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Post Hearing Information Pack of

BoardWare Intelligence Technology Limited
(博維智慧科技有限公司)

("**Company**")

(Incorporated in the Cayman Islands with limited liability)

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BoardWare Intelligence Technology Limited
(博維智慧科技有限公司)

(Incorporated in the Cayman Islands with limited liability)

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SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to* [REDACTED] *in the* [REDACTED]. *There are risks associated with any* [REDACTED]. *Some of the particular risks in investing in the* [REDACTED] *are set out in "Risk Factors" in this document. You should read that section carefully before you decide to* [REDACTED] *in the* [REDACTED]. *Various expressions used in this section are defined or explained in "Definitions" in this document.

OVERVIEW

Headquartered in Macau, we are the leading company in the Macau IT solutions market. During our operating history of over 10 years, we have been dedicated to providing reliable, end-to-end and high quality enterprise IT solutions to customers. We are well-known in the design, architecture and building up of total IT solutions for customers in various industry sectors in Macau. In addition, we engage in the distribution and resale of hardware and software. We conduct our distribution business in Hong Kong and our resale business in Macau. Our customer portfolio includes globally renowned enterprises or bodies in TMT, gaming and hospitality and public sectors. According to Frost & Sullivan, the market size of the IT solutions in Macau was valued at MOP1,618.5 million in 2021 and we ranked first in the IT solutions market in Macau in terms of revenue, with a market share of 25.8% in 2021. During the Track Record Period, we were one of the few IT services providers in Macau which had the technical ability and resources to provide comprehensive, end-to-end solutions to customers in Macau.

The following table sets out a breakdown of our revenue by business line and nature for the indicated periods:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Enterprise IT solutions						
— Professional IT services	294,068	58.5	248,932	52.4	289,223	54.1
— Managed services and lease income	1,826	0.4	29,568	6.2	35,353	6.6
— IT maintenance and consultancy services	33,734	6.7	50,113	10.5	70,388	13.2
Sub-total	329,628	65.6	328,613	69.1	394,964	73.9
Distribution and resale						
— Distribution	113,351	22.5	108,800	22.9	99,860	18.7
— Resale	59,763	11.9	37,895	8.0	39,478	7.4
Sub-total	173,114	34.4	146,695	30.9	139,338	26.1
Total	502,742	100.0	475,308	100.0	534,302	100.0

The following table sets out a breakdown of our gross profit and gross profit margin by business line and nature for the Track Record Period:

	FY2019		FY2020		FY2021	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Enterprise IT solutions						
— Professional IT services	48,222	16.4	51,775	20.8	61,951	21.4
— Managed services and lease income	(3,084)	(168.9)	5,863	19.8	9,660	27.3
— IT maintenance and consultancy service	9,373	27.8	15,523	31.0	18,088	25.7
Sub-total	54,511	16.5	73,161	22.3	89,699	22.7
Distribution and resale						
— Distribution	22,102	19.5	15,900	14.6	15,782	15.8
— Resale	9,044	15.1	4,452	11.7	6,629	16.8
Sub-total	31,146	18.0	20,352	13.9	22,411	16.1
Total	85,657	17.0	93,513	19.7	112,110	21.0

The table below sets out a breakdown of our revenue, gross profit, and gross profit margin from IT maintenance and consultancy services by nature for the Track Record Period:

	FY2019			FY2020			FY2021		
	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*	*%*
Extended maintenance services	18,209	5,966	32.8	21,569	9,799	45.4	21,714	11,022	50.8
Standalone maintenance services *(Note)*	15,525	3,407	21.9	28,544	5,724	20.1	48,674	7,066	14.5
Total	33,734	9,373	27.8	50,113	15,523	31.0	70,388	18,088	25.7

Note: Standalone maintenance services also include the consultancy and advisory services provided by our Group during the Track Record Period.

The table below sets out a breakdown of our revenue by the geographical locations (as determined by the country of domicile in which our Group operates) for the Track Record Period:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Macau	396,021	78.8	349,856	73.6	405,459	75.9
The PRC	—	—	51	0.0	241	0.0
Hong Kong	106,721	21.2	125,401	26.4	128,602	24.1
Total	502,742	100.0	475,308	100.0	534,302	100.0

The provision of enterprise IT solutions is our major business. Set forth below is a brief overview of the solutions and services offered under this business:

- *Professional IT services:* This refers to a wide array of our integrated, end-to-end, enterprise-grade system integration and IT solutions and services, from designing our customer's overall IT infrastructure, executing, managing and coordinating the project, integrating the new IT infrastructure and system with our customer's existing operating environment to post-sales maintenance and technical support. We typically provide our solutions on a project-by-project basis. The key areas covered by our professional IT services provided by us during the Track Record Period include (i) data networking; (ii) system infrastructure; (iii) virtualisation; and (iv) cybersecurity.
- *Managed services:* This refers to a selected range of IT services under which we, as part of the IT operational team of our customers, are entrusted with and proactively monitoring and managing our customers' systems and infrastructure remotely through our management IT platform with the support of our well-qualified engineers and in-house developed software, and we may lease the required IT equipment and/or software comprising servers, printing facilities and other relevant hardware and system software solutions which are incidental to the provision of the relevant managed services. In 2018, we set up our round-the-clock SOC in Macau, which is certified under the ISO 27001 standard and operating for customers of managed security services through which we offer localised cybersecurity services to our customers in Macau 24/7 with uninterrupted operation.
- *IT maintenance and consultancy services:* This refers to extended (in case where the warranty period of our post-sales maintenance and support services has expired) or standalone maintenance services on IT systems or applications that are built and developed by us or by third parties. Extended maintenance services may also be required to be provided by us to customers for the products sold under our distribution business. We also offer IT consultancy and advisory services, including attending on-site survey on our customer's premises with an objective to assist our customers in assessing their IT operational environment and IT related compliance with government requirements.

To expand our business presence and capture business opportunities along the value chain, we engage in the distribution and resale of hardware and software in parallel with our enterprise IT solutions business. Set forth below is a brief overview of our distribution and resale businesses:

- *Distribution:* We, as a distributor, partner with system vendors or their authorised distributor(s) in the sale and distribution of a selected range of hardware and the associated system relating to corporate mobility and cybersecurity solutions in Hong Kong. During the Track Record Period and as at the Latest Practicable Date, we were the authorised distributor of nine, 11, 11 and 11 system vendors in Hong Kong and carried 10, 12, 12 and 12 brands, respectively, in Hong Kong. We, through Synergy CCL, our wholly-owned subsidiary and distribution arm, were the sole authorised distributor of Supplier J and Supplier K, two distinguished system vendors in Hong Kong. The major brands we carried during the Track Record Period include Aruba, Trend Micro and Checkpoint, which are internationally reputable brands of corporate mobility solutions. We provide value-added distribution services including technical advice, presentations, trainings and demonstrations on the features and uses of the products as well as introduction of new products, whilst looking after the logistics, procurement and after-sales requirements of our customers.

- *Resale:* We, as a reseller, purchase hardware and software from upstream suppliers for onward sale to our customers in Macau. Products sold under this business include laptops, licence for window operation system and third party software, which are ordered by customers for their own business needs.

Given the difference in nature of our distribution and resale businesses and in view of their respective operational workflow, we are subject to different levels of business risks in terms of (i) the flexibility in taking product orders; (ii) the flexibility of source of supply; (iii) flexibility on product pricing; and (iv) the availability and level of after-sales services. See "Business — Distribution and resale businesses — Business risks of our distribution and resale businesses" in this document for further details.

COMPETITIVE STRENGTHS

Our principal competitive strengths are:

- We are the leading IT solutions provider in Macau
- We deliver reliable, end-to-end and high quality enterprise IT solutions to our customers
- We have proven ability to develop customised solutions and implement latest innovative technologies as well as cloud-based services to meet the evolving market demand
- We have solid partnership with globally renowned system vendors
- The IT solutions market is experiencing continuous growth, and we are well-positioned to capture growth opportunities and tap into the regional market of the Greater Bay Area
- We have an experienced and visionary management team leading a technical team with a high caliber and a proven track record

BUSINESS STRATEGIES

Our aims are to maintain our leading position in the IT solutions industry, drive our growth and extend our geographical presence. To achieve these objectives, we have formulated the following major business strategies:

- Expanding the portfolio of our enterprise IT solutions projects and strengthening our capacity for undertaking enterprise IT solutions projects of larger contract value
- Capturing business opportunities in the Greater Bay Area by (i) expanding the geographical reach of our enterprise IT solutions business; and (ii) establishing an integrated operational centre for the provision of managed services
- Continuing to strengthen our product and technical development capabilities in order to enrich our solution offering and increase our competitiveness
- Strengthening our sales and marketing initiatives to elevate our corporate profile

OUR CUSTOMERS

During the Track Record Period, we had over 330, 340 and 370 customers, respectively, and attributed to our reliable, end-to-end and high quality solutions, over 230 customers each year during the same periods were recurring customers (i.e. customers which engaged us to provide the solutions and services or purchased from us for more than one financial year during the Track Record Period) during the same periods. By customer nature, under our enterprise IT solutions business, our customers are mainly end-users located in Macau. We also provide services and solutions to intermediaries such as solution companies which outsource the relevant work to us. Under our distribution business, by customer nature, our customers are mainly intermediates such as downstream solution providers or resellers located in Hong Kong. Under our resale business,

our customers are mainly end-users located in Macau, and most of them are existing or previous customers of our enterprise IT solutions business. Our customer portfolio include renowned TMT companies, leading gaming and hotel brands, governmental bodies, education institutions, banks and financial institutions and other commercial customers. Our major customers during the Track Record Period include Galaxy Entertainment Group Limited, Sociedade De Jogos De Macau, S.A. and Melco Resorts & Entertainment Limited, and they, in aggregate, contributed 28.1% and 37.2% of our total revenue in FY2020 and FY2021, respectively. Our strong track record is further evidenced by our established and collaborative relationships with them which spanned from two to over 10 years. The table below sets out a breakdown of our revenue by industry sector of our customers for the Track Record Period:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Banks and Financial Institution	26,852	5.3	45,693	9.6	35,931	6.7
Gaming and Hospitality	183,507	36.5	159,413	33.5	222,037	41.6
Education	17,255	3.4	12,481	2.6	12,172	2.3
Government	36,111	7.2	49,761	10.5	67,441	12.6
TMT *(Note 1)*	219,148	43.6	187,539	39.5	175,753	32.9
Others *(Note 2)*	19,869	4.0	20,421	4.3	20,968	3.9
Total	502,742	100.0	475,308	100.0	534,302	100.0

Notes:

1. "TMT" refers to (i) solution companies which outsource the relevant work to us under our enterprise IT solutions business; (ii) the solution providers and resellers under our distribution business; and (iii) telecommunication companies which are end-users of our services or products.

2. "Others" mainly comprise companies in utility, transportation, retail, aviation, construction and other industries.

The table below sets out a breakdown of our revenue, gross profit and gross profit margin from enterprise IT solutions by customer nature for the Track Record Period:

	FY2019			FY2020			FY2021		
	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*	*%*
End-users	239,883	39,064	16.3	276,703	57,417	20.8	336,746	75,935	22.5
Intermediaries	89,745	15,447	17.2	51,910	15,744	30.3	58,218	13,764	23.6
Total	329,628	54,511	16.5	328,613	73,161	22.3	394,964	89,699	22.7

The table below sets out a breakdown of our revenue, gross profit and gross profit margin from professional IT services by customer nature for the Track Record Period:

	FY2019			FY2020			FY2021		
	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*	*%*
End-users	227,269	38,293	16.8	225,756	45,431	20.1	262,081	56,803	21.7
Intermediaries	66,799	9,929	14.9	23,176	6,344	27.4	27,142	5,148	19.0
Total	294,068	48,222	16.4	248,932	51,775	20.8	289,223	61,951	21.4

The table below sets out a breakdown of our revenue for each of the enterprise IT solutions business and distribution and resale businesses by public and private sector for the Track Record Period:

	FY2019				FY2020				FY2021			
	Enterprise IT solutions		Distribution and resale		Enterprise IT solutions		Distribution and resale		Enterprise IT solutions		Distribution and resale	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Public	28,030	5.6	8,081	1.6	37,980	8.1	11,781	2.5	60,574	11.3	6,858	1.3
Private	301,598	60.0	165,033	32.8	290,633	61.1	134,914	28.4	334,390	62.6	132,480	24.8
Total	329,628	65.6	173,114	34.4	328,613	69.1	146,695	30.9	394,964	73.9	139,338	26.1

The table below sets out a breakdown of gross profit and gross profit margin for each of the enterprise IT solutions business and the distribution and resale businesses by public and private sector for the Track Record Period:

	FY2019				FY2020				FY2021			
	Enterprise IT solutions		Distribution and resale		Enterprise IT solutions		Distribution and resale		Enterprise IT solutions		Distribution and resale	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Public	1,572	5.6	940	11.6	8,374	22.0	1,376	11.7	17,005	28.1	816	11.9
Private	52,939	17.6	30,206	18.3	64,787	22.3	18,976	14.1	72,694	21.7	21,594	16.3
Total	54,511	16.5	31,146	18.0	73,161	22.3	20,352	13.9	89,699	22.7	22,410	16.1

The table below sets out the number of customers for each of the enterprise IT solutions business and the distribution and resale businesses during the Track Record Period:

	FY2019	FY2020	FY2021
	No. of customers	*No. of customers*	*No. of customers*
Enterprise IT solutions *(Note 1)*	219	256	280
Distribution and resale *(Note 2)*	115	93	98
Total	334	349	378

Notes:

1. 145, 164 and 169 customers of the enterprise IT solutions business were also our customers of the distribution and resale businesses in FY2019, FY2020 and FY2021, respectively.

2. Excluding the number of overlapping customers of the enterprise IT solutions business as in Note 1 above.

During the Track Record Period, customers of our enterprise IT solutions business (namely, customers of our professional IT services, managed services and IT maintenance and consultancy services businesses) may also place separate orders on a standalone basis for hardware and software products which are requested by them to fulfil their own business needs. As such, some of our customers of the resale business were also customers of our enterprise IT solutions business. As extended maintenance services may also be provided by our distribution arm in Hong

Kong for products sold under our distribution business, some of our customers of the distribution business were also customers of our IT maintenance and consultancy services business. For further details, see "Business — Our Major Customers" in this document.

We secure contracts of enterprise IT solutions either by way of participation into a tender or submitting a quotation to our customers. Our overall tender success rates for enterprise IT solutions contracts with awarded contract value of HK$1 million or above were 54.2%, 37.1% and 37.2% for FY2019, FY2020 and FY2021, respectively.

We determine the price of our professional IT services, which are mainly project-based, by reference to an estimated cost of completing the project plus our targeted profit margin. We generally adopt a cost-plus pricing approach and we take into account various factors, including (i) the scope and nature of work required to be done or provided; (ii) the complexity and technical requirements of the project; (iii) the cost of hardware and/or software; (iv) staff costs; and (v) duration and scale of the project, in determining the project price. For managed services, the subscription fee we charge comprises lump-sum and/or periodic service fee and/or leasing fee, which are generally determined with reference to the nature of services and the procurement cost of any hardware, equipment or software (if any) required to be leased to our customers during the service period. For IT maintenance and consultancy services, we charge a lump-sum or periodic service fee which is generally determined with reference to the nature, level and scope of services, service duration and staff costs. Under our distribution and resale businesses, we charge our price on a cost-plus basis, which is generally based on the quotation we obtained from our suppliers and our targeted profit margin. Further, under our distribution business, as an authorised distributor of our suppliers, we are required to observe certain restrictions or covenants such as suggested selling price, sales targets or quotas, specified product discounts and/or other standards set by them. For details, see "Business — Pricing Strategy — Distribution and resale businesses" in this document.

Our five largest customers in each year during the Track Record Period collectively accounted for 54.9%, 42.3% and 47.4%, respectively, of our total revenue for FY2019, FY2020 and FY2021. Our largest customer in each year during the Track Record Period accounted for 14.8%, 13.0% and 22.1%, respectively, of our total revenue for the same periods. All of our five largest customers during the Track Record Period were and are Independent Third Parties.

OUR PROJECTS

Contract movements and backlog

The following table sets out the movement of the number of our contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) during the Track Record Period:

	FY2019	FY2020	FY2021
Number of contracts as at 1 January of the relevant year *(Note 1)*	761	867	1,056
Number of new contracts awarded during the year	823	1,622	1,179
Number of contracts completed during the year *(Note 2)*	(717)	(1,433)	(1,140)
Number of contracts as at 31 December of the relevant year *(Note 3)*	867	1,056	1,095

Notes:

1. The number of contracts where the percentage of completion had not reached 100% as at the beginning of the relevant year.

2. The number of contracts where the percentage of completion had reached 100% during the relevant year.

3. The number of contracts where the percentage of completion had not reached 100% as at the end of the relevant year.

4. Save for the managed services project for Customer E (see "Business — Our Projects — Top 10 projects on hand" in this document), the Cotai Casino Expansion Project awarded by Customer D in FY2020 and the managed services project for Customer N awarded in FY2019 which were constituted by more than one contract, all of our projects of enterprise IT solutions as indicated in the above table were constituted by one contract as awarded by the relevant customer.

The following table sets out the movement of backlog (representing our estimate of the contract value of works remains to be completed as at a certain date) of our contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) during the Track Record Period:

	FY2019	**FY2020**	**FY2021**	**During the period from 1 January 2022 up to the Latest Practicable Date**
	HK'000	*HK'000*	*HK$'000*	*HK$'000*
Opening value of backlog as at 1 January of the relevant year/period	120,669	208,896	260,804	270,477
Contract value of new contracts awarded during the year/period	417,854	380,521	404,638	105,246
Revenue recognised during the year/period	(329,627)	(328,613)	(394,965)	(128,733)
Closing value of backlog as at the last date of the relevant year/period	208,896	260,804	270,477	246,990

OUR SUPPLIERS

Our suppliers comprise system vendors, authorised distributors and subcontractors. Under our enterprise IT solutions business, our suppliers are mainly the authorised distributors of the system vendors, and we purchase the products from the authorised distributors of the system vendors for project application. Under our distribution business, our suppliers are mainly system vendors, and we usually make direct purchase from them which engage us as their authorised distributor in a designated geographical region(s). Under our resale business, our suppliers are mainly the authorised distributors of the system vendors, and we purchase the hardware and software from the authorised distributors of the system vendors for resale. We also engage subcontractors to undertake services beyond our service scope, such as cabling, hardware installing and Wi-Fi mounting services, and various manual works which are labour intensive in nature and do not require specialised skills or expertise during project implementation. For details, see "Business —

Subcontracting Arrangement" in this document. We mainly source our supplies from suppliers located in Hong Kong. Our major purchases during the Track Record Period included hardware, IT components, software and software licences.

Under our enterprise IT solutions business, even though a majority of our suppliers were distributors during the Track Record Period, we entered into partnership agreements with the respective system vendors. Under our distribution business, we were the authorised distributor of nine, 11, 11 and 11 system vendors during the Track Record Period and as at the Latest Practicable Date, respectively, and had entered into distribution agreements with them and make direct purchase from them. For a summary of the salient terms of the partnership agreement and distribution agreement entered into between us and the system vendors, see "Business — Our Major Suppliers — Key terms for the agreements with system vendors" in this document.

Our five largest suppliers in each year during the Track Record Period in aggregate accounted for 57.2%, 52.1% and 54.4%, respectively, of our total purchases for FY2019, FY2020 and FY2021. Our largest supplier in each year during the Track Record Period accounted for 20.5%, 21.1% and 14.4% of our total purchases, respectively, for the same periods. All of our five largest suppliers during the Track Record Period were and are Independent Third Parties.

Customers of our professional IT services and resale business settle our payments primarily in MOP whereas customers of our distribution business settle our payments primarily in Hong Kong dollars. Our purchases of supplies are primarily settled in Hong Kong dollars. As the exchange rate for Hong Kong dollars and MOP is pegged, we are not subject to material foreign currency exchange risk.

