive Directors and independent non-executive Directors) of our Company or any of its subsidiaries;

(iii) any advisors, consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and

(iv) such other persons who, in the sole opinion of our Board, will contribute or have contributed to our Group, the assessment criteria of which are:

(aa) contribution to the development and performance of our Group;

(bb) quality of work performed for our Group;

(cc) initiative and commitment in performing his/her duties; and

(dd) length of service or contribution to our Group.

(c) Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the document constituting acceptance of the option duly signed by the grantee, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it must be accepted in respect of a [REDACTED] for [REDACTED] in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one [REDACTED] for [REDACTED] in Shares on the Stock Exchange for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for Shares in respect of which the notice is given.

Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors of our Company or the approved independent financial advisor as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully paid and issue to the grantee certificates in respect of the Shares so allotted.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue on the [REDACTED], being [REDACTED] Shares (the "**Scheme Limit**"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue (the "**New Scheme Limit**") as of the date of the approval by our Shareholders in general meeting; and/or

(ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by our Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time (the "**Maximum Limit**"). No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the Maximum Limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial advisor shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme and any other share option schemes of our Company but subsequently canceled (the "**Canceled Shares**")) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by our Company to our Shareholders containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and

(ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his close associates (or his associates if such Eligible Participant is a connected person) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which our Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the exercise price of our Shares. Our Board shall forward to such Eligible Participant an offer document in such form as our Board may from time to time determine or, alternatively, documents accompanying the offer document which state, among other things:

(aa) the Eligible Participant's name, address and occupation/position;

(bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;

(cc) the date upon which an offer for an option must be accepted;

(dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);

(ee) the number of Shares in respect of which the option is offered;

(ff) the exercise price and the manner of payment of such price for the Shares on and in consequence of the exercise of the option;

(gg) the date of the expiry of the option;

(hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c); and

(ii) such other terms and conditions (including, without limitation, any minimum period for which an option shall be held before it can be exercised and/or any performance targets which must be achieved before the option can be exercised) relating to the offer of the option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Share Option Scheme and the Listing Rules.

(f) Price of Shares

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as our Board in its absolute discretion shall determine, except that such price will not be less than the highest of:

(i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(g) Granting options to connected persons

Any grant of options to a Director, chief executive or substantial shareholder of our Company or any of their respective associates is required to be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, canceled and outstanding) to such person under the Share Option Scheme and any other share option schemes of our Company in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of our Shares in issue; and

(ii) having an aggregate value in excess of HK$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange at the date of each grant,

such further grant of options will be subject to the approval of our independent non-executive Directors as referred to in this paragraph, the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which such proposed grantees, their associates and all core connected persons of our Company shall abstain from voting in favor, and/or such other requirements prescribed under the Listing Rules from time to time.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

(i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant, which must be fixed before our Shareholders' meeting and the date of our Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;

(ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to our independent Shareholders as to voting;

(iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(iv) the information required under Rule 2.17 of the Listing Rules.

(h) Restrictions on the times of grant of Options

An offer of the grant of an option may not be made after inside information has come to the knowledge of our Company until the information has been announced in accordance with the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

(i) the date of our Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for the approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an announcement of the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (where our Company has elected to publish them),

and ending on the actual date of publication of the results announcement for such year, half year, quarterly or interim period (as the case may be).

(i) Rights are personal to grantee

An option is personal to the grantee and shall not be transferable or assignable. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option or attempt so to do (except that the grantee may nominate a nominee in whose name those Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by our Board in its absolute discretion, except that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the [REDACTED]. Subject to earlier termination by our Company in general meeting or by our Board, the Share Option Scheme shall be valid and effective for a period of ten years from the [REDACTED].

(k) Performance target

A grantee may be required to achieve certain performance targets as our Board may then specify before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment/death

If the grantee of an option ceases to be an Eligible Participant:

(i) by any reason other than death, ill-health, injury, disability or termination of his relationship with our Company and/or any of its subsidiaries on one of more of the grounds specified in paragraph (m) below, the option to the extent not already exercised on the date of such cessation (which date shall be, in relation to a grantee who is an Eligible Participant by reason of his employment with our Group or any related entities, the last actual working day with our Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or

(ii) by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of our Board) and none of the events which would be a ground for termination of his relationship with our Group under paragraph (m) has occurred, the grantee or his personal representative(s) may exercise the option within a period of 12 months (or such longer period as our Board may determine) from the date of cessation of being an Eligible Participant or death to exercise the options in full (to the extent not already exercised).

(m) Rights on dismissal

If the grantee of an option ceases to be an Eligible Participant on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made any arrangements or compromises with his creditors generally, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable on and after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate exercise price for Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

(p) Rights on compromise or arrangement between our Company and its members or creditors

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full (but only upon the extent not already exercised).