SUMMARY OF KEY OPERATIONAL AND FINANCIAL INFORMATION

Summary of consolidated statements of profit or loss and other comprehensive income

The following table sets out the selected items of our consolidated statements of profit or loss and other comprehensive income for the Track Record Period which are extracted from the Accountant's Report set out in Appendix I to this document:

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
Revenue	502,742	475,308	534,302
Cost of sales	(417,085)	(381,795)	(422,192)
Gross profit	85,657	93,513	112,110
Selling and distribution expenses	(15,298)	(16,378)	(18,687)
General and administrative expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other income and other net gains	191	3,684	1,234
Reversal of/(provision for) impairment losses on financial assets and contract assets	(1,485)	(569)	(1,278)
Operating profit	29,685	35,004	31,728
Finance income	363	262	765
Finance costs	(978)	(1,116)	(2,491)
Finance costs, net	(615)	(854)	(1,726)
Profit before income tax	29,070	34,150	30,002
Income tax expense	(3,851)	(4,292)	(5,999)
Profit for the year	25,219	29,858	24,003

NON-IFRS MEASURE

To supplement our consolidated financial statements of comprehensive income from the financial statements which are presented in accordance with IFRS, we also use adjusted net profit (defined below) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this measure provides useful information to **[REDACTED]** in understanding and evaluating our Group's consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measure has limitations as an analytical tool, and **[REDACTED]** should not consider them in an isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table sets forth the adjusted net profit and its reconciliations for FY2019, FY2020 and FY2021 to the nearest measures prepared in accordance with IFRS:

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	25,219	29,858	24,003
Add:			
[REDACTED] [(1)]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Interest expenses on financial liability for redeemable rights [(2)]	—	—	1,502
Adjusted net profit for the year	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit margin (non-IFRS measures) [(3)]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) **[REDACTED]** relate to the **[REDACTED]**.

(2) The interest expense on financial liability for redeemable rights relates to the **[REDACTED]**.

(3) We define "adjusted net profit" as profit for the year by adding back **[REDACTED]** and interest expenses on financial liability for redeemable rights. Adjusted net profit margin (non-IFRS measures) is calculated based on the adjusted net profit divided by the revenue for the respective year.

See "Financial Information — Non-IFRS Measure: Adjusted Net Profit" in this document for further details.

Review of historical results of operation

Our revenue decreased by HK$27.4 million or 5.5% to HK$475.3 million for FY2020 from HK$502.7 million for FY2019. The decrease was primarily attributable to the decrease in revenue from our (i) professional IT services by HK$45.1 million, which was due to the adverse impact of COVID-19 outbreak which delayed budget allocations for building or upgrading the IT infrastructure by the operators in the gaming and hospitality sector, according to Frost & Sullivan, with fewer sizable projects commencing in FY2020 as compared to FY2019; (ii) distribution business by HK$4.6 million, which was primarily attributable to the COVID-19 outbreak and the shortage of raw materials for the wireless LAN network products of a particular brand, according to Frost & Sullivan, which in turn, adversely affecting the demand in general for such product; and (iii) resale business by HK$21.9 million, which was primarily attributable to the decrease in sales order for various IT products in Macau. Such decrease was partially offset by the increase in revenue derived from our (a) managed services and lease income by HK$27.7 million, which was

primarily attributable to the increase in the number of managed security services contracts newly awarded by governmental bodies in Macau and the revenue contribution from our managed printing services provided for Customer F and private cloud as a service project provided for Customer E for FY2020; and (b) IT maintenance and consultancy services business by HK$16.4 million, which was mainly attributable to the increase in the number of newly awarded contracts for our IT maintenance and consultancy services. The growth in gross profit was mainly due to the combined effect of (i) an increase in revenue generated from the provision of our managed services resulting from an increase in the number of contracts awarded from governmental bodies for our managed security services from four for FY2019 to 14 for FY2020, while our cost for operating our SOC was relatively stable; (ii) an increase in the revenue contribution from the provision of our IT maintenance and consultancy services mainly due to the increase in the revenue for our maintenance services in relation to the IT products under our distribution business; and (iii) an increase in gross profit margin for our IT maintenance and consultancy services from 27.8% for FY2019 to 31.0% for FY2020. Our net profit increased to HK$29.9 million for FY2020 from HK$25.2 million for FY2019 primarily due to the decrease in cost of sales by HK$35.3 million, partially offset by the decrease in our revenue as discussed above, the increase in finance cost (net) by HK$0.3 million, the increase in income tax expense by HK$0.4 million, the increase in selling and distribution expenses by HK$1.1 million and the increase in general and administrative expenses by HK$5.9 million. For further details, see "Financial Information — Review of Historical Results of Operations — FY2020 compared to FY2019" in this document.

Our total revenue increased by HK$59.0 million or 12.4% to HK$534.3 million for FY2021 from HK$475.3 million for FY2020. The increase was primarily attributable to the increase in revenue generated from our (i) professional IT services by HK$40.3 million, which was due to the extended work and services rendered for the Cotai Casino Expansion Project with Customer D in Cotai (which involved the data network infrastructure and the system storage) caused by the modification of the IT infrastructure design for such project, in which additional contracts were entered into with Customer D for such project during FY2021; (ii) managed services by HK$10.2 million primarily attributable to the provision of the private cloud as a service project for Customer E (which involved the provision of response service and the monitoring of private cloud infrastructure; (iii) IT maintenance and consultancy services by HK$20.3 million, which was contributed by (a) the travel restrictions implemented in response to COVID-19, which in turn stimulated the demand for maintenance services provided by local service providers in Macau from local enterprises in Macau in order to minimise the disruption caused by travel restrictions on the maintenance of their IT system, according to Frost & Sullivan; and (b) webinars and online promotion targeting the small and medium enterprises market in relation to the products of Supplier H and Supplier I during FY2021; and (iv) resale business by HK$1.6 million, which was due to the increase in the number of orders. Such increase was partially offset by the decrease in revenue from our (a) distribution business by HK$8.9 million, which was due to the worldwide semiconductor shortage for the wireless local area network ("**LAN**") products of Aruba, according to Frost & Sullivan and as communicated with the manufacturer of Aruba, which in turn adversely affected the product lead-time in general for such product; and (b) lease income by HK$4.4 million primarily attributable to the decrease in IT equipment being leased to Customer E, which involved the provision of the private cloud service for such customer. Our net profit decreased to HK$24.0 million for FY2021 from HK$29.9 million for FY2020 primarily due to the increase in our selling and distribution expenses by HK$2.3 million, the increase in general and administrative expenses by HK$16.4 million and the increase in income tax expense by HK$1.7 million, partially offset by the increase in our revenue as discussed above. For further details, see "Financial Information — Review of Historical Results of Operations — FY2021 compared to FY2020" in this document.

Our gross loss for our managed services and lease income which amounted to HK$3.1 million for FY2019 was relating to the provision of cybersecurity services through our SOC in FY2019, in which we secured four contracts in the total contract value of HK$2.8 million awarded from governmental bodies in Macau, and due to the relatively limited value of the contracts secured by us and limited number of customers at the start up stage of our SOC, our income recognised during the same period from such services was not large enough to cover our costs of labour, depreciation and network security licence costs incurred for the operation of the SOC. Our gross profit for our managed services and lease income amounted to HK$5.9 million for FY2020 due to (i) the lease income for a service project with Customer E; and (ii) the increase in number of contracts for our managed security services with governmental bodies in Macau from four with total contract value of HK$2.8 million for FY2019 to 14 with total contract value of HK$7.4 million for FY2020, while the cost of labour, depreciation and network security licence costs for operating our SOC were relatively stable during FY2020 compared to FY2019. Our gross profit for our managed services and lease income amounted to HK$9.7 million for FY2021, which was primarily due to (i) the income from the provision of the private cloud as a service project for Customer E (which involved the provision of response service, the monitoring of private cloud infrastructure and the leasing of IT equipment); and (ii) contracts of managed services and lease income in progress mainly with governmental bodies in Macau, Customer E and Customer F, while the cost of labour, depreciation and network security licence costs were relatively stable.

Summary of consolidated statements of financial position

The table below sets out the principal components of our assets and liabilities as at 31 December 2019, 2020 and 2021:

	As at 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Current assets			
Inventories	59,082	39,102	29,994
Deposits and other receivables	1,251	4,767	6,999
Prepayments and contract costs	27,889	26,544	42,564
Finance lease receivables	577	9,100	14,326
Contract assets	37,636	48,540	78,656
Trade receivables	100,765	95,225	188,803
Income tax recoverable	—	—	357
Restricted cash	5,917	5,920	2,925
Cash and cash equivalents	28,510	29,899	14,485
	261,627	259,097	379,109
Current liabilities			
Trade and other payables	112,185	92,735	129,634
Amounts due to shareholders	17,533	16,722	—
Contract liabilities	21,232	29,386	45,324
Lease liabilities	5,209	6,214	6,093
Income tax payable	12,658	14,440	7,267
Borrowings	6,914	8,317	25,522
	175,731	167,814	213,840
Net current assets	85,896	91,283	165,269

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Property, plant and equipment	11,906	12,508	10,858
Right-of-use assets	8,610	7,707	9,116
Intangible assets	304	917	2,422
Deferred tax assets	408	506	839
Finance lease receivables	534	13,618	12,652
Contract assets	871	3,625	6,318
Deposits	5,042	4,390	3,899
Prepayments and contract costs	12,766	16,072	10,904
	40,441	59,343	57,008
Non-current liabilities			
Borrowings	8,378	7,073	5,933
Lease liabilities	4,584	3,964	3,983
Financial liability for redeemable rights	—	—	37,900
Contract liabilities	4,092	6,600	5,578
	17,054	17,637	53,394
Net assets	109,283	132,989	168,883

Our Group's net current assets increased to HK$91.3 million as at 31 December 2020 from HK$85.9 million as at 31 December 2019, which was primarily attributable to the decrease in current liabilities of HK$7.9 million. Such decrease in current liabilities was primarily due to the decrease in trade and other payables of HK$19.5 million which was generally in line with the decline of our revenue during FY2020. The effect was partially offset by (i) the increase in contract liabilities of HK$8.2 million attributable to an increase in our number of contracts in progress; and (ii) the decrease in current assets of HK$2.5 million. Our net assets increased to HK$133.0 million as at 31 December 2020 from HK$109.3 million as at 31 December 2019, which was primarily due to the increase in reserves of HK$23.7 million. Such increase in reserves was attributable to the increase of total comprehensive income for the year to HK$30.1 million for FY2020 from HK$25.2 million for FY2019, the decrease in dividends declared to HK$2.0 million for FY2020 from HK$2.9 million for FY2019 partially offset by the increase in deemed distribution to shareholders to HK$4.4 million for FY2020 from HK$10,000 for FY2019.

Our Group's net current assets further increased to HK$165.3 million as at 31 December 2021, which was primarily attributable to the increase in current assets of HK$120.0 million. Such increase was primarily due to (i) the increase in prepayments and contract costs of HK$16.0 million attributable to the increase in the prepayment to suppliers in relation to our inventories; and (ii) the increase in contract assets of HK$30.1 million attributable to the provision of the professional IT service with Customer E involving the data networking, in which our Group had performed obligation but was yet to issue invoice to such customer; and (iii) the increase in trade receivables of HK$93.6 million due to the unsettled invoices which involved the Cotai Casino Expansion Project with Customer D in Cotai relating to the data network infrastructure and the system storage, partially offset by the decrease in inventories of HK$9.1 million attributable to the delivery of our inventories for the Cotai Casino Expansion Project with Customer D and the increase in current liabilities of HK$46.0 million. Such increase in current liabilities was primarily due to (i) the increase of trade and other payables of HK$36.9 million due to the procurement of inventories from Supplier E in relation to hardware and software products; (ii) the increase in contract liabilities of HK$15.9 million due to the provision of our IT maintenance and consultancy

services with Customer D and Customer N; and (iii) the increase of borrowings of HK$17.2 million, partially offset by the decrease in amounts due to shareholders of HK$16.7 million. Our net assets increased to HK$168.9 million as at 31 December 2021 from HK$133.0 million as at 31 December 2020, which was primarily due to the increase in share premium to HK$48.1 million for FY2021 from nil for FY2020 pursuant to the **[REDACTED]**, partially offset by the decrease in total comprehensive income for the year to HK$24.2 million for FY2021 from HK$30.1 million for FY2020 and the increase in recognition of redemption of liability with one of the **[REDACTED]**, namely DHQ, to HK$36.4 million for FY2021 from nil for FY2020.

Summary of consolidated statements of cash flows

The table below sets out the selected items of our key consolidated cash flows for the Track Record Period:

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	40,489	45,957	45,694
Changes in working capital	(6,959)	(23,108)	(82,297)
Income tax paid	(463)	(2,742)	(13,863)
Income tax refunded	—	134	—
Interest received	—	—	736
Net cash generated from/(used in) operating activities	33,067	20,241	(49,730)
Net cash used in investing activities	(2,916)	(5,061)	(5,095)
Net cash (used in)/generated from financing activities	(18,801)	(14,007)	39,371
Net (decrease)/increase in cash and cash equivalents	11,350	1,173	(15,454)
Effect on exchange difference	(6)	216	40
Cash and cash equivalents at beginning of year	17,166	28,510	29,899
Cash and cash equivalents at end of year	28,510	29,899	14,485

Our cash and cash equivalents remained stable for FY2019 and FY2020. Our cash and cash equivalents decreased to HK$14.5 million for FY2021 from HK$29.9 million for FY2020 due to the increase in net cash used in operating activities.

For FY2021, our Group had net cash used in operating activities of HK$49.7 million. Our net cash outflow was primarily attributable to cash used in operations of HK$36.6 million and income tax paid of HK$13.9 million, adjusted by reconciliation of certain non-cash items of HK$15.7 million and negative changes in working capital, which mainly included (a) an increase in contract assets of HK$32.8 million due to the provision of the professional IT service to Customer E involving data networking, in which our Group had performed obligation but has yet to issue invoice to such customer; and (b) an increase in trade receivables of HK$94.8 million due to the unsettled invoices for the Cotai Casino Expansion Project with Customer D relating to data network infrastructure and system storage; partially offset by (i) an increase in contract liabilities of HK$14.9 million due to the provision of our IT maintenance and consultancy services with Customer D and Customer N; and (ii) an increase in trade and other payables of HK$36.9 million due to the procurement of inventories from Supplier E in relation to hardware and software products.

We will endeavour to monitor our cash outflow and enhance our liquidity position for the year ending 31 December 2022 with the following measures:

(i) our account managers will align the cash collection cycle of our customers and payment cycle of suppliers to achieve that the expected operating cash inflow will not exceed the expected operating cash outflow;

(ii) for projects which will require significant procurement of raw materials or projects of a longer project duration, we will carefully review and negotiate the payment terms with our customer with reference to our then cash position and projected capital commitment, and may require prepayments or deposits from customers, make procurement orders only after the customer providing the required payments, and request payment of installments at shorter intervals, to manage our exposure;

(iii) without compromising the quality of the supplies, we will expand our list of suppliers and negotiate with our suppliers for an extended credit period with reference to the agreed project milestones and payment terms of our customers in order to minimise the occurrence of any cash flow mismatch arising from the time lag between our payment to suppliers and receipt of payment from customers; and

(iv) we will further enhance our effort in monitoring outstanding trade receivables and managing our exposure arising therefrom. See "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade receivables" in this document for further details.

In addition, as at 30 April 2022, we had unutilised available credit facilities of HK$23.8 million. We will continue to carefully assess and ensure that we will have sufficient financial resources (including our cash and cash equivalents, working capital and operating cash flow forecasts) to support our operations. Where necessary, we can further strengthen our cash position by utilising our available credit facilities.

KEY FINANCIAL RATIOS

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

	For each of the year ended 31 December		
	2019	**2020**	**2021**
Gross profit margin (%)[(1)]	17.0%	19.7%	21.0%
Net profit margin (%)[(2)]	5.0%	6.3%	4.5%
Return on equity (%)[(3)]	23.1%	22.5%	14.2%
Return on total assets (%)[(3)]	9.4%	9.6%	6.4%

	As at 31 December		
	2019	**2020**	**2021**
Current ratio (times)[(3)]	1.5	1.5	1.8
Gearing ratio (times)[(3)]	0.1	0.1	0.2
Net debt to equity ratio (times)[(3)]	N/A	N/A	0.1

Notes:

(1) Gross profit margin for FY2019, FY2020 and FY2021 was calculated on gross profit divided by turnover for the respective year/period. See "Financial Information — Review of Historical Results of Operation" in this document for more details on our gross profit margins.

(2) Net profit margin for FY2019, FY2020 and FY2021 was calculated on profit for the year divided by turnover for the respective year. See "Financial Information — Review of Historical Results of Operation" in this document for more details on our net profit margins.

(3) For the calculation of other key financial ratios, see "Financial Information — Key Financial Ratios" in this document.

[REDACTED]

We have prepared the following **[REDACTED]** on the basis of hypothetical **[REDACTED]** without taking into account the 1% brokerage fee, 0.0027% SFC transaction levy, 0.005% Stock Exchange trading fee and Financial Reporting Council transaction levy of 0.00015%. We have also assumed no exercise of the **[REDACTED]**.

	Based on [REDACTED] per Share of HK$[REDACTED]	Based on [REDACTED] per Share of HK$[REDACTED]
[REDACTED] of our Shares *(Note 1)*	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited pro forma net tangible asset value per Share *(Note 1 and Note 2)*	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) Based on **[REDACTED]** Shares expected to be in issue immediately following the completion of the **[REDACTED]** (excluding any Shares which may be issued under the **[REDACTED]** and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme).

(2) After adjustment referred to in "Unaudited Pro Forma Financial Information" in Appendix II to this document.

DIVIDEND

During the Track Record Period, no dividend had been paid or declared by our Company since its date of incorporation. The dividends declared by one of the operating subsidiaries now comprising our Group were MOP3.0 million (equivalent to HK$2.9 million) and MOP2.1 million (equivalent to HK$2.0 million) for FY2019 and FY2020, respectively.

We may distribute dividends by way of cash or by other means that we consider appropriate. Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Act, and our Articles which also requires the approval of our Shareholders. In addition, any final dividend for a financial year will be subject to our Shareholders' approval. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital requirements and other relevant factors. See "Financial information — Dividend" in this document for further details. Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]** of HK$**[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range), after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]** and assuming no exercise of the **[REDACTED]**. We currently intend to apply these **[REDACTED]** in the following manner:

- **[REDACTED]**% or HK$**[REDACTED]** for wholly or partly funding the upfront costs (excluding the staff cost) of two enterprise IT solutions projects with estimated contract value of HK$[131.8] million in aggregate and estimated commencement date in mid-2022;
- **[REDACTED]**% or HK$**[REDACTED]** for capturing business opportunities in the Greater Bay Area, among which (i) **[REDACTED]**% or HK$**[REDACTED]** for expanding the geographical reach of our enterprise IT solutions business by the establishment of sales and operational teams in Hengqin and Nansha; and (ii) **[REDACTED]**% or HK$**[REDACTED]** for establishing an integrated operational centre for the provision of managed services in Hengqin;
- **[REDACTED]**% or HK$**[REDACTED]** for strengthening our product development capabilities by pursuing strategic partnership with companies or businesses with strong product innovation capabilities, expanding the scale of our product development team and funding the required minimum injection of capital resources for the research and development laboratory jointly established with the University of Macau (UM) and the research and development projects pursuant to the framework cooperation agreement signed with it on 3 February 2021; and
- **[REDACTED]**% or HK$**[REDACTED]** for our working capital and general corporate purposes.

For details, see "Future Plans and Use of **[REDACTED]**" in this document. If the **[REDACTED]** is fixed at HK$**[REDACTED]** per **[REDACTED]**, being the higher end of the indicative **[REDACTED]** range, the **[REDACTED]** will be increased to HK$**[REDACTED]**. If the **[REDACTED]** is fixed at HK$**[REDACTED]** per **[REDACTED]**, being the lower end of the indicative **[REDACTED]** range, the **[REDACTED]** will be reduced to HK$**[REDACTED]**. Under such circumstances, we intend to increase or decrease, respectively, the **[REDACTED]** from the **[REDACTED]** to be used for the above purposes on a pro-rata basis.

[REDACTED]

Our **[REDACTED]** mainly comprise **[REDACTED]** commissions and professional fees paid and payable to the **[REDACTED]** (for itself and on behalf of other **[REDACTED]**), the Sole Sponsor, legal advisers and the reporting accountant, among others, for their services rendered, in relation to the **[REDACTED]** and the **[REDACTED]**. As at 31 December 2021, we had incurred **[REDACTED]** of HK$**[REDACTED]**, of which HK$**[REDACTED]** will be accounted for as a deduction in equity and HK$**[REDACTED]** we had recorded as **[REDACTED]**. We expect to incur further **[REDACTED]** amounting to HK$**[REDACTED]**, of which HK$**[REDACTED]** is expected to be accounted for as a deduction in equity and the remaining HK$**[REDACTED]** is expected to be recorded as expenses for the year ending 31 December 2022. The total amount of **[REDACTED]** incurred and expected to be incurred by us would be HK$**[REDACTED]**, which represented **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range and the **[REDACTED]** is not exercised). Such **[REDACTED]** comprised **[REDACTED]** of HK$**[REDACTED]** and **[REDACTED]** of HK$**[REDACTED]**, which included (i) professional fees paid and payable to the Sole Sponsor, legal advisers and the reporting accountant of HK$**[REDACTED]**, and (ii) fees paid and payable to other working parties and other expenses in relation to the **[REDACTED]** and the **[REDACTED]** of HK$**[REDACTED]**. For details, see "Financial Information — **[REDACTED]**" in this document.

HIGHLIGHTS OF RISK FACTORS

Our business faces risks including those set out in "Risk Factors" in this document. We believe that the following are some of the major risks that may have a material adverse effect on us:

- A majority of our contracts are non-recurring in nature, which creates uncertainty as to our future revenue streams. Therefore, our financial performance may fluctuate from period to period.
- Our future operations, working capital and cashflow position may be adversely affected if our customers fail or delay to settle the payment due to us or we fail to bill all or any part of our contract assets.
- Our failure to fulfil our obligations in respect of contract liabilities may materially and adversely affect our liquidity and financial position.
- We have recorded net operating cash outflow for FY2021.
- We may need to recognise impairment loss on our prepayments and contract costs, which could adversely affect our financial position.
- We may not receive full and/or timely payment of our finance lease receivables, which could adversely affect our financial position.
- Some of our major customers are operating in TMT, gaming and hospitality and public sectors and our business activities are concentrated in Macau. Therefore, we are exposed to the deterioration in the financial condition of our major customers as well as any adverse economic or social conditions in the region.
- We may encounter cost overruns or delays in our projects of enterprise IT solutions, which may materially and adversely affect our business and financial position.

NON-COMPLIANCE

During the Track Record Period, BoardWare Macau committed late filing of the tax returns for FY2019 contrary to the requirement under the Complementary Income Tax Regulation. As advised by our Macau Legal Advisers, BoardWare Macau is subject to a maximum fine of MOP10,000 in respect of each of the aforesaid late tax filings. On 14 April 2021, BoardWare Macau took the initiative to submit the relevant tax returns to the Macau Financial Services Bureau. We had made provision in the amount of MOP3.0 million (equivalent to HK$2.9 million, respectively) for the estimated complementary tax to be payable for FY2019. As at the Latest Practicable Date, the MFSB had issued the tax demand notices to BoardWare Macau for payment of complementary tax for FY2019 and FY2020; and BoardWare Macau had fully settled such tax payments as prescribed by MFSB.

During FY2019 and FY2020, BoardWare ZH did not fully make social insurance and housing provident fund contributions according to the PRC Social Insurance Law《中華人民共和國社會保險法》and the Regulations on the Administration of Housing Provident Fund《住房公積金管理條例》. We have made provisions of RMB337,664 (equivalent to HK$405,197) in respect of the unpaid amount of social insurance contributions and housing provident fund as at 31 December 2020 and no further provision was made for FY2021. As at 31 December 2021, we had made payments in the aggregate amount of RMB298,164 (equivalent to HK$357,796) for settlement of the social insurance and housing provident fund contributions as required by local governmental authorities.

For details of the above non-compliance incidents, see "Business — Compliance and Legal Proceedings — Legal compliance" in this document.

RECENT DEVELOPMENTS

Impact of COVID-19

According to the F&S Report, the IT solutions industry in Macau and Hong Kong has been negatively affected by the slowdown in economic growth and the temporary suspension of business activities as a result of the COVID-19 outbreak. In particular, the IT solutions market in Macau had been negatively affected by the outbreak and prolonged impact of COVID-19. For further details of the risk relating to COVID-19, see "Risk Factors — Risks relating to Our Business — The outbreak of COVID-19 may adversely affect our business and financial position if the epidemic persists" in this document.

During 2020, being the first year of the COVID-19 outbreak, as with other Macau enterprises, we suspended our office operation in Macau for a period of two weeks as a number of our staff were unable to return to Macau and resume work following the Chinese New Year holiday due to border control by the Macau government. Further, there were mandatory quarantine requirement and travel restrictions in Macau to contain the spread of the virus which have inevitably disrupted business operations, supply chains and workforce availability in Macau generally. Against this background, we experienced a slight decrease in our revenue from HK$502.7 million for FY2019 to HK$475.3 million for FY2020. Such decrease was mainly attributable to the decrease in revenue from our resale business, which in turn was caused by the decrease in purchase order for various IT products in Macau due to COVID-19 as our customers may have delayed their budget for IT development and purchase of IT products following the suspension of their construction and/or renewal projects, as discussed below.

In addition, due to the temporary closure of border which to a certain extent affected the supply of construction workers and hence the construction activities and travel demand in Macau, and the prolonged impact of COVID-19 on Macau's economy and market sentiment, some operators in the gaming and hospitality sector delayed their expansion or development plans or delayed budget allocations for building or upgrading IT infrastructure which had an adverse impact on our business in Macau. In particular, casino operators were requested by the Macau government to suspend their business operations for a period of 15 days from 5 to 19 February 2020. As a result of the foregoing, the delivery of our inventories and the project implementation phase for the enterprise IT solutions projects with Customer D in relation to the Cotai Casino Expansion Project, Customer E in relation to the Surveillance Network Project, and Customer G in relation to the Resort Complex Project, had been delayed in the first half of FY2020. Revenue recognised from these three projects in aggregate amounted to HK$36.5 million for FY2020, representing 7.7% of our total revenue for FY2020. Our gross profit derived from these three projects amounted to HK$5.6 million for FY2020 with a gross profit margin of 15.2%. We had from time to time communicated with these customers regarding the delay and updates in project schedules. To the best knowledge and belief of our Directors, there was no material impact on the recognition of revenue attributed to the relevant work under such projects for FY2020 because these three projects resumed to normal in the second half of FY2020 and revenue generated from the relevant work under these three projects was recognised in FY2020. The average lower gross profit margin from such projects for FY2020 compared to our overall gross profit margin of professional IT services of 20.8% for the same year was mainly attributed to the nature of work (such as the delivery of inventories for the Cotai Casino Expansion Project and hardware installation for the Surveillance Network Project) required according to the relevant project requirements under two of such projects at that time, which were pre-agreed when the contract was entered into, and was not materially affected by the outbreak of COVID-19, except for the delayed timing of delivery of

such work as mentioned in the preceding paragraph in this section. As such, our Directors are of the view that such delays in these three projects did not result in any material impact on our revenue and gross profit margin. For details, see "Financial Information — Review of Historical Results of Operation — FY2020 compared to FY2019" in this document. Save as disclosed above, to the best information and knowledge of our Directors, none of our major customers or suppliers during the Track Record Period had suspended their operations due to COVID-19. Our Directors do not foresee any material adverse impact on the estimated revenue or profit to be recognised from the delayed enterprise IT solutions projects in FY2021. Although the COVID-19 pandemic has been largely controlled in Macau, there was another outbreak of COVID-19 in Macau in August 2021. In August 2021, the Macau government imposed travel restrictions and implemented a citywide testing blitz for all residents. To the best knowledge and belief of our Directors after making reasonable enquiries, the impact of the outbreak of COVID-19 in Macau in August 2021 on our financial position and results of business operations is minimal.

In addition, apart from the delay in the above enterprise IT solutions projects, we believe COVID-19 had an impact on the value of new contracts of enterprise IT solutions obtained by us during FY2020 and FY2021 and the revenue derived from such projects. While the number of new contracts obtained by us increased from 823 in FY2019 to 1,622 in FY2020, the total contract value of such new contracts decreased from HK$417.9 million in FY2019 to HK$380.5 million in FY2020. This was primarily attributable to the decrease in the number of large-scale projects from customers in the gaming and hospitality sector handled by our Group in FY2020, as some of these customers had postponed their development plans in light of COVID-19 as discussed above. The revenue recognised from newly awarded contracts of enterprise IT solutions with awarded contract value of over HK$1 million or above contributed to 35.6% of our total revenue in FY2020, as compared to 43.9% in FY2019. For FY2021, the revenue recognised from newly awarded enterprise IT solutions contracts with awarded contract value of over HK$1 million or above contributed to 35.2% of our total revenue for such period.

Save as disclosed in the paragraphs above, our business relationship with customers and suppliers were not materially affected by the outbreak of COVID-19. We did not experience any cancellation of purchase orders or contracts from customers nor material interruption or delay in delivery of supply from our suppliers due to COVID-19. We have implemented prevention and control measures at our offices in Macau, Hong Kong and the PRC such as providing face masks and sanitiser to our employees and requiring them to undergo mandatory temperature checks. In case if any of our employees contracted or is suspected to have contracted COVID-19, they are to report the same to our management and be prohibited from returning to our offices. From 1 January 2022 up to the Latest Practicable Date, to the best knowledge, information and belief of our Directors, there were 11 confirmed cases of COVID-19 among the staff at our office in Hong Kong. In light of the recent outbreak of COVID-19 in Hong Kong, we have adopted special work arrangements such that our staff in our Hong Kong office work on rotation and they are required to take COVID-19 test before returning to our office in Hong Kong. As at the Latest Practicable Date, travel restrictions in Macau had been gradually eased and visitation to Macau had also been slowly picking up. According to the F&S Report, since 12 August 2020, the PRC has resumed issuing tourist visas for visitors, including individual residents and group tours, to travel to Macau and Zhuhai. The visitor arrivals in Macau increased from 5.9 million in 2020 to 7.7 million in 2021, according to F&S. It is expected that the recovery of tourism and general increase in market demands would revive the gaming and hospitality sector in Macau; and the nominal GDP of Macau is expected to increase at a CAGR of 16.1% from 2022 to 2026, according to F&S. For further information on the recovery of the Macau IT solutions market after 2020, see "Industry Overview — Market Size of Enterprise IT Solutions in Macau" in this document. Following dozens of locally transmitted cases of COVID-19 discovered on 18 June 2022, Macau saw its latest outbreak of COVID-19 in eight months. The Macau government instituted mass COVID-19 testing among

the population and border restrictions have been tightened. As at the Latest Practicable Date, to the best knowledge, information and belief of our Directors, there is no confirmed case of COVID-19 among the staff at our office in Macau and we have not experienced any cancellation of purchase orders or contracts from our major customers in Macau nor any material interruption or delay in the delivery of supply from our suppliers as a result of this recent outbreak. Whilst the IT solutions industry in Macau and Hong Kong has been negatively affect by the slowdown in economic growth and the temporary suspension of business activities as a result of the COVID-19 outbreak as discussed above, as vaccines roll out globally with a rising vaccination rate, it is expected that the virus would be effectively contained, which lays the foundation for a resurgence of the Macau and Hong Kong markets. Our Directors believe that we had already navigated the most difficult time of Macau caused by COVID-19, as demonstrated by our revenue attributable to Macau which increased from HK$349.9 million in FY2020 to HK$405.5 million in FY2021; and our total revenue and gross profit have improved from HK$475.3 million in FY2020 to HK$534.3 million in FY2021, and HK$93.5 million to HK$112.1 million, respectively. As at the Latest Practicable Date, we had a closing value of backlog of HK$247.0 million, demonstrating the sustainability of our business. See "Other recent developments" below for further details. Save as disclosed in the paragraphs above and for reasons disclosed above, our Directors are of the view that the outbreak of COVID-19 did not result in any material impact on our Group's operation and financial performance.

To the best knowledge and belief of our Directors after making reasonable enquiries, the impact of the outbreak of COVID-19 on our financial position and results of business operations has been temporary and minimal and our Directors estimate that our Group will be able to maintain its financial viability for at least the following 12 months, assuming our Group is able to obtain the **[REDACTED]** from the **[REDACTED]** and carry out its future plans as explained in the "Future Plans and Use of **[REDACTED]**" in this document.

Other recent developments

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had secured 353 new contracts of enterprise IT solutions with a total awarded contract value of HK$105.2 million, and recognised revenue from completed contracts or contracts in progress in the amount of HK$128.7 million for the same period. As at the Latest Practicable Date, we had a total of 1,040 contracts of enterprise IT solutions and a closing value of backlog of HK$247.0 million, as compared with the closing value of HK$270.5 million as at 31 December 2021. For further details, see "Business — Our Projects" in this document. Further, subsequent to the Track Record Period, we secured a professional IT services project in Guangdong with a contract value of HK$9.0 million pursuant to which we would provide hardware installation and technical support services to an intelligent system solution provider in the PRC for its project with the Guangdong Province People's Hospital. For further details, see "Business — Our Business Strategies" in this document. Coupled with the recovery of tourism and general increase in market demands in Macau as discussed above and our planned expansion in the Greater Bay Area, our Directors consider that we would be able to secure additional enterprise IT solution contracts in the financial year ending 31 December 2022 and capture further business opportunities in Macau. Our Group would continue to pursue suitable tenders for enterprise IT solution projects both in Macau and in the Greater Bay Area. Accordingly, our Directors believe that the contracts on hand are sufficient to provide a solid foundation for our business and support our organic growth and that our business is sustainable and will continue to develop in the long-run.

Overall, there was no material change in our business, revenue model and cost structure subsequent to the Track Record period and up to the Latest Practicable Date. Save for the **[REDACTED]**, our Group did not have any significant non-recurring items in its consolidated statement of profit or loss and other comprehensive income subsequent to the Track Record Period.

To the best knowledge, information and belief of our Directors, save for the impact of COVID-19 as disclosed in the paragraphs above, up to the Latest Practicable Date, there is no material change to the market condition which would materially affect the operation or performance of our principal business. Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since 31 December 2021, being the date to which our latest audited financial statements were prepared, and there was no event since 31 December 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this document.

[REDACTED]

For the long-term business development of our Group, on 23 March 2021, each of DHQ and Kallo, as our **[REDACTED]**, entered into a subscription and purchase agreement with Tai Wah and our Company for the subscription and purchase of an aggregate of 1,890 Shares, which represented approximately 17.0% of the total issued share capital of our Company prior to the **[REDACTED]** and the **[REDACTED]**. DHQ is an investment company and a wholly-owned subsidiary of 珠海大橫琴集團有限公司 (Zhuhai Da Heng Qin Group Limited*) ("**Zhuhai DHQ Group**"). Zhuhai DHQ Group is in turn owned by 珠海市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government*) and 廣東省財政廳 (Department of Finance of Guangdong Province*) as to 90% and 10%, respectively. Zhuhai DHQ Group focuses on managing the state-owned assets of the Heng Qin New District government and DHQ is its principal operating arm for conducting and managing investments outside of the PRC. Kallo is an investment holding company owned by Mr. Chui Sai Peng Jose and his two sons, namely Mr. Chui Derek Tinyol and Mr. Chui Calvin Tinlop (the "**Chui Family**"), as to 60%, 20% and 20%, respectively. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as an investment vehicle of the Chui Family, Kallo has an investment portfolio covering various companies established in Macau and the Greater Bay Area. For further details of the identity and background of our **[REDACTED]**, see "History, Reorganisation and Corporate Structure — **[REDACTED]**" in this document.

SHAREHOLDER INFORMATION

Controlling Shareholders

Immediately following completion of the **[REDACTED]** and **[REDACTED]**, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** and any options that may be granted under the Share Option Scheme), Mr. Chao, through Tai Wah (a company wholly-owned by him), will own **[REDACTED]**% interest in the enlarged issued share capital of our Company and Mr. Chao and Tai Wah will be a group of Controlling Shareholders after **[REDACTED]**. Save as mentioned above, there is no other person who will, immediately following completion of the **[REDACTED]**, and without taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** and any options that may be granted under the Share Option Scheme, be directly or indirectly interested in more than 30% or more of the Shares in issue. For details, see "Relationship with our Controlling Shareholders" in this document.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"Accountant's Report"	the accountant's report of our Group as set out in Appendix I to this document
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted on 20 June 2022 which will become effective upon **[REDACTED]** and as amended, supplemented or modified from time to time, a summary of which is set out in Appendix III to this document
"Board of Directors" or "Board"	the board of Directors
"BoardWare HK"	BoardWare Information System (HK) Limited (博維資訊系統(香港)有限公司) (formerly known as BoardWare Information System Limited (博維資訊系統有限公司)), a company incorporated in Hong Kong with limited liability on 30 March 2017 and an indirect wholly-owned subsidiary of our Company
"BoardWare Macau"	BoardWare Information System Limited (博維資訊系統有限公司), a company incorporated in Macau with limited liability on 21 April 2003 and an indirect wholly-owned subsidiary of our Company
"BoardWare BVI (I)"	BoardWare (BVI) Holdings Limited, a company incorporated in the BVI with limited liability on 19 February 2021 and a direct wholly-owned subsidiary of our Company
"BoardWare BVI (II)"	BW (BVI) Holdings Limited, a company incorporated in the BVI with limited liability on 19 February 2021 and a direct wholly-owned subsidiary of our Company
"BoardWare GZ Branch"	珠海博维网络信息有限公司广州分公司 (Zhuhai BoardWare Network Information Limited Guangzhou Branch*), branch office of BoardWare ZH in Guangzhou, the PRC established on 20 May 2020
"BoardWare NS"	广州博维网络信息有限公司 (Guangzhou BoardWare Network Information Limited*), a wholly foreign-owned enterprise established under the laws of the PRC on 8 January 2021 in Guangzhou, the PRC and an indirect wholly-owned subsidiary of our Company
"BoardWare ZH"	珠海博维网络信息有限公司 (Zhuhai BoardWare Network Information Limited*) (formerly known as 珠海博维网络信息谘询有限公司 (Zhuhai BoardWare Network Information Consulting Limited*), a wholly foreign-owned enterprise established under the laws of the PRC on 20 November 2014 in Zhuhai, the PRC and an indirect wholly-owned subsidiary of our Company

"Business Day"	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

[REDACTED]

"Cayman Companies Act" or "Companies Act"	the Companies Act, (as revised) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time

[REDACTED]

[REDACTED]

"China", "PRC", "Mainland China" or the "People's Republic of China"	the People's Republic of China, and for the purpose of this document only, excludes, Hong Kong, Macau and Taiwan
"Companies (WUMP) 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
"Companies Ordinance" or "Hong Kong Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	BoardWare Intelligence Technology Limited (博維智慧科技有限公司), a company incorporated in the Cayman Islands on 18 February 2021 as an exempted company with limited liability and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 June 2021
"connected person(s)" or "core connected person(s)"	has the meaning given to it under the Listing Rules
"connected transaction(s)"	has the meaning given to it under the Listing Rules
"Controlling Shareholder(s)"	has the meaning given to it under the Listing Rules and, unless the context otherwise requires, refers to Tai Wah and Mr. Chao, or any of them
"Cotai Casino Expansion Project"	projects awarded by Customer D in relation to the design and deployment of data network infrastructure, surveillance network extension and server and storage systems for an integrated resort operator in Cotai, Macau

"Customer A"	one of our five largest customers during the Track Record Period. It is a group of companies engages in the provision of telecommunications and related services; interactive pay-TV services and over-the-top digital media entertainment services; investments in, and development of, systems integration, network engineering and information technology-related businesses; and development and management of premium-grade property and infrastructure projects and premium-grade property investments
"Customer B"	one of our five largest customers under the enterprise IT solutions business during FY2020. It is a group of companies engages in the provision of information and communication technologies and telecommunication network services in Hong Kong
"Customer C"	one of our five largest customers during FY2019 and FY2020. It is a group of companies engages in the provision of information and communications technology services
"Customer D"	one of our five largest customers during the Track Record Period. It engages in the business of resorts, hospitality and gaming
"Customer E"	one of our five largest customers during FY2020 and FY2021. It is a developer, owner and operator of integrated resort facilities in Asia and Europe
"Customer F"	one of our five largest customers during the Track Record Period. It conducts casino gaming operations and gaming-related activities in Macau
"Customer G"	one of our five largest customers during FY2019. It engages in the development of leisure and entertainment integrated resort facilities in Macau
"Customer H"	one of our customers among our top five projects for enterprise IT solutions in terms of recognised revenue during FY2019. It engages in the business of gaming and entertainment
"Customer J"	one of our five largest customers under the distribution and resale businesses in FY2019 and FY2020. It is a provider of IT security solutions and consultancy services in Hong Kong
"Customer K"	one of our five largest customers under the distribution and resale businesses in FY2019. It is one of the leading integrated telecommunications services providers in Macau, offering a range of professional telecommunication services including mobile, fixed telephone network, broadband and enterprise solutions