(q) Ranking of Shares

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights including those arising on liquidation of our Company as attached to the other fully-paid Shares in issue on the date of issue, except that they will not rank for any rights for dividend or other distribution declared or recommended or resolved to be paid or made by reference to a record date falling on or before the date of allotment.

(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options, the method of exercise of the options and/or the exercise price per Share of each outstanding option as the auditors of our Company or an independent financial advisor shall certify in writing to our Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes. The capacity of the auditors of our Company or the approved independent financial advisor, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the equity capital of our Company (as interpreted in accordance with the supplementary guidance attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes) for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration provided that no such alteration shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and shall not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the option as may be determined by our Board;

(ii) the expiry of any of the periods referred to in paragraphs (l), (n), (o) or (p);

(iii) the date upon which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;

(iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

(v) the date upon which the grantee ceases to be an Eligible Participant by reason of such grantee's termination of his relationship on the grounds that he has been guilty of serious misconduct, or has become insolvent, bankrupt or has made arrangements or compromises with his creditors generally, or has been convicted of any criminal offense involving his integrity or honesty. A resolution of our Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or

(vi) the date upon which our Board shall exercise our Company’s right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are canceled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of our Board except that:

(i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules; or

(ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted;

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees’ approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme must still comply with Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of Options

Any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event that any option is canceled pursuant to paragraph (i).

(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or our Board may at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of our Board

The Share Option Scheme shall be subject to the administration of our Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (except as otherwise provided therein) shall be final and binding on all parties.

(x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on:

(i) the Listing Committee of the Stock Exchange granting the [REDACTED] of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;

(ii) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s) by the [REDACTED] (for itself and on behalf of the [REDACTED])) and not being terminated in accordance with the terms of the [REDACTED] or otherwise;

(iii) the passing of the necessary resolutions by our Shareholders to approve and adopt the rules of the Share Option Scheme and to authorise our Board to grant options under the Share Option Scheme and to allot and issue Shares pursuant to exercise of any options; and

(iv) the commencement of [REDACTED] in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the date of approval of the Share Option Scheme by our Shareholders:

(i) the Share Option Scheme shall forthwith determine;

(ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and

(iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

As at the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being [REDACTED] Shares in total.

14. Tax and other indemnity

Mr. Charlie Ip (the "**Indemnifier**") [has entered] into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (item (d)) referred to in the paragraph headed "Further information about our business — 7. Summary of material contracts" in this Appendix) to provide indemnities, in respect of, among other matters:

(a) any and all taxation paid or required to be paid by any of the members of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into (or deemed to be so earned, accrued, received or entered into) or occurring on or before the [REDACTED], or as a consequence of any event which occurred on or before the [REDACTED] whether alone or in conjunction with other circumstances, whether or not such taxation is chargeable against or attributable to any other person, firm or company; and

(b) any fines, penalties, losses, damages, liabilities, fees, costs, expenses, demands, claims, proceedings and actions (including without limitation any legal costs) which any member of our Group may suffer, sustain or incur or which may be commenced, brought or instituted against any member of our Group and become payable arising in connection with non-compliance of the legal and/or regulatory requirements as disclosed in the section headed "Business — Legal proceedings and legal compliance" in this document.

The Indemnifier is under no liability under the Deed of Indemnity in respect of any taxation:

(a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 December 2020; or

(b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 January 2021 and ending on the [REDACTED], where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:

    (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the [REDACTED]; or

    (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the [REDACTED] or pursuant to any statement of intention made in the document; or

(c) to the extent that such taxation or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or

(d) to the extent that any provision or reserve made for taxation in the audited consolidated accounts of our Group or the audited accounts of any member of our Group referred to in item (a) above which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier's liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier's liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or

(e) to the extent that the claim arises or is incurred as a result of the imposition of taxation only as a consequence of any retrospective change in the law or practice coming into force after the [REDACTED] or to the extent that such claim arises or is increased by an increase in rates of taxation after such date with retrospective effect, or the liability would not have arisen but for any voluntary act of any member of our Group after the [REDACTED] which the relevant member of our Group ought reasonably to have known would give rise to such liability.

We have been advised that no material liability for estate duty is likely to fall on us and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

15. Litigation

Save as disclosed in this document and as at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial conditions of our Company.

16. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK$40,000 and have been paid by our Company.

17. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

18. Application for [REDACTED] of Shares

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued upon the exercise of the [REDACTED] and any options that may be granted under the Share Option Scheme).

All necessary arrangements have been made to enable the securities to be admitted into [REDACTED].

19. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for [REDACTED] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document. All necessary arrangements have been made to enable the securities to be admitted into [REDACTED]. The Sole Sponsor is independent of our Company pursuant to Rule 3A.07 of the Listing Rules.

20. Sponsor's fees

The total amount of the sponsor's fees payable to the Sole Sponsor by our Company is HK$4.7 million.

21. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this document are as follows:

Name	Qualification
Innovax Capital Limited	A corporation licenced to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Ipsos Asia Limited	Independent industry consultant
Harney Westwood & Riegels	Legal advisers to our Company as to Cayman Islands laws
Jingtian & Gongcheng	Legal advisers to our Company as to PRC laws
FCLaw Lawyers & Private Notaries	Legal advisers to our Company as to Macau laws

22. Consents of experts

Each of the experts named in this Appendix has given and has not withdrawn its written consent to the issue of this document with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in our Company or any of its subsidiaries.

23. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

24. No material adverse change

Our Directors confirm that save as disclosed in the sections headed "Summary — Recent development and no material adverse change" and "Financial Information — Recent development and no material adverse change" in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2020 (being the date to which the latest audited consolidated financial statements of our Company were made up).

25. Particulars of the [REDACTED]

The particulars of the [REDACTED] are set out as follows:

[REDACTED]

26. Miscellaneous

(a) Save as disclosed in the sections headed "History, Reorganisation and Corporate Structure", "Share Capital" and "Structure and Conditions of the [REDACTED]" and paragraphs "Further information about our Group" and "Further information about Directors and Shareholders" in this Appendix above, within two years immediately preceding the date of this document:

(i) no share or loan or share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan or share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no founder or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(iv) no [REDACTED], discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan or share or loan capital of our Company or any of our subsidiaries; and

(v) no [REDACTED] has been paid or is payable for [REDACTED], agreeing to [REDACTED], procuring [REDACTED] or agreeing to procure [REDACTED] of any share in our Company or any of our subsidiaries.

(b) Our Group has no outstanding convertible debt securities or debentures.

(c) Our Directors confirm that, save as disclosed in the sections headed "Summary — Recent development and no material adverse change" and "Financial Information — Recent development and no material adverse change" in this document:

(i) there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2020 (being the date to which the latest audited consolidated financial statements of our Company were made up);

(ii) there is no arrangement under which future dividends are waived or agreed to be waived; and

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document.

(d) No company within our Group is presently [REDACTED] on any stock exchange or traded on any trading system.

(e) Our Directors have been advised that, under the Cayman Companies Act, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Companies Act.

(f) The English text of this document shall prevail over Chinese text.

27. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [REDACTED];

(b) the written consents referred to in the section headed "Statutory and General Information — Other information — 22. Consents of experts" in Appendix IV to this document;

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information — Further information about our business — 7. Summary of material contracts" in Appendix IV to this document; and

(d) a statement of the particulars of the [REDACTED] referred to in the section headed "Statutory and General Information — Other information — 25. Particulars of the [REDACTED]" in Appendix IV to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.mttgholdings.com. up to and including the date which is 14 days from the date of this document:

(a) the Memorandum of Association and the Articles of Association;

(b) the Accountants' Report from Deloitte Touche Tohmatsu, in respect of the historical financial information for the three years ended 31 March 2022, the text of which is set out in Appendix I to this document;

(c) the report on the unaudited [REDACTED] financial information of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Company for the three years ended 31 March 2022;

(e) the rules of the Share Option Scheme;

(f) the Cayman Companies Act;

(g) the Cayman Islands legal opinion(s) dated the document date issued by Harney Westwood & Riegels, our legal advisers as to Cayman Companies Acts;

(h) the material contracts referred to in the section headed "Statutory and General Information — Further information about our business — 7. Summary of material contracts" in Appendix IV to this document;

(i) the written consents referred to in the section headed "Statutory and General Information — Other information — 22. Consents of experts" in Appendix IV to this document;

(j) the service contracts and the letters of appointment referred to in the section headed "Statutory and General Information — Further information about Directors and Shareholders — 10. Directors — (b) Particulars of Directors' service contracts" in Appendix IV to this document;

(k) the industry report, the summary of which is set forth in the section headed "Industry Overview" in this document;

(l) the PRC legal opinion dated the document date issued by Jingtian & Gongcheng, our legal advisers as to PRC laws;

(m) the Macau legal opinion dated the document date issued by FCLaw Lawyers & Private Notaries, our legal advisers as to Macau laws; and

(n) the statement of the particulars of the [REDACTED] referred to in the section headed "Statutory and General Information — Other information — 25. Particulars of the [REDACTED]" in Appendix IV to this document.