"Customer L"	one of our five largest customers under the distribution and resale businesses in FY2020 and FY2021. It engages in the sale of computer products and solutions and provision of IT hardware (including installation and maintenance services) and software services (including software development, consultancy and professional services)
"Customer M"	one of our customers among our top five projects for enterprise IT solutions in terms of recognised revenue during FY2021. It is a subsidiary of a company listed on the Main Board of the Stock Exchange. It is a developer and operator of integrated entertainment resorts located on the Macau Peninsula and in Cotai and holds one of the six gaming concessions/subconcessions to operate casinos in Macau
"Customer N"	one of our five largest customers under the enterprise IT solutions business during FY2021. It is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange. This group of companies primarily engage in the provision of wireline and mobile telecommunications services, Internet access services, information services and other value-added telecommunications services in the PRC
"Customer O"	one of our customers among our top five projects for enterprise IT solutions in terms of recognised revenue during FY2021. It is a limited liability company incorporated in the PRC, which primarily engages in the business of software development
"Customer Q"	one of our five largest customers under the distribution and resale businesses during FY2021. The company is a solution provider and system supplier in Hong Kong
"Customer R"	one of our customers among our top 10 enterprise IT solutions projects on hand. It is a public utility company supplying electricity in Macau
"Customer S"	one of our customers among our top five projects for enterprise IT solutions in terms of recognised revenue during FY2021. The company provides marketing and brand management services for enterprises in Macau
"Customer T"	one of our five largest customers during FY2021. It is a digital technology solution and managed service provider in Hong Kong
"Customer U"	one of our five largest customers under the enterprise IT solutions business during FY2021. It is a regulatory institution in Macau which supervises monetary and financial operations

"Customer V"	one of our customers among our top 10 enterprise IT solutions projects on hand. It is a solution provider and system integrator in the intelligent systems industry in the PRC
"Deed of Indemnity"	the deed of indemnity dated 24 June 2022 given by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in "Statutory and General Information — E. Other Information — 1. Tax and other indemnities" in Appendix IV to this document
"DHQ"	DA HENG QIN (MACAU) LIMITADA (大橫琴(澳門)有限公司) (formerly known as DA HENG QIN (MACAO) DEVELOPMENT CORPORATION LIMITED (大橫琴(澳門)發展一人有限公司)), a company incorporated in Macau with limited liability on 3 December 2019. DHQ is an Independent Third Party and a **[REDACTED]**. For further details, see "History, Reorganisation and Corporate Structure — **[REDACTED]**" in this document
"Director(s)"	the director(s) of our Company
"EIT"	enterprise income tax of the PRC
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) promulgated on 16 March 2007, as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions, including but not limited to, serious public disruption of public transport services, extensive flooding, major landslides or large-scale power outage after super typhoons as announced by the government of Hong Kong
"Frost & Sullivan" or "F&S"	Frost & Sullivan Limited, an Independent Third Party and an independent market research expert
"F&S Report"	the market research report on the IT solutions market in Macau, Hong Kong and the Greater Bay Area prepared by Frost & Sullivan and commissioned by us
"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021

[REDACTED]

"Greater Bay Area"	the Guangdong-Hong Kong-Macau Greater Bay Area, which comprises the two Special Administrative Regions of Hong Kong and Macau, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in the Guangdong Province, the PRC, with a total area of 56,000 km^2

[REDACTED]

"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (or before such associated companies of our Company), the business operated by such subsidiaries or their predecessors (as the case may be)
"Hengqin"	a city in Zhuhai and a special economic zone in Guangdong Province of the PRC

[REDACTED]

"HK$" or "Hong Kong dollars" or "HK dollars" or "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China

[REDACTED]

[REDACTED]

"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards promulgated by International Accounting Standards Board
"Independent Third Party(ies)"	a person or persons or a company or companies which, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, is independent of and not connected with (within the meaning of the Listing Rules) any of our Directors and substantial shareholders (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates (within the meaning of the Listing Rules)

[REDACTED]

[REDACTED]

"Kallo"	KALLO HOLDINGS LIMITED (嘉猷控股有限公司), a company incorporated in the BVI on 21 May 2020. Kallo is an Independent Third Party and a **[REDACTED]**. For further details, see "History, Reorganisation and Corporate Structure — **[REDACTED]**" in this document
"Latest Practicable Date"	21 June 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to the printing of this document

[REDACTED]

[REDACTED]

"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Macau"	the Macau Special Administrative Region of the People's Republic of China
"Macau Legal Advisers"	Rato, Ling, Lei & Cortés — Advogados, a qualified Macau law firm and the legal advisers to our Company as to Macau laws
"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, adopted on 20 June 2022, as amended from time to time, a summary of which is set out in Appendix III to this document
"MOP"	Macau Pataca, the lawful currency of Macau
"Mr. Chao"	Mr. Chao Ka Chon (周家俊), an executive Director, our chief executive officer, chairman of the Board and our Controlling Shareholder
"Ms. Chiu"	Ms. Chiu Koon Chi (趙冠芝), an executive Director
"Nansha"	a city and a special economic zone in Guangzhou, the capital of Guangdong Province, the PRC
"New Property SI Project"	a project awarded by Customer F in relation to the provision of system infrastructure and cybersecurity services for a casino operator in Cotai, Macau which is expected to be completed in November 2022

[REDACTED]

[REDACTED]

"PRC Legal Advisers"	Jingtian & Gongcheng, the legal advisers to our Company as to PRC laws
"**[REDACTED]**"	the investments made by each of the **[REDACTED]**, particulars of which are set out in "History, Reorganisation and Corporate Structure — **[REDACTED]**" in this document
"**[REDACTED]**"	collectively, DHQ and Kallo, and each a "**[REDACTED]**"

[REDACTED]

"Reorganisation"	the corporate reorganisations undergone by our Group in preparation for the **[REDACTED]** described in "History, Reorganisation and Group Structure — Reorganisation" in this document
"Resort Complex Project"	a project awarded by Customer G in relation to the provision of total professional IT services solution for an integrated resort operator in Cotai, Macau which is expected to be completed in August 2025
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"R&D"	research and development
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"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, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with nominal value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Shares
"Share Option Scheme"	the share option scheme conditionally adopted by our Company on 20 June 2022, a summary of the principal terms of which are set out in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document
"Sole Sponsor"	China Tonghai Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

[REDACTED]

"sq. ft."	square feet
"sq. m."	square meter(s)

[REDACTED]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning given to it under the Listing Rules
"substantial shareholder(s)"	has the meaning given to it under the Listing Rules

"Supplier A"	one of our five largest suppliers during the Track Record Period. It engages in the business of wholesale distribution of IT hardware and software products
"Supplier B"	one of our five largest suppliers during the Track Record Period. It engages in the distribution of technology products, services and solutions
"Supplier C"	one of our five largest suppliers during FY2019. It engages in the distribution IT solutions worldwide
"Supplier E"	one of our five largest suppliers during FY2020 and FY2021. It is a group of companies engages in the distribution and trading of electronic components and consumer electronic products, and the provision of IT solutions and services
"Supplier F"	one of our five largest suppliers during FY2019. It engages in the distribution of IT hardware, software and professional consultation services
"Supplier G"	one of our five largest suppliers during FY2019 and FY2020. It is a company incorporated in Hong Kong and engages in the distribution of IT solutions
"Supplier H"	one of our five largest suppliers during FY2020. It is a global leader in IT security software
"Supplier I"	one of our five largest suppliers which were system vendors during FY2021. It engages in the provision of IT security solutions
"Supplier J"	a system vendor of which we were its sole distributor in Hong Kong. It engages in the design, development and sale of routers, solutions and services
"Supplier K"	a system vendor of which we were its sole distributor in Hong Kong. It engages in the design, development and sale of security products and solutions for IoT, Internet of Medical Things, and operational technology devices
"Supplier L"	one of our five largest suppliers during FY2021. It is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange and one of the largest distributors of IT solutions across Asian countries
"Surveillance Network Project"	a project awarded by Customer E in relation to the provision of data networking services for an integrated resort operator in Cotai, Macau which is expected to be completed in September 2023

"Synergy CCL"	Synergy Computers & Communications Limited (智揚科技有限公司) (formerly known as Forever Top Technology Limited (智揚科技有限公司) and Synergy Computers & Communications Limited), a company incorporated in Hong Kong with limited liability on 30 October 1990 and an indirect wholly-owned subsidiary of our Company
"Synergy BVI"	Synergy (BVI) Holdings Limited, a company incorporated in the BVI with limited liability on 19 February 2021 and a direct wholly-owned subsidiary of our Company
"Tai Wah"	Tai Wah (BVI) Holdings Limited, a company incorporated in the BVI with limited liability on 16 February 2021 and wholly-owned by Mr. Chao and is our Controlling Shareholder
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers issued by the SFC as amended, supplemented or otherwise modified from time to time
"TMT"	telecommunications, media and technology
"Track Record Period"	the period comprising the three financial years ended 31 December 2019, 2020 and 2021
"**[REDACTED]** day"	a day on which **[REDACTED]** of the Shares takes place on the Stock Exchange

[REDACTED]

"United States" or "U.S."	the United States of America, its territories and possessions, and all areas subject to its jurisdiction
"%"	per cent

- *The terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder", "core connected person", "significant shareholder", "subsidiary" and "substantial shareholder" have the meanings given to such terms under the Listing Rules, unless the context otherwise requires.*

- *This document contains explanations and definitions of certain terms used in connection with our Group's business. The terms and their meanings used in this document may not correspond to standard industry meaning or usage of these terms. As there is no official industry classification, the classification of our products is determined based on our Directors' knowledge and experience. Unless otherwise expressly stated or the context otherwise requires, all data in this document is as at the Latest Practicable Date.*

- *Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown in totals in certain tables may not be the arithmetic aggregation of the figures preceding them.*

- *If there is any inconsistency between this document and the Chinese translation of the document, this document shall prevail. If there is any inconsistency between the names of any of the entities mentioned in this document which are not in the English language and their English translations, the names in their respective original languages shall prevail.*

GLOSSARY

This glossary contains explanations of certain terms used in this document that relate to our business and the industry in which we operate. These terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

"AI"	artificial intelligence
"big data"	extremely large data sets that may be analysed computationally to reveal patterns, trends and associations, particularly relating to human behaviour and interactions
"cloud" or "cloud services"	internet-based computing services in which large group of remote services are networked to allow centralised data storage and online access to computer services or resources
"cybersecurity"	computer security, which is to safeguard IT systems from attack, damage, unauthorised access, intrusion as well as disruption and misdirection
"database"	a structured and organised collection of information and data stored in computer systems that can be easily accessed, managed and updated
"enterprise IT solutions"	enterprise-grade design and implementation solutions and services provided to corporate customers in which different computing systems and software applications are either physically or functionally linked together to act as a coordinated whole
"ERP system"	enterprise resource planning system, an IT system which helps organisations integrate and manage core business processes
"Fin-tech"	financial technology, which is an emerging industry which uses technology to improve activities in finance, such as the use of smart phones for mobile banking and cryptocurrency
"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 units, monitor, server, mouse, keyboard, hard disk, etc.

GLOSSARY

"IoT"	internet of things, a type of network that realises intelligent identification, positioning, tracking, monitoring and management of targeted objects achieved by exchange of information and communication between such targets and the internet via intelligent terminal products under pre-determined protocol
"ISO"	the International Organisation for Standardisation, a non-government international organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
"IT"	information technology
"IT solution" or "IT solution services"	an aggregation of IT products and services, which generally include design of IT solutions, development and/or implementation of IT products, system integration and technical and maintenance supporting services for satisfying the IT needs of customers, as opposed to a single, direct IT product
"managed services"	solution delivered by a third-party IT service provider that manages and assumes responsibility for providing a defined set of services to its clients and such services may include the remote monitoring and management of servers, desktop and mobile devices
"mobility solutions"	software or applications that allow enterprises to manage productivity remotely though a variety of mobile devices
"server"	a hardware capable of accepting request from the client and giving responses accordingly
"SOC"	security operation centre, a centralised facility that monitors, defects, investigates and responds to cybersecurity incidents
"software"	any set of machine-readable instructions that directs a computer's processor to perform specific operations
"system vendors"	vendor companies engaging in the manufacturing and/or selling, mainly through their authorised distributors, of IT hardware, its associated system or software to the market
"user acceptance testing"	formal testing to determine whether or not an IT system or solution meets the requirements specified in the contract
"virtualisation"	the act of creating a simulated or virtual computing environment as opposed to a physical environment, which often includes virtual computer hardware platforms, storage devices, and computer network resources

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are based on various assumptions regarding our Group's present and future business strategy and the environment in which our Group will operate in the future and are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures and initiatives to implement them;
- our future business development and various business opportunities that we may pursue;
- fluctuations in general business conditions, particularly in Macau, the PRC and Hong Kong;
- changes in competitive conditions and our ability to compete under these conditions;
- changes in the political, economic, legal and social conditions, particularly in Macau, the PRC and Hong Kong;
- costs of bank loans and other forms of financing, and our ability to secure adequate financing for our business operations;
- our financial conditions;
- our dividend policy;
- our ability to enter into new geographic markets and expand our operations;
- our ability to obtain permits and licences to carry on our business;
- changes in foreign exchange rates;
- the other factors referenced in this document, including without limitation, under "Risk Factors", "Business" and "Financial Information"; and
- other factors beyond our control.

The words "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "plan", "seek", "will", "would" and similar expressions, as they relate to us, in particular, in "Business" and "Financial Information" in this document, are intended to identify a number of these forward-looking statements. These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this document. 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. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, such statements are not a guarantee of future

performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

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.

An* [REDACTED] *in our Shares involves risks. You should carefully consider the following information, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to* [REDACTED] *our Shares. If any of the circumstances or events described below actually arises or occurs, our business, financial position and prospects may suffer. In any such case, the* [REDACTED] *of our Shares may decline, and you may lose all or part of your* [REDACTED]*. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks relating to our business; (ii) risk relating to the IT solutions industry; (iii) risks relating to conducting business in the PRC, Macau and Hong Kong; and (iv) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR BUSINESS

A majority of our contracts are non-recurring in nature, which creates uncertainty as to our future revenue streams. Therefore, our financial performance may fluctuate from period to period.

The provision of enterprise IT solutions is our major business. Under this business, our professional IT services, which accounted for 58.5%, 52.4% and 54.1%, respectively, of our total revenue during the Track Record Period, are provided mainly on project basis, the contracts of which are not recurring in nature and the solutions developed and provided by us may be used for a certain period of time. On the other hand, generally, we are eligible to invoice our customers only after meeting the agreed project milestone(s). Once the project is completed, our customer may no longer require our services in the near future and there is no assurance that our customers will always have new projects which require our services or solutions and even if there is, such customers may choose other IT solution providers. Therefore, our financial performance is susceptible to fluctuation from period to period if we are not able to invoice our customers during the period because we are yet to meet the agreed milestone of any major project and hence issue invoices or we fail to secure new projects shortly after completion of a project which carries a significant contract value. Similarly, for our managed service and IT maintenance and consultancy services, there is no assurance that the relevant contracts will be renewed in the future or we will be able to enter into new contracts with our customers.

Further, during the Track Record Period, we secured our contracts of enterprise IT solutions either by way of participation into a tender or submitting a quotation to our customers. As such, our major customers do not have long-term commitments with us and our customer portfolio can vary from period-to-period. In case of tender, our tender success rates for enterprise IT solution contracts (including contracts of professional IT services, managed services and maintenance services with awarded contract value of HK$1 million or above) were 54.2%, 37.1% and 37.2% for FY2019, FY2020 and FY2021, respectively. For further details, see "Business — Our Principal Business — Operational flow of our professional IT services and managed services — Tendering/quotation" in this document. Our tender success rate is subject to a number of factors, including but not limited to, our tender price, project design and implementation plan, project management skills, technical expertise, track record, financial capability and the competitive landscape of our industry. There is no assurance that we will be evaluated favourably by our customers during the tendering process.

Similarly, for our distribution and resale businesses, products are sold to customers mainly based on purchase orders placed by them, and we do not enter into long-term supply agreement with them to lock-in any minimum volume or value of purchase. Revenue from this business accounted for 34.4%, 30.9% and 26.1%, respectively, of our total revenue during the Track Record Period. Therefore, there is no assurance that customers under this business will continue to make the same or higher level of purchase with us, or at all. If we fail to secure new contracts from our existing and/or new customers, our business and financial position may be materially and adversely affected.

Our future operations, working capital and cashflow position may be adversely affected if our customers fail or delay to settle our payment due to us or we fail to bill all or any part of our contract assets.

We are subject to the credit risks of our customers and our profitability and cash flow are largely dependent on the timely settlement of payments by our customers for the services and solutions we have rendered and the products we have sold to them. Our trade receivables amounted to HK$100.8 million, HK$95.2 million and HK$188.8 million as at 31 December 2019, 2020 and 2021, respectively, and our trade receivables aged over one year (by due date) amounted to HK$2.3 million as at 31 December 2021. During the Track Record Period, our average trade receivable turnover days were 77 days, 75 days and 97 days, respectively. Our average turnover days of trade receivables increased to 97 days for FY2021 from 75 days for FY2020 due to the unsettled invoices for the Cotai Casino Expansion Project with Customer D in Cotai. As at the Latest Practicable Date, HK$27.6 million or 31.1% of our trade receivables due from Customer D as at 31 December 2021 were settled; and the outstanding amount due from Customer D as at 31 December 2021 amounted to HK$60.9 million. Our Company and Customer D discussed and reached a consensus with respect to the settlement schedule of HK$43.3 million, being part of the outstanding amount due from Customer D as at 31 December 2021, and our Directors expect that such HK$43.3 million will be settled by Customer D by end of July 2022. In view of the historical settlement pattern of Customer D, if we are continuously engaged to provide services to Customer D going forward, we expect that our average turnover days of trade receivables may be prolonged, which may adversely affect our financial position. For detailed discussions on the trade receivables of our Group during the Track Record Period, see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade receivables" in this document. Based on the management accounts of our Group, as at 31 May 2022, 53.8% of our trade receivables outstanding as at 31 December 2021 were settled.

For enterprise IT solutions provided by us, payments are generally made by stages to us according to the agreed project milestone(s) specified under the relevant contracts and in some cases (such as large-scale projects with a longer project cycle), a lump-sum payment may be retained as retention money and be payable to us after the end of the defects liability period. Our contract assets represent our services being provided ahead of project milestones; and the payment for each milestone may be different for each project, subject to negotiation with our customers. As at 31 December 2019, 2020 and 2021, our current contract assets amounted to HK$37.6 million, HK$48.5 million and HK$78.7 million, respectively. If the time required by our customers to settle our invoice is taken into account, our average trade receivables and contract assets turnover days during the Track Record Period were 103 days, 110 days and 144 days, respectively. As at 31 May 2022, 54.4% of the outstanding balance of our current contract assets as at 31 December 2021 were subsequently billed to our customers. As such amount would become billable and payable only after meeting the agreed project milestone(s), there is no assurance that the amount of such

unbilled work will be collected by us from our customers in full, or at all. There is also no assurance that we will be able to reach an agreement with our customers as to the value of our work done for which we are entitled to bill our customers.

Further, under both our enterprise IT solutions and distribution and resale businesses, we normally grant credit period of up to 30 days from the date of issuance of our invoice to customers for settlement of our bill and our customers may need to go through internal procedures for approving settlement. The time required for our customers to complete such exercise varies greatly, which can be affected by factors such as the overall project schedule or work progress as well as internal procedures of our customers, which are beyond our control.

On the other hand, we are normally required to fully settle our purchases with our suppliers within the credit period which commences after the delivery of the products ordered by us. Our major suppliers during the Track Record Period granted us credit terms ranging from 30 to 90 days. As a result of the foregoing, we are often required to first incur expenditure to carry out the works or order the products before we are entitled to bill and claim against and collect the receivables from our customers, which may create a shortfall between our cash inflow and cash outflow during a given period.

There is no assurance that we will be able to collect all or any of our trade receivables on time, or at all, from our customers. If any of our customers face unexpected situations, including financial difficulties or change in fiscal policy of the government (in case of customers in public sector) or delay in the progress or completion of the entire projects of which our project forms part, our customers may delay or even default in their payment obligation. As a result, we may not be able to receive from such customers payment of uncollected debts in full, or at all, and we may need to make provisions for trade receivables. The occurrence of such event would materially and adversely affect our financial position.

Our failure to fulfil our obligations in respect of contract liabilities may materially and adversely affect our liquidity and financial position.

Our contract liabilities represent our obligations to transfer IT products and provide services to our customers for which we have received deposit from our customers ahead of the provision of services and the transfer of IT projects. Our contract liabilities mainly arise from the deposit made by customers while the underlying IT products and services are not yet to be provided. As at 31 December 2019, 2020 and 2021, we had contract liabilities of HK$21.2 million, HK$29.4 million and HK$45.3 million, respectively. For further details, see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Contract liabilities" in this document.

There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the completion of our work is subject to various factors, including the supply of hardware and software and the normal operation of our business units. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognised as revenue and we may have to return the deposit made by our customers. As a result, our liquidity and financial position may be adversely affected.

We have recorded net operating cash outflow for FY2021.

During the Track Record Period, our cash used in operating activities was principally for the procurement of materials and services and operating expense. Our Group recorded net operating cash outflow of HK$49.7 million for FY2021 which was primarily attributable to cash used in operations of HK$36.6 million and income tax paid of HK$13.9 million, adjusted by reconciliation of certain non-cash items of HK$15.7 million and negative changes in working capital. For details, see "Financial Information — Liquidity and Capital Resources — Cash flows" in this document. There is no assurance that we will not experience periods of net operating cash outflow in the future. If we continue to record net operating cash outflow in the future, our working capital may be constrained which may adversely affect our business and financial condition.

We may need to recognise impairment loss on our prepayments and contract costs, which could adversely affect our financial position.

We recorded prepayments and contract costs of HK$27.9 million, HK$26.5 million and HK$42.6 million as at 31 December 2019, 2020 and 2021, respectively. Our prepayments mainly comprise prepayments to our suppliers, which represent the amounts we prepaid for costs of materials and services in relation to our business, and prepayments of professional fee for the preparation of the **[REDACTED]** and prepayment of administrative expenses. If our suppliers fail to provide relevant products to us in a timely manner or at all, we may be exposed to prepayment default risk and impairment loss risk in relation to the prepayments, which may in turn adversely affect our financial position. See also "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Deposits, prepayments, contract costs and other receivables" for further details.

The financial assets included in the above balances related to receivables had no recent history of default and past due amounts. However, there is no assurance that there would not be any impairment charging on our prepayments and contract costs and we may record impairment losses on such amounts in the future, which may adversely affect our financial conditions.

We may not receive full and/or timely payment of our finance lease receivables, which could adversely affect our financial position.

Finance lease receivables represent our right to receive lease payments. We recorded finance lease receivables of HK$0.6 million, HK$9.1 million and HK$14.3 million as at 31 December 2019, 2020 and 2021, respectively. For further details, see Note 25 of the Accountant's Report as set out in Appendix I to this document.

We are subject to risks that our customers may default on their payment obligations. If our customers delay and default on their lease payments, we may have to make provision for impairment, write off the relevant finance lease receivables, and/or incur additional legal costs to recover the amount due, which may in turn adversely affect our financial position. For FY2020 and FY2021, allowances for expected credit loss of finance lease receivables which amounted to HK$110,000 and HK$1,000 had been provided and reversed, respectively. No allowances for expected credit loss had been provided for finance lease receivables for FY2019. There is no assurance that there would not be any impairment charged on our finance lease receivables and we may record impairment losses on finance lease receivables and credit commitment in the future, which may adversely affect our financial position.

Some of our major customers are operating in TMT, gaming and hospitality and public sectors and our business activities are concentrated in Macau. Therefore, we are exposed to the deterioration in the financial condition of our major customers as well as any adverse economic or social conditions in the region.

Our major customers during the Track Record Period comprised enterprises or bodies operating in gaming and hospitality, government and TMT sectors. These customers in aggregate contributed 87.3%, 83.5% and 87.1%, respectively, of our total revenue during the Track Record Period. A downturn in the sector(s) in which our major customers operate their business is likely to have an adverse impact on our business and profitability due to the possibility of postponement, delay or cancellation of projects secured by us as well as the reduction of business opportunity. The level of services or products required by our customers could vary according to their respective financial or business performance and the market condition of the sector(s) in which they carry on their business. Factors which may impact their financial or business performance or the sector(s) in which they carry on the business include market demand for their products or services, industrial cycle, relevant governmental regulations and fiscal policies and overall economic climate, which in turn, would affect the demand for our services or products and are beyond our control. If any event occurs which would materially and adversely affect the financial or business performance of our major customers and/or the respective sector(s) in which they are operating, our financial position and prospect would be materially and adversely affected.

In addition, we derived most of our revenue from our operation in Macau during the Track Record Period, which in aggregate accounted for 78.8%, 73.6% and 75.9%, respectively, of our total revenue during the same periods. We expect that Macau will continue to be our major market. We are therefore exposed to any deterioration in the economic, social and/or political conditions as well as the outbreak of natural disasters, terrorist attacks, political or social unrests, strike, riot, civil disturbance or disobedience, epidemics, any unfavourable state or provincial policies applicable to this region or other events beyond our control in this region. In the event that there is any material unfavourable change in Macau which in turn affects the demand for and prices of our services or products, we may not be able to respond promptly. In such event, our business, financial position and prospects could be materially and adversely affected.

Macau is also susceptible to acts of God such as typhoons that could disrupt the normal operations of our and our customers' business. In the last decade, Macau experienced severe typhoons that caused severe flooding, significant loss of life and property damage. Please also see "Risks Relating to our Business — The outbreak of COVID-19 may adversely affect our business and financial position if the epidemic persists" for the risks associated with COVID-19. There is no assurance that such events will not occur again and any recurrence of such events will cause major damages or business interruption to enterprises, which could have a material adverse effect on our business and financial position.

We may encounter cost overruns or delays in our projects of enterprise IT solutions, which may materially and adversely affect our business and financial position.

For our enterprise IT solutions, we generally determine our prices by reference to our estimated cost plus a targeted profit margin. For details of our pricing strategies, see "Business — Pricing Strategy" in this document. The duration of our major enterprise IT solutions projects during the Track Record Period typically ranged from one year to five years. There may be various factors affecting the actual time taken and cost incurred by us in completing the projects,

including, among others, integration with third party suppliers' products and services, technical difficulties, progress of the main project of which our project forms part, and other unforeseeable problems and circumstances.

Delay in project completion or cost overruns could be caused by any one of these factors. There is no assurance that the actual time taken and cost incurred would not exceed our initial estimation. We expect to continue undertaking fixed price projects which are generally not subject to further adjustment unless there is a material change in our work scope and this increases the possibility of exposing us to cost overruns and resulting in lower profits or losses in a project. Most of our projects are subject to specific completion schedules as well as penalty clause for non-completion or late delivery of work, and our failure to meet the schedules of the projects may result in liquidated damages claims, other liabilities and disputes with our customers or even termination of relevant projects. Any claim for damages as a result of our delay in the completion of the projects undertaken by us will affect our liquidity profitability if no extension of time is granted, as our customer is entitled to deduct such liquidated damages from the contract sum payable to us under the relevant contract notwithstanding that we might have incurred significant cost.

We received government grants and subsidies, which are non-recurring in nature, and there is no assurance that we will continue to receive government grant at a similar level or at all.

During the Track Record Period, we received government grants of nil, HK$2.1 million and HK$141,000, respectively. In particular, during FY2020, we received subsidies from the Hong Kong government under the "employment support scheme" policy to retain employees who may otherwise be made redundant, as well as from the Macau government for businesses operated in Macau, as part of their relief measures on the COVID-19 pandemic, both of which are non-recurring in nature. For further details, see Note 6 of the Accountant's Report as set out in Appendix I to this document.

As such, there is no assurance that we will continue to receive the aforesaid government grants or subsidies at a similar level or at all. In the event of any changes in government measures or policies, resulting in any suspension, material reduction or termination of government grants or subsidies to be received by our Group, our profitability and financial conditions may be adversely affected.

We are subject to the risks of obsolete inventory and may be required to make provisions for the obsolete inventory.

As at 31 December 2019, 2020 and 2021, our inventory amounted to HK$59.1 million, HK$39.1 million and HK$30.0 million, respectively; and our average inventory turnover days were 40 days, 47 days and 30 days, for FY2019. FY2020 and FY2021, respectively. See "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories" in this document for further details.

We generally make purchase orders to our suppliers upon receiving back-to-back orders from our customers. If there is any sudden change in our customers' orders or delay in our projects, it could cause our inventory to accumulate, which could adversely affect out financial condition. If our inventories are identified as obsolete, we may be required to make provisions for the obsolete inventory, and our financial condition and results of operations may be adversely affected. We recorded impairment of inventories of HK$2.4 million, HK$0.6 million and HK$1.1 million for FY2019, FY2020 and FY2021, respectively.

Our plan to expand our geographic presence may not be successful.

It is part of our expansion plan to, amongst others, expand our project portfolio and extend our geographical reach to the Greater Bay Area, particularly in Hengqin and Nansha, Guangzhou. For further details, see "Business — Our Business Strategies" in this document.

We have limited experience in running our business in the Greater Bay Area, particularly in Hengqin and Nansha, and may face intense competition in such area. As a result, our expansion plan may not be implemented successfully and able to deliver the result as we initially expected. In that case, our business and future prospect may be materially and adversely affected. We may also be exposed to the various risks and uncertainties that are inherent in our business expansion, including but not limited to our inability to achieve the intended expansion objectives and other unforeseen circumstances when expanding our business in these regions and the economic conditions in the PRC.

While the economy of the PRC has experienced significant growth over the past decade and consequently there has been high demand for IT solutions, there is no assurance that the economy of the PRC will continue to develop at its recent fast pace. A number of factors could slow down the economic development of the PRC, such as a global economic recession, a crisis in the financial market or natural disasters. During such times of economic downturn, the demand for our IT solutions is likely to drop. As a result, our business in the PRC, financial position and prospects could be materially and adversely affected.

Even if we are able to expand our operation in the PRC, there is no assurance that our businesses in the PRC will be profitable in light of the impact of COVID-19 and the resulting negative market sentiment. Should any of these events occur, we may experience a delay to our expansion plans, adversely affecting our competitiveness and growth prospects. Any delay to our expansion plans may also disrupt our ongoing business operations, distract our management's attention or increase our operating expenses, any of which could materially and adversely affect our business and financial position.

The outbreak of COVID-19 may adversely affect our business and financial position if the epidemic persists.

The outbreak of COVID-19 in or around December 2019 has severe impact on the livelihood and economy in the PRC, Macau and Hong Kong. Various measures including community lockdown, travel restrictions and temporary closure of enterprises' offices have been carried out in the PRC, Macau and Hong Kong. Further, according to the F&S Report, the IT solutions industry in Macau and Hong Kong has been negatively affected by the slowdown in economic growth and the temporary suspension of business activities as a result of the COVID-19 outbreak; and the IT solutions market in Macau is expected to be negatively affected by the outbreak and prolonged impact of COVID-19 due to the suspension or delay of some projects. Given that all of our operations are located in the PRC, Macau and Hong Kong, the normal operation of our business could be materially disrupted if our employees are infected with COVID-19 or being quarantined or are restricted to travel.

In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the domestic economies in the PRC, Macau and Hong Kong. Another public health crisis in the PRC, Macau and Hong Kong triggered by the COVID-19 pandemic, especially in the cities where our suppliers' manufacturing facilities or our customers' operations or projects are situated at, may lead to delay of delivery by our suppliers and result in material disruptions to

their operations, delay in the work schedule of our customer's projects or their plan to upgrade or renew their system and infrastructure, which in turn may interrupt or delay our work progress and implementation of our expansion plan, and materially and adversely affect our financial position currently and in the future if the epidemic is prolonged.

As disclosed in "Financial Information — Review of Historical Results of Operation — FY2020 compared to FY2019" in this document, we experienced a slight decline in our revenue from HK$502.7 million for FY2019 to HK$475.3 million for FY2020. Such decline was partly contributed by (i) the decrease in revenue from professional IT services attributable to the adverse impact of COVID-19 outbreak which delayed budget allocations for building or upgrading the IT infrastructure by the operators in the gaming and hospitality sector, according to Frost & Sullivan, with fewer sizable projects commencing in FY2020 as compared to FY2019 due to the unexpected prolonged effect of COVID-19; and (ii) the decrease in revenue from our resale business attributable to the decrease in demand for various IT products in Macau as a result of the outbreak of COVID-19 since December 2019.

There is a possibility for large-scale outbreak of epidemic in these cities in the future. The development of the epidemic is beyond our control and there is also no assurance that when and whether the outbreak can be effectively contained in a short period of time, or at all. If COVID-19 continues to spread in the community and more draconian measures are imposed, our business, financial position and prospects will be materially and adversely affected.

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

The IT solutions industry is characterised by rapidly changing technology, short product life cycle, changing customer preferences and frequent introduction of new products and services. 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 advances and changes; (iii) our ability to improve and roll out new solutions and products with appealing features and functionalities; and (iv) identify new suppliers of IT products and services that can broaden our portfolio of solutions and product offering to meet the requirements and preferences of our customers. If we fail to keep up with the future development trends or keep updates on technological changes and introduction of new solutions, services and products, our ability to respond effectively to customer demands may be adversely affected, which may undermine our competitiveness and future development and would have an adverse impact on our business and financial position.

Further, substantial time and costs may be required to (i) innovate our solutions offering or adjust our scope of service or product mix in response to rapid changes in technology and market preference; (ii) provide updated technical training to our staff; and (iii) identify new suppliers. In the event that we are unable to do so in a cost-effective manner, or at all, our ability to meet customers' needs will suffer and our revenue, profitability and competitiveness as well as our reputation may be materially and adversely affected.

Our business and operations could be materially and adversely affected should there be any disruption in the supply of hardware and software from our major suppliers or loss of major suppliers. Our distribution business will also be materially and adversely affected if we fail to renew the distribution agreements with our major suppliers.

We procure a variety of hardware, the associated system and software for project application, distribution and resale under our business. Our five largest suppliers during the Track Record Period included system vendors and the authorised distributors of system vendors. For FY2019, FY2020 and FY2021, our five largest suppliers in aggregate accounted for 57.2%, 52.1% and 54.4%, respectively, of our total purchases for the same periods. If we are unable to source the necessary hardware, system and software from our suppliers in a timely manner and under acceptable terms, we may not be able to meet the delivery schedules or may encounter delays in our projects. As the characteristics and requirements of the project undertaken by us or our customers would to a large extent limit the choice of specific hardware and system to be used should there be any disruption in the supply of hardware and system from our major suppliers, there is no assurance that we will be able to identify an alternative source of supply. We also cannot preclude our suppliers from providing similar services or products to our competitors. Any loss of our major supplier and our inability to procure the same services or products from alternative supplier on a commercially acceptable terms or at all may cause business interruption to us or otherwise limit the growth of our business, thereby materially and adversely affecting our business, financial position and prospects.

Under our distribution business, we generally enter into distribution agreements with our suppliers (which are mainly system vendors) with respect to the procurement, distribution and sales, and marketing of hardware and the associated system of specific brand(s) in a designated territory. During the Track Record Period, we were the authorised distributor of nine, 11 and 11 system vendors in Hong Kong; and we, through Synergy CCL, were the sole authorised distributor of Supplier J and Supplier K in Hong Kong. In the event that we lost the distributorship right or experience a downgrade of our distributorship status in respect of a particular brand of products, we may not be able to continue to enjoy the same level of sales incentives, technical and marketing support, or at all, provided by the relevant system vendor as before and may even lost purchase orders from those customers who shall use or have strong preference on the specific brand of IT equipment not being distributed or sold by us. As such, the operation and performance of our distribution business is reliant on the distributorship rights we have secured, the level of acceptance of their products in the market and our relationships with the relevant system vendors. There is no assurance that we will be able to renew the distribution agreements with the system vendors on mutually acceptable terms or at all. If we fail to renew our distribution agreements with any of them, our business and financial performance may be materially and adversely affected.

Even if the system vendors will continue to enter into distribution agreements with us, there is no assurance that they will not change their existing sales or marketing strategies, impose onerous restrictions on our sales activities or terminate the distribution rights granted to us before the expiry of the renewed term, and we may not have the bargaining power to negotiate for terms favourable to us. Specifically, there is no assurance that we will be able to secure from new system vendor a credit term similar to those in the current distribution agreements or at all in the event that we enter into distribution agreements with a new system vendor. Any of the above may adversely affect our business, liquidity and financial position.

We are unable to control the quality of the products and services provided by our suppliers. Should the products and services provided by our suppliers be defective or fail to meet the required standards, our business and reputation may be adversely affected.

Our business involves a variety of hardware, system and software procured from our suppliers which are Independent Third Parties. However, the quality of those products is not under our control. Coding defects or errors may be found in such products and services. Similarly, there may be design or manufacturing defects that could cause malfunctions in the products and services we provided to our customers. The products and services we source from our suppliers and our customers' existing IT infrastructure may also involve compatibility issues. Similarly, we developed software and system applications from time to time to enhance the performance of our solutions. Any bugs, flaws or defects in such self-developed software or system application may cause damage to our customers' system and hardware and adversely affect our customers' operations, thereby harming our reputation and business relationship with them. There is no assurance that all such issues would be detected and resolved on time or at all to meet our customers' required standards. We may also be subject to legal proceedings initiated by the customers in relation to such issues. In such event, there may be material adverse effects on our reputation and financial performance as we may need to incur additional cost to settle or defend these claims or legal actions.

Any significant or prolonged failure in any of our key information system or IT infrastructure could materially and adversely affect our business and reputation, and expose us to legal claims from customers.

Our ability to attract and retain customers depends, to a certain extent, on the stability, scalability and reliability of our own information system and IT infrastructure, which we utilise to conduct our daily business such as our IT management platform, our SOC to provide manage security services, our helpdesk support system and the IT equipment and/or software we leased to our customers. Any significant or prolonged failure in our information system and IT infrastructure including a breakdown in critical equipment or services, whether or not within our control, could result in service interruptions and data losses for our customers as well as equipment damage, which could significantly disrupt the normal business operations of our customers and harm our reputation. Our systems are vulnerable to a variety of events, including, among others, power outage or equipment failure, system or network connectivity downtime, physical, electronic and cybersecurity breaches, theft, sabotage and vandalism, failure by us or our suppliers to provide adequate service or maintenance to our equipment, human error or accidents, acts of god and terrorism. Any material or prolonged interruptions in our service, regardless of whether they result in breaches of the quality assurance we have with our customers, may negatively affect our relationships with customers, resulting in customers terminating their agreements with us or seeking damages from us or other legal actions, thereby materially and adversely affect our business, financial position and reputation.

Our backlog may not be indicative of our future results of operations.

We have provided information on the movement of backlog (representing our estimate of the contract value of work remains to be completed as at a certain date) of our contracts of enterprise IT solutions during the Track Record Period. For details, see "Business — Our Projects — Movement of backlog" in this document. Backlog serves as an estimate of the value of work contracted for and yet to be completed, and thus an estimate of revenue expected to be recognised in the future in connection with the relevant contracts. However, we determine the amount of our contract backlog based on the assumption that the relevant contracts will be performed in full in

accordance with their terms. As this assumption may not be true with respect to each and every relevant contract we have executed or will execute in the future, our backlog amounts may not be indicative of our actual earnings in the future. There is no assurance that we will not be subject to any material modification, termination or cancellation of our contracts by our customers in the future, and such material modification, termination or cancellation may have a material adverse effect on our financial position and prospects. There is also no assurance that our backlog amount will be recognised timely, or at all, or that our backlog amount once recognised will result in profits. Based on the foregoing, you are cautioned not to rely on our backlog information presented herein as an indicator of our future results of operations and earnings.

We engage third party subcontractors to carry out various manual works during project implementation. The sub-standard or delayed performance of these subcontractors may adversely affect our reputation.

We have engaged third party subcontractors for cabling and Wi-Fi mounting, and other manual works during project implementation. We may not be able to review and monitor the performance of these subcontractors as directly and as efficiently as managing our own staff. Our inability to ensure the service quality of these third-party subcontractors could hinder our ability to deliver services to customers in a timely fashion. By engaging them for different tasks, we are exposed to risks associated with substandard or delayed performance by these third-party subcontractors. If such risks materialise, our service quality to customers may deteriorate and could therefore impact upon our financial position, competitiveness and reputation, and result in litigation or damages claims.

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

Our employees may at times be required to work at our customers' premises. We may 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 us, and our business, our financial position and reputation may be adversely affected.

It may be difficult for us to recruit, train and retain capable and experienced skilled technical staff. If there is any shortfall in our workforce or increase in labour cost, our business operations may be materially impeded and our financial results may be adversely affected.

Our business and success depend heavily on the services provided by our staff, particularly our pre-sales, sales and technical staff. We also rely on our management and key personnel for their extensive knowledge of and experience in IT solutions design and development, software and hardware procurement, system integration and marketing. Hence, our ability to recruit, train and retain our capable and experienced staff is of great importance to our business operation. Since we cannot prevent those staff we currently employed from terminating their respective contracts in accordance with the relevant agreed conditions nor can we prevent them from leaving and setting up business in competition with us, there is no assurance that we will be able to retain them. Further, as the number of such eligible staff is fairly limited in the market, especially those with experience in IT solutions design and development and managed services, in the event that we

need to replace any of our current sales 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 and experienced pre-sales and sales staff and highly skilled technical staff.

Due to the keen competition for IT professionals, we were compelled to offer competitive remuneration to our staff to maintain a steady workforce. Further, there has been an increase in the salaries of IT professionals in Macau in the last few years. According to Frost & Sullivan, the average monthly salary of employees in IT solutions industry in Macau has increased at a CAGR of 2.7% from 2016 to 2021. Since most of our solutions and services are charged at a fixed price, in the event that there is an increase in our labour cost, we may not be able to transfer the increase of labour cost to our customers. Accordingly, our financial position may be adversely affected.

Accordingly, if there is any significant increase in the turnover rate of our pre-sales, sales and technical staff, coupled with our inability to recruit eligible staff for replacement expeditiously, there may be a shortfall in our workforce and result in a material adverse impact on our business and operations.

Infringement of our intellectual property rights or any infringement by us of intellectual property rights of others may affect our reputation.

As at the Latest Practicable Date, we had three registered domain names, one trademark in Hong Kong, one trademark in Macau, four trademarks and 10 copyrights in the PRC and they were considered material to our business. For details, see "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights" in Appendix IV to this document. There is no assurance that our protection and enforcement of our intellectual property rights are effective. It is possible that any intellectual property rights held by us may be invalidated, circumvented or challenged. It is often difficult to protect and enforce intellectual property rights in the jurisdictions in which we carry on our business. Policing any unauthorised use of our intellectual property is difficult and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual properties.

There is also a risk that we may infringe the intellectual property rights of others, including our suppliers or customers. The measures we have implemented to protect us against unauthorised leakage of confidential information, such as requiring our employees to enter into agreements imposing non-disclosure obligations, may not be adequate. In addition, in the development, deployment, and operation or during the course of our services, a number of open source software and third party software may have been used. Therefore, for the use of such open source software and third parties' software, we may have to comply with the terms of use therein and/or obtain licence from the owner.

There is no assurance that we will not be alleged to have unauthorised used any of our suppliers', customers' or third party's intellectual properties or breached any terms of use under any licence or other obligations. Defending against any of those claims could be costly, time consuming and may divert the attention of our management from operating our business. Should there be an adverse determination in any such litigation or proceedings to which we may become a party, we could be subjected to significant liability to third parties, be required to seek licences from third parties, pay ongoing royalties or redesign our solutions and services, or be subjected to injunctions prohibiting the sale of our solutions and services. Our customers or potential customers could defer, reduce or cancel their procurement of our solutions as a result of protracted litigation.

We may be required to pay substantial damages, incur additional expenditures to develop or deploy non-infringing alternatives or to obtain the licence to use the infringing properties if we become liable to third parties for infringing their intellectual property rights.

There may be adverse impact on our reputation and business operations in the event of leakage or misappropriation of confidential information handled by us.

We may have access to and be entrusted with information that is confidential in nature, such as information that relates to our customer's systems, operations, raw data or affairs that are kept inside the servers facilities provided by us. There is no assurance that with our security system, we will successfully prevent any leakage or misappropriation of confidential information of our customers. We could be exposed to complaints or claims of our customers if there is any leakage or misappropriation of confidential information of our customers, which may have a material and adverse effect on our financial position and reputation.

We have certain non-compliance issues in Macau and the PRC during the Track Record Period.

During the Track Record Period, BoardWare Macau committed late filing of the tax returns for FY2019 contrary to the requirement under the Complementary Income Tax; and during FY2019 and FY2020, BoardWare ZH did not fully make social insurance and housing provident fund contributions according to the relevant PRC laws and regulations. See "Business — Compliance and Legal Proceedings — Legal compliance" in this document for further details of these non-compliance incidents. If any of the competent authorities in Macau and/or the PRC takes enforcement action against us for these non-compliance incidents, we may be ordered to pay fines and/or other penalties, incur legal costs arising from any legal action against us, and may result in business disruption and/or negative media coverage, which may adversely affect our business, reputation, financial condition and results of operation.

Failure to obtain or renew the permits, licences and other approvals required for our business operations may have material adverse impact on our business and financial condition.

For the operation of our business in the PRC, Macau and Hong Kong, we must obtain various permits, licences and other approvals from the relevant administrative authorities at various stages in accordance with the requirements under applicable laws and regulations. If any of our licences are revoked due to serious violation of the applicable rules in our operation, or if we fail or unable to renew any of our required licences upon their expiration, we may not be able to continue to carry out the relevant operation which could result in disruption to our operations and growth plan. As a result, our business and financial position will be materially adversely affected. For further details with respect to the licences or permits we have obtained, see "Business — Compliance and Legal Proceedings — Licences and permits" in this document.

We may need additional capital to fund the expansion plan and growth in the future, which we may not be able to obtain on acceptable terms, or at all.

There is no assurance that we will generate sufficient cashflow from our operating activities for our intended expansion plans. In the event that we do not have sufficient operating cashflow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- **[REDACTED]** perceptions of and appetite for securities of companies engaged in the industry in which we are operating our business;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows and financial position; and
- economic, political and other conditions in the PRC, Macau and Hong Kong and the rest of the world.

We may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. If we raise additional funding through debt financing, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of our Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial position and prospects.

Our historical financial position may not be indicative of our future growth.

For FY2019, FY2020 and FY2021, our revenue was HK$502.7 million, HK$475.3 million and HK$534.3 million, respectively, with our gross profit of HK$85.7 million, HK$93.5 million and HK$112.1 million, respectively, and our overall gross profit margin of 17.0%, 19.7% and 21.0%, respectively. For details, see "Financial Information — Description of Selected Items in Statements of Comprehensive Income — Gross profit and gross profit margin" 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 services providers, 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 services. **[REDACTED]** should not solely rely on our historical financial information as an indication of our future financial or operating performance.

Our insurance coverage may be inadequate to cover the risks related to our business and operations.

As at the Latest Practicable Date, we maintained customary insurance policies within our industry, including (i) general liability insurance; (ii) employees' compensation insurance; (iii) property all risks insurance policy for our offices; (iv) general medical and/or work related insurance for our employees; (v) contractor all risk insurance; and (vi) IT insurance for the IT services and products we provide. We also maintained (i) group health and employees' compensation insurance policies for our employees in Macau; (ii) social insurance policies for our employees in the PRC; and (iii) medical and employees' compensation insurance policies for our employees in Hong Kong.

Our Directors consider that such insurance plans are consistent with the customary industry norm based on their knowledge of the industry practice and their experience in operating our business. However, there may be types of losses which we may incur but cannot be insured against or that we believe are not commercially reasonable to insure. There is no assurance that we will be able to maintain sufficient insurance coverage to cover our potential liabilities, and that premiums

will not increase substantially in the future. If we are held liable for uninsured losses, or for amounts exceeding the limits of our insurance coverage, our financial position may be materially and adversely affected.

RISK RELATING TO THE IT SOLUTIONS INDUSTRY

We operate in a competitive industry, and there is no assurance that we will be able to compete successfully.

The IT solutions industry in which we operate is competitive. Additional competitors with significant market presence and adequate financial resources may enter the IT solutions industry, and thereby increase the level of competition. Our market position depends on our ability to anticipate and respond to various factors in a timely manner, including technological development and market trends, responsiveness to our customers' preference and requirements and completion of relevant contracts to meet our customers' schedules.

We compete with competitors in Macau and Hong Kong primarily on the following bases:

- our service level;
- price;
- responsiveness to customer's requirements;
- strategic relationships with customers and suppliers;
- hiring and retention of talented staff; and
- brand recognition.

Our existing competitors may in the future achieve greater market acceptance and recognition and gain a greater market share. If existing or potential competitors develop or offer services that provide a better price and quality over those offered by us, our business and competitiveness would be negatively affected. There can be no assurance that the competition in the IT solutions industry will not increase in the future. Intense competition may result in competitive pricing, which may have an adverse impact on our operating performance and profitability, 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 position and prospects may be materially and adversely affected.

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

We are vulnerable to adverse changes in economic, political and social conditions and government policies in the PRC, Macau and Hong Kong.

Our business, prospect, and financial position may be adversely affected by changes in economic, political and social conditions and government policies in the PRC, Macau and Hong Kong. We manage most of our business operations from our headquarters in Macau and most of our businesses and operations are located in Macau and Hong Kong. In addition, we plan to expand our business presence to the Greater Bay Area of the PRC. Accordingly, our financial

position and prospects are, to a significant degree, subject to the economic, political, social and legal conditions in the PRC, Macau and Hong Kong. If the PRC, Macau and Hong Kong experience any material adverse economic or regulatory conditions due to events beyond our control, such as local economic downturn, natural disasters, contagious disease outbreaks, terrorist attacks, or if the government adopts regulations that place restrictions or burdens on us or on our industry in general, our business, financial position and prospects would be materially and adversely affected.

We are subject to various laws and regulations that govern our operations in different geographical markets. Any material change in such laws and regulations may expose us to increased cost for ensuring compliance.

We have our headquarters in Macau and operating subsidiaries in Hong Kong and the PRC. The laws and regulations in these geographical markets govern different parts of our operations, such as provision of internet services, cybersecurity, protection of personal data, taxation, employment and sales of goods and services. See "Regulatory Overview" in this document for the relevant laws and regulations that are material to our operations in our different geographical markets. Therefore, our operations in these geographical markets are subject to certain inherent risks, including: (i) exposure to local economic, political and labour conditions; (ii) changes in local laws, regulations, trade or monetary or fiscal policy; (iii) limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries; (iv) investment restrictions or requirements; and (v) violence and civil unrest.

In addition, given the complexity of and continuous amendments to these laws and regulations, if there is any material amendment to such laws and regulations in future, our operations in different geographical markets may expose us to increased costs such as costs for engaging professional advisers to advise us on the impact of such changes and the cost of implementing the measures for ensuring continuous compliance with the relevant laws and regulations as amended.

Uncertainties regarding interpretation and enforcement of the PRC laws, rules and regulations may have an adverse effect on our business.

As part of our operation is conducted in the PRC, 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.

In addition, 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 seek to enforce our legal rights through administrative or court proceedings. Compared to the legal system of other jurisdictions, 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 adversely affect our business.

Our business and financial position may be affected by changes in the PRC's economic and political environment and by newly adopted PRC economic regulation policies.

The economy of the PRC used to be a planned economy and a substantial portion of productive assets in the PRC are still owned by the PRC government. The PRC government also exercises substantial control over the PRC's economic growth by allocating resources, setting monetary policies and providing preferential treatment to particular industries or companies. While the PRC government has implemented economic reform measures to introduce market forces and to establish sound corporate governance in business enterprises, such economic reform measures may be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, there is no assurance that we may benefit from all, or any, of the measures which are under constant adjustments.

Our operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or relevant government policies, such as changes in laws and regulations or the interpretations thereof, measures which might be introduced to control inflation, changes in the rate or method of taxation and imposition of additional restrictions on currency conversion.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for the Shares, and the liquidity, [REDACTED] and [REDACTED] of the Shares may be volatile.

Prior to the **[REDACTED]**, there has been no public market for the Shares. The **[REDACTED]** of, and the permission to **[REDACTED]** in, the Shares on the Stock Exchange do not guarantee an active **[REDACTED]** market following completion of the **[REDACTED]**. The determination of the **[REDACTED]** stated in this document was the negotiation result between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company. As such, the **[REDACTED]** may not be an indicative **[REDACTED]** of the Shares on the Stock Exchange. Future sales of a substantial number of the Shares by our Group or its existing Shareholders after the **[REDACTED]** could adversely affect the prevailing **[REDACTED]** of the Shares from time to time.

In addition, the liquidity, the **[REDACTED]** and the **[REDACTED]** of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our business. Factors affecting the volatility of the **[REDACTED]** and the **[REDACTED]** of our Shares include:

- fluctuations in our operating results, such as revenue, earnings and cash flows;
- fluctuations in **[REDACTED]** for services and products of our Group or any of our Group's comparable companies;
- changes in pricing policy adopted by us and our competitors;
- **[REDACTED]** perception of our Group and our business plans;
- announcements of new investments, strategic alliances by our Group;

- changes in our senior management personnel; and
- general economic factors in the jurisdictions in which we carry on our business.

In such cases, **[REDACTED]** may not be able to sell their Shares at or above the **[REDACTED]**. **[REDACTED]** may experience dilution if we issue additional Shares in the future. Our Group may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would reduce the percentage ownership of the Shareholders and may dilute the earnings per Share and net asset value per Share.

In addition, our Group may need to raise additional funds in the future to finance expansion, investment and new development of our business. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the **[REDACTED]**.

Any disposal of a substantial number of Shares by our Controlling Shareholders, [REDACTED] or [REDACTED] in the public market could materially and adversely affect the [REDACTED] of the Shares.

There is no assurance that our Controlling Shareholders, **[REDACTED]** or **[REDACTED]** will not dispose of their Shares following the expiration of their respective lock-up periods after the **[REDACTED]**. We are unable to predict the impacts, if any, of any future sales of the Shares by our Controlling Shareholders, **[REDACTED]** or **[REDACTED]**, on the **[REDACTED]** of the Shares. Sales of a substantial number of Shares by our Controlling Shareholders, **[REDACTED]** or **[REDACTED]** or the market perception that such sales may occur could materially and adversely affect the prevailing **[REDACTED]** of the Shares.

The interests of our Controlling Shareholders may not always coincide with the interests of our Group and those of our other Shareholders.

Upon completion of the **[REDACTED]** (without taking into account the Shares which may be issued pursuant to the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own, in aggregate, **[REDACTED]**% of our Shares. Our Controlling Shareholders will therefore have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of other Shareholders, or if our Controlling Shareholders choose to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, the interests of our Group or of those other Shareholders may be adversely affected as a result.

Possible termination of the [REDACTED].

Prospective **[REDACTED]** of the **[REDACTED]** should note that the **[REDACTED]** are entitled to terminate their obligations under the **[REDACTED]** by notice in writing to our Company from the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) upon the

occurrence of any of the events stated in the relevant **[REDACTED]**. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

Laws of Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions.

Our corporate affairs are governed by the Memorandum, the Articles, and by the Companies Act and common law of Cayman Islands. The laws of Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. The remedies available to our Group's minority shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. See "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document for further information.

Certain information contained in this document is extracted from various official government publications and other publicly available publications and no representation is given as to its accuracy

This document includes certain information and statistics extracted in whole or in part from various official government publications, other publicly available publications or the F&S Report. In particular, the information from official government sources has not been independently verified by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors and advisers or any other persons or parties involved in the Global Offering. Therefore, we make no representation as to the accuracy of such information.

The current market condition may not be reflected in the statistical information included in this document.

In order to provide context to the industry in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this document. However, this information may not reflect the current market condition of Macau, Hong Kong and the PRC as recent economic development may not be fully factored into these statistics, and the availability of the latest data may lag behind of this document. As such, any information relating to market shares, sizes and growth, or performance in the markets in Macau, Hong Kong and the PRC and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should",

"will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. See "Forward-looking Statements" in this document for further details.

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. **[REDACTED]** should not place undue reliance on such forward-looking statements and information.

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 and the [REDACTED].

There may be press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our industry, our Controlling Shareholders, our Directors and employees or the **[REDACTED]**, which may include certain financial information, financial projections and other information about us that do not appear in this document. We have not authorised the disclosure of any such information in the relevant publications and we do not accept any responsibility for any such press articles, media coverage and/or research analyst reports or the accuracy or completeness or reliability of any such information or publications. 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 disclaim it. Accordingly, prospective **[REDACTED]** should not rely on any such information. In making your decision as to whether to **[REDACTED]** our Shares, you should rely only on the financial, operational and other information included in this document.

There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of our Shares when trading begins could be lower than the Offer Price.

The Offer Price of our Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. It is expected that there will be a considerable gap of time between the pricing of our Shares/closing of the application lists and the commencement of trading. Further, the application for the Hong Kong Offer Shares will commence from [Wednesday], [29 June 2022] to [Tuesday], [5 July 2022], which is longer than the normal market practice of 3.5 days. Investors may not be able to sell or otherwise deal in our Shares until the commencement of trading and accordingly, holders of our Shares are subject to the risk that the price of their Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins. As a result, investors may not be able to sell or otherwise deal in the Shares during that period.

[REDACTED]

[REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the **[REDACTED]**, our Company has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the business operations of our Group are substantially carried out in Macau, all executive Directors and majority members of our senior management team ordinarily reside and are and will be expected to continue to be based in Macau. In addition, it would be practically difficult and commercially unnecessary for us to relocate our executive Directors to Hong Kong or appoint additional executive directors who are ordinarily resident in Hong Kong. We believe it would be more effective and efficient for our executive Directors to be based in a location where we have significant operations. As such, we will not be able to comply with the requirements of Rule 8.12 of the Listing Rules for sufficient management presence in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has granted,] a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions:

(i) We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication at all times with the Stock Exchange. The two authorised representatives are Mr. Chao and Mr. Tsang Tik Man. The authorised representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by telephone, facsimile and/or email by the Stock Exchange, if necessary, to promptly deal with enquiries from the Stock Exchange from time to time;

(ii) Each of the authorised representatives is duly authorised to communicate on behalf of our Company with the Stock Exchange and has the necessary means to contact all our Directors (including the independent non-executive Directors) and our senior management team promptly at all times, as and when the Stock Exchange wishes to contact our Directors on any matters. We will implement a policy whereby our Directors (including independent non-executive Directors) will provide to the authorised representatives (a) their respective mobile phone numbers, residential phone numbers, office phone numbers, facsimile numbers and email addresses; and (b) valid phone numbers or other means of communication when they are travelling;

(iii) All our Directors who are not ordinarily residents in Hong Kong possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice;

(iv) China Tonghai Capital Limited, the compliance adviser of our Company ("**Compliance Adviser**"), will act as additional channel of communication with the Stock Exchange for a period commencing from the **[REDACTED]** and ending on the date on which we distribute the annual report for the first financial year after the **[REDACTED]** in accordance with Rule 13.46 of the Listing Rules. The Compliance Adviser will provide professional advice to our Group on continuous compliance with the Listing Rules. We

will ensure that the Compliance Adviser has prompt access to the authorised representatives, our Directors and members of our senior management who will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties; and

(v) All our Directors will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, e-mail addresses and facsimile numbers to the Stock Exchange; and meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the Compliance Adviser, or directly with our Directors within a reasonable time. We will ensure that there are adequate and efficient means of communication between ourselves, our authorised representatives, our Directors and members of the senior management and the Compliance Adviser; and will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Chao Ka Chon (周家俊)	Unit F, 42/F., Tower 1 One Central Residences No. 58 Avenida De Sagres Macau	Chinese
Chiu Koon Chi (趙冠芝)	Flat G, 29/F, Tower 3 Kingsville, 635 Av. Olimplica Taipa Macau	Chinese
Lei Sok Han (李淑嫻)	Rua Do Almirante Costa Cabral Millennium Court, Block 1, 17-B Macau	Chinese
Ng Hong Kei (吳鴻祺)	Estrada Alm. Magalhaēs Correia Flat 15Z, Jardim Hoi Wan, Hoi Wan Taipa, Macau	Chinese
Non-executive Director		
Li Haodong (李浩東)	13/F, Building 8 Haiwan Huayuan No. 123, Shihuadong Road Xiangzhou District Zhuhai City, Guangdong Province PRC	Chinese
Independent Non-executive Directors		
Man Wing Pong (文永邦)	Flat A, 31/F, Block 7 18 Wylie Road Parc Palais Ho Man Tin, Kowloon Hong Kong	Chinese
U Seng Pan (余成斌)	Nova Park — Flat A, 30/F, TORRE 2 252 Avenida de Guimarães Taipa	Chinese
Suen Chi Wai (孫志偉)	Flat F, 45/F Tower 1, 48 Wing Shun Street City Point Tsuen Wan New Territories Hong Kong	Chinese

For further information regarding our Directors, please see "Directors and Senior Management" in this document.

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

PARTIES INVOLVED IN THE [REDACTED]

Party	Name and Address
Sole Sponsor	**China Tonghai Capital Limited** 15/F, China Building 29 Queen's Road Central Hong Kong

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

[REDACTED]

[REDACTED]

Legal advisers to our Company

As to Hong Kong law:
Howse Williams
27/F Alexandra House
18 Chater Road
Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
45/F., K. Wah Centre
1010 Huaihai Road (M)
Xuhui District
Shanghai
People's Republic of China

As to Macau law:
Rato, Ling, Lei & Cortés — Advogados
Avenida da Amizade n.º 555
Macau Landmark
Office Tower 23°
Macau

	As to Cayman Islands law: **Conyers Dill & Pearman** 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Sole Sponsor and [REDACTED]	*As to Hong Kong law:* **[REDACTED]**
	As to PRC law: **King & Wood Mallesons** 25/F., Guangzhou CTF Finance Centre No. 6 Zhujiang East Road Zhujiang New Town Tianhe District Guangzhou Guangdong 510623 People's Republic of China
	As to Macau law: **Leong Hon Man — Lawyers & Private Notary** Avenida da Praia Grande No. 409 China Law Building 12/F Macau
Reporting Accountant and Auditor	**PricewaterhouseCoopers** *Certified Public Accountants and Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters of our Group in Macau	Alameda Dr. Carlos D Assumpção No. 335-341 Hotline Centre 15/F I-Q and X Macau
Principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit 01-02, 12/F., Tower I Enterprise Square No. 9 Sheung Yuet Road Kowloon Bay, Kowloon Hong Kong
Company website	**www.boardware.com** *(information on the website does not form part of this document)*
Company secretary	Mr. Tsang Tik Man *Certified Public Accountant (practicing)* Room 311, King Yung House King Lam Estate Tseung Kwan O New Territories Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. Chao Ka Chon Unit F, 42/F., Tower 1 One Central Residences No. 58 Avenida De Sagres Macau Mr. Tsang Tik Man Room 311, King Yung House King Lam Estate Tseung Kwan O New Territories Hong Kong Alternate to the authorised representatives Ms. Chiu Koon Chi Flat G, 29/F, Tower 3 Kingsville, 635 Av. Olimplica Taipa Macau

CORPORATE INFORMATION

Authorised representative (for the purpose of the Companies Ordinance)	Mr. Tsang Tik Man Room 311, King Yung House King Lam Estate Tseung Kwan O New Territories Hong Kong
Audit committee	Mr. Man Wing Pong *(Chairman)* Mr. U Seng Pan Mr. Suen Chi Wai
Remuneration committee	Mr. U Seng Pan *(Chairman)* Mr. Chao Ka Chon Mr. Suen Chi Wai
Nomination committee	Mr. Suen Chi Wai *(Chairman)* Mr. Chao Ka Chon Mr. Man Wing Pong

[REDACTED]

Compliance Adviser	**China Tonghai Capital Limited** 15/F, China Building 29 Queen's Road Central Hong Kong
Principal bankers	**Bank of China Limited, Macau Branch** Bank of China Building Avenida Doutor Mário Soares Macau **The Hongkong and Shanghai Banking Corporation Limited** HSBC Main Building 1 Queen's Road Central Hong Kong

The information and statistics set out in this section and other sections of this document were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the F&S Report, an independent industry report, in connection with the* [REDACTED]*. The information from official government sources has not been independently verified by us, the Sole Sponsor, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, or any of our or their respective directors and advisers or any other persons or parties involved in the* [REDACTED]*, and no representation is given as to its accuracy.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the IT solutions market in Macau and Greater Bay Area. The report prepared by Frost & Sullivan for us is referred to in this document as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a fee of HK$690,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this document because we believe this information facilitates an understanding of the IT solutions market in Macau and Greater Bay Area for the prospective **[REDACTED]**. The Frost & Sullivan Report includes information of the IT solutions market in Macau and Greater Bay Area as well as other economic data, which have been quoted in the document. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the IT solutions market in Macau and Greater Bay Area. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the steady development of IT solutions market in Macau and Greater Bay Area.

OVERVIEW OF MACROECONOMIC ENVIRONMENT IN MACAU

Nominal GDP

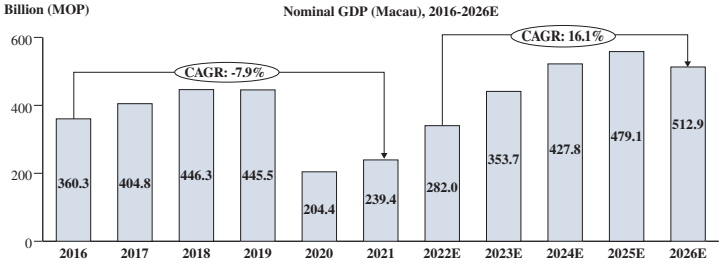
In 2015 and 2016, with the implementation of anti-corruption initiatives by the Chinese central government, the gaming and tourism performance was affected, leading to the slowdown in nominal GDP growth in Macau. The nominal GDP in Macau slightly increased from MOP360.3 billion in 2016 to MOP445.5 billion in 2019. The Macau economy has been affected by the COVID-19 outbreak as it hindered economic activities and tourist visits, with gaming, tourism and retail industries facing the biggest impact. According to the International Monetary Fund (IMF), Macau's GDP dropped by 54.1% in 2020.

However, the COVID-19 outbreak has gradually subsided in Macau and the border controls have been easing accordingly. In fact, the PRC is to resume issuing tourist visas for visitors to Macau and Zhuhai has begun issuing tourist visas since 12 August 2020, including individual and

group tours, for Chinese residents to travel to Macau. It is expected that the resumption of tourist visas could be expanded to the rest of the PRC since the second quarter of 2020, which effectively allows for the revival of the gambling industry whose revenue had been dropping since January 2020 due to the COVID 19 outbreak.

With the easing of border controls in Macau, the number of tourists in Macau are already showing signs of improvement and according to Macau Statistic and Census Service, the visitor arrival in Macau increased from 5.9 million in 2020 to 7.7 million in 2021. As such, the GDP in Macau is expected to rebound in the near future as the number of tourist visits are expected to significantly improve. The outbreak of COVID-19 is expected to cause a short-term economic slowdown but may not affect the markets in Macau and the PRC in the long-run.

With the growing demand for goods and services as well as recovery of tourism and gaming industries, it is expected that the nominal GDP in Macau will recover in 2022 and in the near future at a CAGR of 16.1% from 2022 to 2026.

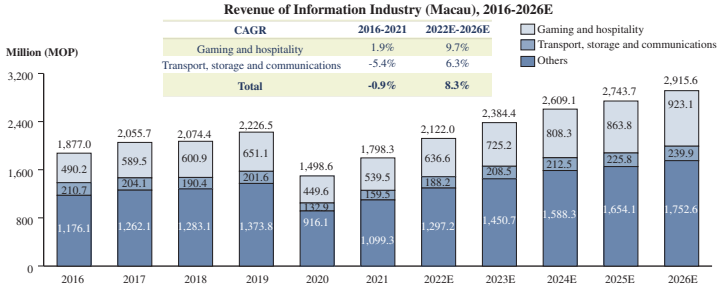


Source: IMF, Frost & Sullivan

Revenue of Information Industry

Revenue of information industry refers to the business receipt of IT related services, including (i) consultancy services related to the installation of computer hardware, (ii) software implementation services, (iii) data processing services, (iv) maintenance and repair services of machinery and equipment, such as computers, other computer and related services. IT solutions is the subset of information industry.

The information industry in Macau has experienced an increase in revenue from MOP1,877.0 million in 2016 to MOP2,226.5 million in 2019. The growth was primarily driven by rising adoption of information technologies in business activities and expanding investment in digital related products and services. Two major downstream industries include gaming and hospitality industry and transport, storage and communications industry, taking up shares of approximately 30.0% and 8.9% respectively by the end of 2021. The drop in 2020 was due to the slowdown in economic growth amid the impact of COVID-19. Despite the negative impact of COVID-19 in 2020, information industry in Macau is expected to grow with a CAGR of approximately 8.3% to attain MOP2,915.6 million in 2026. Gaming and hospitality industry and transport, storage and communications industry are projected to rise at CAGRs of approximately 9.7% and 6.3% respectively from 2022 to 2026.

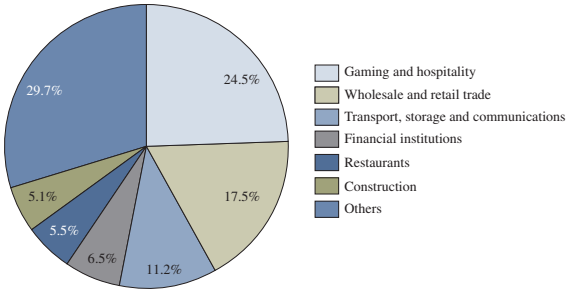


Source: Statistics and Census Service of Macau, Frost & Sullivan

Note: The figure in 2020 is the latest available data and actual figure in 2021 would be released by Statistics and Census Service of Macau in November 2022.

Revenue of information industry in Macau can be further categorised by downstream sectors such as gaming and hospitality sector (24.5%), wholesale and retail sector (17.5%), transport, storage and communications sector (11.2%), financial institutions (6.5%), restaurants (5.5%), construction sector (5.1%) and others (29.7%).

Breakdown of Information Industry by Sector (Macau), 2020



Notes:

1. Others include manufacturing sector, advertising and conference & exhibition organising services sector, sector, industrial sector, etc.;
2. The revenue of information industry from government/public institutions is included in the sectors of hospitality, transport, communication, construction and others.
3. The figure in 2020 is the latest available data and actual figure in 2021 would be released by Statistics and Census Service of Macau in November 2022.

Source: Statistics and Census Service of Macau, Frost & Sullivan

OVERVIEW OF IT SOLUTIONS MARKET IN MACAU AND GREATER BAY AREA

Definition and Classification

IT solutions involve the design, supply, integration, operation and maintenance of IT systems. IT solutions could be primarily categorised into two segments, namely (i) enterprise IT solutions and (ii) distribution of hardware and software. Enterprise IT solutions could be further grouped as (i) professional IT services, (ii) managed services and (iii) IT maintenance and consultancy services.

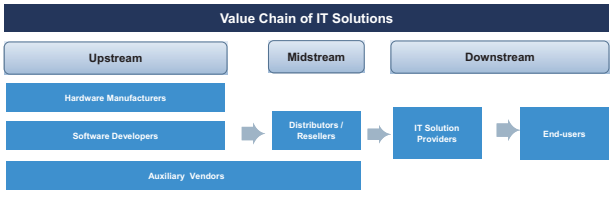
- ***Professional IT services:*** IT infrastructure and system encompasses the design, supply, building, integration and optimisation of backbone network and IT systems. It includes the supply and integration of hardware and software with different platforms, storage systems, security systems, software, networking equipment and backup solution.
- ***Managed services:*** Managed services refer to the IT operation management services, including cloud services, the monitoring of customers' cybersecurity environment and system network connectivity. Under the engagement of relevant managed services, IT solutions providers will tackle issues and problems arise in relation to threats to cybersecurity environment or any anomalies in network connection in the IT system.
- ***IT maintenance and consultancy services:*** IT maintenance and consultancy services generally refers to the provision of 24/7 hotline and service desk for hardware, software and systems and applications to keep IT systems in working condition, identify and resolve errors and defects.

Value Chain and Business Model Analysis

The IT solutions industry consists of hardware manufacturers and software developers. Hardware manufacturers source the raw materials for the production of components and equipment while software developers conceive, specify, design, programme, document, test and maintain the applications. Entering partnership with the hardware manufacturers and software developers, the distributors or resellers resume the responsibility of sales and distribution, and resell the products to IT solution providers. Sometimes, the IT solution providers source the hardware/software directly from the vendors.

As an IT solution provider and authorised distributor, the Group introduces IT products and services, and provides related IT solutions to the local markets, including Macau and Hong Kong, and provides IT solution services covering procurement and integration, managed services and maintenance services to the end users in Macau. The Group also distributes the IT products to other IT solutions providers and resellers.

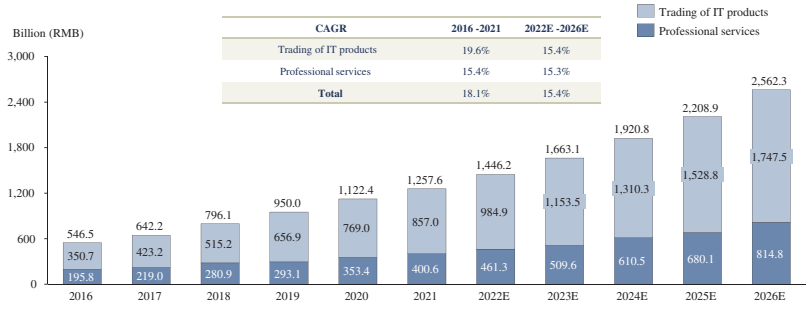
It is an industry norm that the international brands of hardware and software products do not directly involve in the sales process with the end users in Macau and Hong Kong, but instead through intermediate authorised distributors who would further promote the products through local networks. It is also common for the IT solution provider to also be an authorised distributor in Macau and Hong Kong, which allows the distributor to cross sell to the customers with operations in both Macau and Hong Kong.



Source: Frost & Sullivan

Revenue of Information Industry in Greater Bay Area recorded a strong increase from RMB546.5 billion in 2016 to RMB1,257.6 billion in 2021, at a CAGR of 18.1%. Supported by the continuing rising demand and expected investment in IT solution services in the next five years, revenue of information industry in Greater Bay Area is expected to increase at a CAGR of approximately 15.4% from RMB1,446.2 billion in 2022 to RMB2,562.3 billion in 2026.

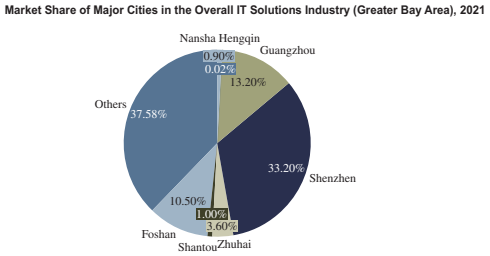
Revenue of Information Industry (Greater Bay Area) , 2016-2026E



CAGR	2016 -2021	2022E -2026E
Trading of IT products	19.6%	15.4%
Professional services	15.4%	15.3%
Total	18.1%	15.4%

Source: Ministry of Industry and Information Technology of the People's Republic of China, State Council of the PRC, Frost & Sullivan

Shenzhen is the largest local market of IT solutions industry in the Greater Bay Area, with the market share of 33.2% in terms of revenue in 2021, followed by 13.2% of Guangzhou and 10.5% of Foshan. In particular, Nansha and Hengqin accounted for the market shares of 0.9% and 0.02% respectively in terms of revenue in the overall IT solutions market in Greater Bay Area in 2021.

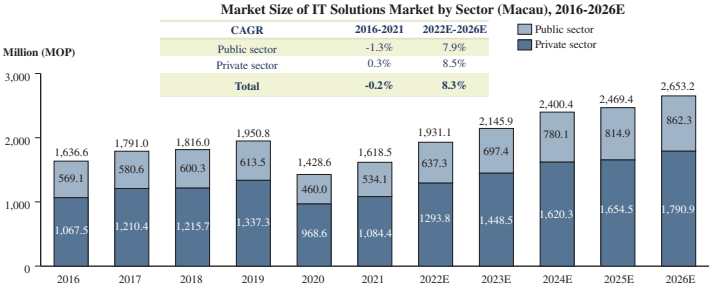


Source: Frost & Sullivan

Market Size of Macau IT Solutions Market by Sector

IT solutions involve the design, supply, integration, operation and maintenance of IT systems. Driven by rising application of information technology and digitalisation among all industries in Macau, IT solutions market has increased from MOP1,636.6 million in 2016 to MOP1,950.8 million in 2019. The drop in 2020 was due to the slowdown of the economic activities during the COVID-19 outbreak. With rising government expenditure on information and communications technology, public sector increased from MOP569.1 million in 2016 to MOP613.5 million in 2019. Private sector also shown a rapid growth from MOP1,067.5 million in 2016 to MOP1,337.3 million in 2019.

In 2020, IT solutions market in Macau is negatively affected by the outbreak of COVID-19 due to the suspension or delay of some projects. However, the market will recover afterwards as Macau continues to expedite the business innovation and digital transformation. The market size of IT solutions market is anticipated to rise at a CAGR of approximately 8.3%, from MOP1,931.1 million in 2022 to MOP2,653.2 million in 2026. Public sector and private sector are forecasted to grow with CAGRs of approximately 7.9% and 8.5% respectively from 2022 to 2026.

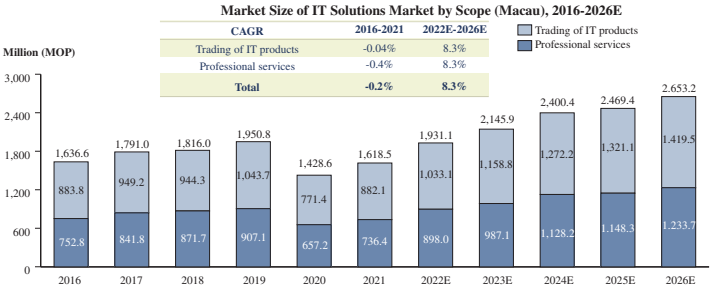


Source: Frost & Sullivan

Market Size of Macau IT Solutions Market by Scope

The growth of IT solutions market in Macau was primarily supported by the rapid development of professional services including supply and installation, managed services and maintenance MOP752.8 million in 2016 to MOP907.1 million in 2019. Meanwhile, trading and distribution of IT products, taking up a larger share of total IT solutions market, also witnessed a growth from MOP883.8 million in 2016 to MOP1,043.7 million in 2019.

Going forward, driven by the rising investment in digitalisation of enterprises and demand for relevant products and services, trading of IT products and professional services are projected to rise at CAGRs approximately 8.3% and 8.3% respectively from 2022 to 2026, reaching MOP1,419.5 million and MOP1,233.7 million respectively by the end of 2026.

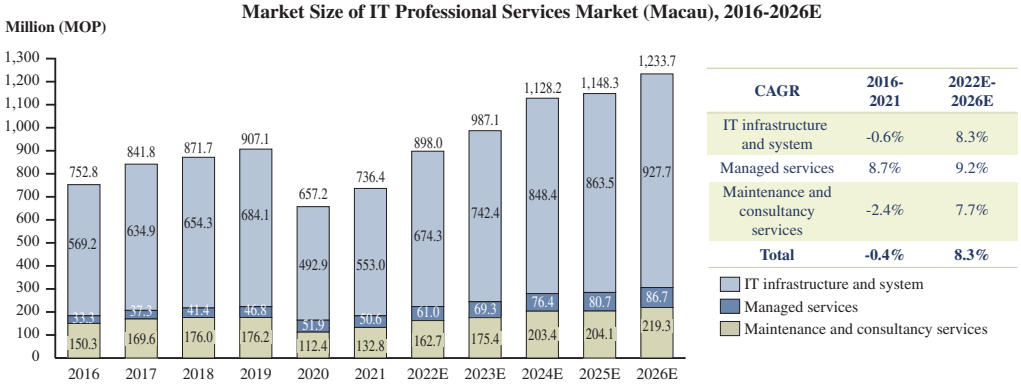


Source: Frost & Sullivan

Market Size of Enterprise IT Solutions in Macau

Professional IT services, accounting for the largest share of the Enterprise IT solutions market in Macau, decreased from MOP569.2 million in 2016 to MOP553.0 million in 2021 with a CAGR of approximately -0.6%. During the same period, managed services segment registered the largest CAGR of approximately 8.7% and IT maintenance and consultancy services segment attained MOP132.8 million by the end of 2021 with a CAGR of approximately -2.4%, from 2016 to 2021.

Looking forward, supported by the continuous investment in digitalisation and IT infrastructure, enterprise IT solutions are projected to have a rapid growth from 2022 to 2026. Professional IT solutions, managed services, and IT maintenance and consultancy services are expected to rise at CAGRs of approximately 8.3%, 9.2% and 7.7% respectively from 2022 to 2026, reaching MOP927.7 million, MOP86.7 million and MOP219.3 million respectively in 2026.



Source: Frost & Sullivan

In compiling the growth of the information industry market from 2022 to 2026 and recovery of IT solutions market after 2020, save for the foreseeable impact resulted from COVID-19 outbreak, Frost & Sullivan consider the IT solutions industry and gaming and hospitality industry in Macau remain positive in the long run based on the following reasons:

- The IT solutions projects in Macau that are currently in the pipeline to be launched in the following years will unlikely be affected. There is a steady demand from upgrade, replacement and maintenance of IT systems
- The IT solutions industry in Macau will benefit from the COVID-19 outbreak as people spend more time on internet. Remote working tools and online teaching platforms, particularly videoconferencing software, has seen a significant increase in demand as a result of the border control and other preventive measures. Online demand streaming services and the mobile gaming industry also experienced record usage levels. The increased popularity of online applications would expedite the digitalization of enterprises and create more growth opportunities for IT solutions providers.

- Although some of the construction sites in Macau had been suspended for around two weeks in February 2020 in compliance with the Macau government's initial policy to combat the COVID-19 outbreak, there has been no significant delay or postponement to the project schedules of certain large-scale construction projects such as the extension of Sands Cotai and the Londoner Macao and the extension of Galaxy Macao Phase 3 and Phase 4, despite the current economic conditions. For example, Grand Lisboa Palace, the only self-operated entertainment place of the group located in Taipa and with an investment of approximately HK$36 billion, was opened in 2021.
- The outbreak of COVID-19 is expected to bring limited impacts to the gaming and hospitality sector in Macau in the long run due to the fact that the effect of the COVID-19 pandemic has gradually subsided in Macau following the gradual relaxation of the border control and the resumption of business activities. According to the DSEC, the gross gaming revenue in Macau increased from MOP3,317 million in second quarter of 2020 to MOP5,077 million in third quarter of 2020. The growth continued and the gross gaming revenue in Macau further increased from MOP21,836 million in fourth quarter of 2020 to MOP25,381 million in second quarter of 2021, as a result of the rising number of visitor arrivals during the same period. While the gross gaming revenue decreased to MOP18,765 million in the third quarter of 2021, it recovered to MOP19,076 million in the fourth quarter of 2021, as a result of the continued increase in number of visitor arrivals as certain travel restrictions are gradually lifted. The gross gaming revenue and other visitor spending will respond positively. The COVID-19 outbreak has gradually subsided in Macau and the border controls have been easing accordingly. In fact, the PRC is to resume issuing tourist visas for visitors to Macau and Zhuhai has begun issuing tourist visas since 12 August 2020, including individual and group tours, for Chinese residents to travel to Macau. The visitor arrivals increased from 49,740 in second quarter of 2020 to 750,204 in third quarter of 2020, reached 1,738,428 in first quarter of 2021. With the relaxation of border control, visitor arrivals in Macau increased from 1,738,428 in the first quarter of 2021 to 1,827,699 in the third quarter of 2021, representing a year-on-year uplift of 143.6%. The average occupancy rate of guest rooms in Macau increased from 44.9% in the first quarter of 2021 to 50.5% in the third quarter of 2021, representing a year-on-year uplift of 50.5%. The increase in visitor arrival and average occupancy rate of guest rooms in Macau indicates the recovery of the tourism industry in Macau. The resumption of gaming and hospitality sector would drive the growth of IT solutions industry in Macau.
- Ahead of the re-tendering of Macau's casino licenses, Macau's Legislative Assembly has published the draft bill on amendments to gaming law at which it provided clarity on many key issues. These included confirmation that up to six concessions would be granted following the upcoming re-tendering for casino licenses and that each concession would be for 10 years with the possibility of extending by up to three years under exceptional circumstances. Among further details contained in the draft bill are new rules around the future of junkets that dedicated junket rooms in Macau's casinos and revenue share arrangements between junkets and casino concessionaires will be prohibited under the gaming law amendments. As the maximum number of concessions remains unchanged in the draft bill, the demand for IT solutions in the gaming and hospitality sector in Macau is expected to continue in the near future due to (i) the demand for IT infrastructure is stable and is directly correlated to scale of gaming and hospitality facilities instead of gaming revenue, (ii) the diversification of economy as stated in the draft bill would further promote the development of other hospitality sectors, which would drive the overall demand for IT solutions.

Market Drivers

Integration of smart technology into gaming and hospitality sector — Market participants in gaming and hospitality industry in Macau are always seeking new service features and value-added services due to the intensifying competitions and changing needs from customers. In particular, advanced surveillance technology and video analytics are deployed to monitor their casinos, where contain more than one hundred tables and thousands of slot machines. The surveillance cameras, facial recognition technology, digitally enabled poker chips and baccarat tables track the data of customer demographic and uses algorithms that process the way customers behave at the betting table to determine their appetite for risk. On the other hand, hotels are updating their room facilities with smart home devices, such as AV system, custom designed mobile applications. To enable such features, IT solutions, such as IT infrastructure integration and implementation, are required. The use of smart technology would lead to the upgrade of IT infrastructure, enhancement of other IT systems and IT constancy services. Therefore, the integration of smart technology into gaming and hospitality sector in Macau is expected to drive the demand for IT solutions.

Outsourcing of IT solutions — In order to enhance operation efficiency, organisations tend to adopt cloud-based technology to store data which could be accessed by all employees. The deployment of IoT services generates an increasing amount of data on a day-to-day basis, creating needs for data storage and data storage on cloud. The cloud service solution providers provide organisations with other value-added services such as professional data protection and cybersecurity. Moreover, the physical size reduction and growing performance of the servers have allowed a larger number of servers to be housed in the same amount of space. The third-party service providers therefore could enjoy economies of scale to offer higher performance cloud service with lower cost compared to operating cloud servers by organisations themselves. As a result, the outsourcing of IT solutions services is becoming the mainstream in the industry, which supports the growth of IT solutions.

Development Trend

Development of 5G network — 5G network is the most crucial component for the development of smart city. It could provide high speed, low latency experience for the users and enable the efficient operation of different smart technologies, such as urban management, transportation management, etc. As at September 2020, the first phase of 5G mobile network development by a major telecommunications company in Macau has completed and full indoor-to-outdoor 5G signal coverage was achieved by the end of 2020. According to the Government announcement made on November 2021, the Macau SAR government will issue the first 5G licenses in 2022. With the increasing popularity of 5G technology across different industries in Macau, the average data flow will experience a tremendous surge which requires higher processing capacity in data centre. As a result, the demand for IT solutions in Macau for setting up data centres and related maintenance service is expected to rise with the development of 5G network.

Advancement and popularisation of data analytics — Cloud computing involves networking of large groups of remote servers with internet-based computing, which allows sharing of processing resources and data to computers and other devices, data storage and online access to services. Storage of the data requires terabytes of spaces and the cloud computing solution is one of the most effective technologies to provide data storage and computing power. The arrival of big data has reshaped the analysis of data, especially the data could be used for business performance enhancement.

Increased infrastructure requirements for emerging technology adoption — One of the key drivers for IT solutions is the increased infrastructure requirements for emerging technology adoption, namely cloud and big data, and the integration of these applications into environments, IoT-connected devices and data analytics. IoT refers to the network of physical objects embedded

with electronics, sensors and software with network connectivity. Organisations are adopting IoT into their business operation in order to collect and analyse relevant data for better cost control and higher efficiency.

Increased data exposure — With the adoption of emerging technology, the rise of information exchanged via the internet increases the data exposure. This has heightened data sensitivity and increased cyber threats in a number of industries, namely gambling, financial services and telecommunication. Developing a security infrastructure, recognising threats and vulnerabilities and risk mitigation, are becoming the key agenda for the organisations. System backup, firewalls, multi-factor authentication and data encryption are common security measures adopted by the organisations. Specifically, end-to-end security solutions, from risk assessment, gap remediation, proactive risk management, active monitoring and surveillance to incident response, are highly desired.

Market Opportunities

Supportive governmental policies in promoting smart city — The Macau Government has been actively promoting the development of smart city for several years. According to "Government of Macau SAR Five Years Development Plan (2016-2020)" published in 2016, "Technology Innovation and Smart City Working Group" has been set up to establish a comprehensive and hierarchical system to assist higher institution and research institutes to develop Macau into a smart city. In 2017, Macau Government has entered into a strategic partnership framework agreement with Alibaba Group, under which Alibaba will support Macau's transformation into a smart city by using cloud computing technologies in order to benefit both residents and tourists visiting the city. In April 2020, the Macau Government issued "Policy Address 2020" which emphasises the development of smart city by strengthening the 5G network, developing data centre and establishing digital infrastructure. The overall direction aims to integrate smart technologies into urban management, government services, medical services, transportation management, tourism, custom services by utilising the advanced information technology. Therefore, the overall smart city development will boost the demand for IT solution services in Macau.

Implementation of IoT network — According to the "Outline of Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area"《粵港澳大灣區發展規劃綱要》, the plan aims to build up a smart urban agglomeration. In order to facilitate the development of smart city within the Greater Bay Area, Macau Government has invested extensive resources to conduct R&D works over the years. In July 2018, the University of Macau (UM) received the approval of the Ministry of Science and Technology for the establishment of the nation's first state key laboratory in IoT for smart city. The UM Lab aims at developing IoT technologies by solving current scientific and technical issues of IoT for smart city development. As the national level research institution is located in Macau, the latest IoT technologies is expected to be firstly implemented in Macau. As a result, along with the development of 5G network and supportive governmental policies, the rapid development of IoT in Macau will directly drive the demand for IT solutions in coming years.

Development of Fin-tech and e-commerce services — In May 2020, People's Bank of China, China Banking and Insurance Regulatory Commission, China Securities Regulatory Commission and State Administration of Foreign Exchange issued "Opinions on Financial Support for The Construction of The Guangdong-Hong Kong-Macao Greater Bay Area"《關於金融支持粵港澳大灣區建設的意見》which has stated the development direction and emphasised the cooperation of financial institutions within Greater Bay Area. In response to the development goal, Macau Government will provide financial incentives to local SMEs and help them develop e-Commerce and cross-border e-Commerce business, as well as popularising digital payment system. In addition, the Macau Government aims at developing local financial industry by (i) establishing the PRC and Portuguese-speaking countries financial service platform, (ii) strengthening financial infrastructures, and (iii) improving local financial laws and regulations. On the other hand, Zhuhai

Science and Technology Innovation Bureau has issued "Measures for the Administration of Zhuhai-Hong Kong-Macao Science and Technology Innovation Cooperation Projects in Zhuhai City"《珠海市珠港澳科技創新合作項目管理辦法》in 2020 which encourages the cooperation of research institutes and technology companies in Zhuhai, Macau and Hong Kong, by providing financial subsidy, up to RMB2.0 million per company. The enhanced cooperation of financial institutions and supportive government policies would translate into growth opportunities for IT solutions providers in the Greater Bay Area, including Hong Kong and Macau as well.

A General Plan for Building a Guangdong-Macau In-Depth Cooperation Zone in Hengqin

A general plan for building a Guangdong-Macau in-depth cooperation zone in Hengqin was issued by the Communist Party of China Central Committee and the State Council on 5 June 2021. The building of the cooperation zone is a major arrangement to enrich the practice of "one country, two systems," and will be an important driving force for Macau's long-term development. The cooperation zone would be divided into "first line" and "second line". The line between Hengqin and the Macau is set as the "first line"; the line between Hengqin and other areas within the customs territory of the PRC is set as the "second line". The cooperation zone will be classified and managed in different regions. The Hengqin campus of the University of Macau and the Macau jurisdiction of the Hengqin port are managed by the Macau Government as authorized by the Standing Committee of the National People's Congress. These regions are subject to the system and regulations that has been practised in Macau, and are separated from other regions by physical fences. Guangdong province and Macau would jointly build and manage a shared area to implement special policies for eligible market entities.

According to the plan, the total area of the cooperation zone will be about 106 square km. The plan defines the strategic position of the zone as a new platform to boost Macau's economic diversification, a new space that provides convenience to Macau residents' life and employment, a new model to enrich the practice of "one country, two systems," as well as a new high ground for building the Guangdong-Hong Kong-Macau Greater Bay Area. The plan sets the goal for the cooperation zone to fully demonstrate the strong vitality and strength of "one country, two systems" by 2035.

In particular, the cooperation zone will develop new industries, namely Sci-tech research and development and high-end manufacturing, to promote Macau's economic diversification. Traditional Chinese medicine and other industries including culture and tourism, conventions and exhibitions, and finance will be promoted. Preferential policies concerning corporate income tax will be improved, and measures will be rolled out to attract talent from home and abroad. The plan also stressed building an integrated new system with Macau featuring high-level opening-up. Under the system, declaration procedures for outbound and inbound goods between Macau and the cooperation zone will be further simplified. Inbound and outbound travel will also become highly convenient. Innovative measures will be introduced in terms of cross-border financial management. A highly convenient mechanism for market access will be established, and efforts will also be made to facilitate the safe and orderly flow of internet data across the border. Macau residents are encouraged to live and work in the cooperation zone. Cooperation between the zone and Macau society will be strengthened in areas concerning people's livelihood and infrastructure connectivity will also be boosted.

Enterprises that are conducive to Macau's economic diversification, including IT solutions, will be eligible for a reduced Corporate Income Tax (CIT) rate of 15%. On the other hand, Guangdong province will launch a pilot program to recognize professional qualifications issued by the Macau SAR to ensure a smooth flow of talent in the region. The province plans to collaborate with the Macau SAR's established professional qualification and evaluation organizations. The agreement was reached at a recent meeting of the Guangdong-Macao cooperation task force on

labor and social security affairs. Three accords, including reciprocity on social security systems and professional qualifications, were signed. Guangdong also aims to introduce advanced vocational skill standards and training courses from Macau and other places overseas.

The Guangdong-Macau In-depth Cooperation Zone planned for neighbouring Hengqin will focus on four sectors to facilitate the industrial diversifications of Macau from gaming, including technology and high-end manufacturing, traditional Chinese medicine, tourism and MICE, and finance. Research and development of integrated circuits, electronic components, new energy, big data, artificial intelligence, Internet of Things, biomedical engineering will be harboured in the Cooperation Zone, which aims to develop high-end manufacturing. The Cooperation Zone will become "an important stop" for the innovation and technology drive in the Guangdong-Hong Kong-Macau Greater Bay Area. As the central government has previously designated Hengqin to be developed as the International Leisure Tourism Island, the general plan also underscores the development of tourism and MICE as one of the major sectors for the Cooperation Zone. Multiple-entry visas between Macau and Zhuhai will be approved for foreign staff and professional visitors of the MICE events to be held concurrently in Macau and Hengqin to facilitate more cross-border MICE events. For the development of the financial industry, the Cooperation Zone will become a financial service platform between China and Portuguese-speaking Countries, and support Macau firms to set up businesses of wealth management, bonds and leasing in the Zone with lower thresholds. The development of the aforementioned industries would, therefore, increase the number of enterprises in the Cooperation Zone, which in turn increase the demand for IT solutions in the near future.

It is expected that the building of the Guangdong-Macau in-depth cooperation zone in Hengqin would support the economic growth of Macau and the development of enterprises, which in turn increase the demand for IT solutions in Macau.

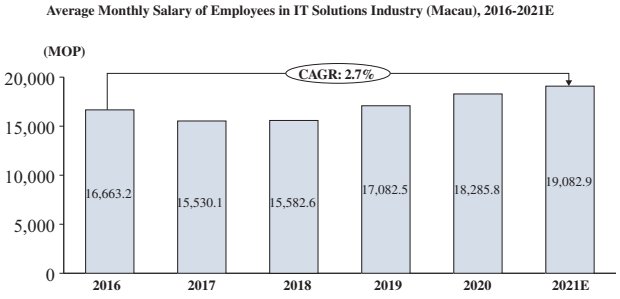
Market Challenges

Rising labour wages — Labour wages are the major cost items in innovation and maintenance of IT solutions. The rising costs of staff in the IT industry in Macau, which attributable to the growing competition for talent, has led to higher operation cost. Together with the strong outlook of Macau IT solutions industry and the difficulty of talent recruitment and retention, particularly for local talent, the mismatch between demand and supply of IT professionals would further increase the labour wages. As salaries rise, the results of operations will be materially and adversely affected if IT solutions providers are not able to increase revenue correspondingly to offset higher cost.

Increased competition arising from rapid technological change — The IT solutions industry is highlighted by rapid technological innovation, evolving industry standard and short product life cycle, and changing client requirements. Accordingly, response to rapidly changing technologies and continual improvement of market know-how is the key competition focus. Failure to catch up with industry trends would render the services to be obsolete and uncompetitive. Increased competition is seen in the IT solutions industry in Greater Bay Area and Macau.

Cost Analysis

The IT solutions industry has a relatively younger target audience and shorter product life-cycle, which makes the market more competitive and ever-evolving. The core competency of market participants lies in their research and development capability to create products that can lead the market or to keep up with the current trend. Human capital is the driving engine behind the research and development progress of an IT solution company, thus employee compensation is used as a critical factor to evaluate he cost structure of the IT solutions market. The average monthly salary of employees in IT solutions industry in Macau grew from MOP16,663.2 in 2016 to MOP19,082.9 in 2021 at a CAGR of 2.7%.

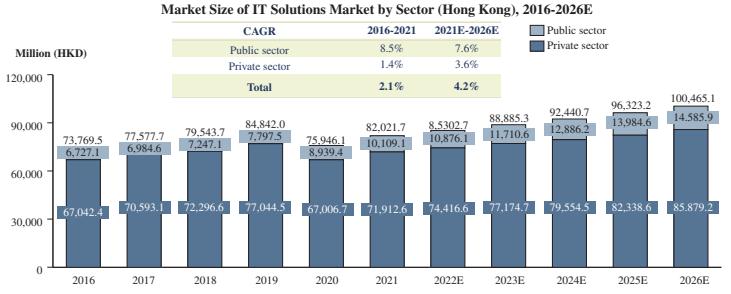


Source: DSEC, Frost & Sullivan

Market Size of Hong Kong IT Solutions Market by Sector

Driven by the technological advancements and continuous investment from both public and private sectors, IT solutions market in Hong Kong rose at a CAGR of approximately 2.1%, from HK$73,769.5 million in 2016 to HK$82,021.7 million in 2021. Public sector recorded a significant growth at a CAGR of approximately 8.5% from 2016 to 2021, primarily driven by the increasing government expenditure in information and communications technology and initiatives such as the "Smart City Blueprint". Similarly, private sector rose steadily from HK$67,042.4 million in 2016 to HK$71,912.6 million in 2021, representing a CAGR of approximately 1.4%.

It is estimated that both public sector and private sector will grow continuously from 2022 to 2026, with the development of 5G technology, cloud computing and AI, and the cooperation among market participants in the Greater Bay Area. Accordingly, public sector and private sector are estimated to attain CAGRs of approximately 7.6% and 3.6% respectively from 2022 to 2026.

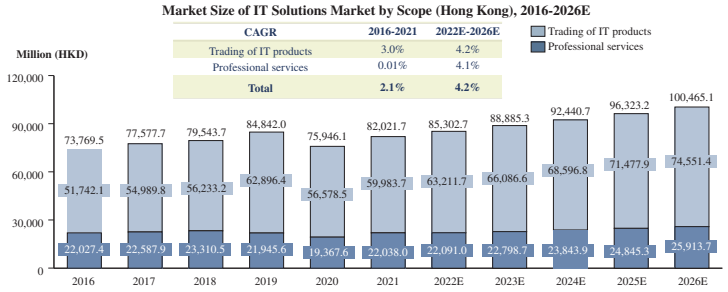


Source: Frost & Sullivan

Market Size of Hong Kong IT Solutions Market by Scope

Trading of IT products grew steadily from HK$51,742.1 million in 2016 to HK$59,983.7 million in 2021, representing a CAGR of approximately 2.1%. Despite a slight decline in 2019 due to the social unrest in Hong Kong, professional services, including IT infrastructure and system, managed services, IT maintenance and consultancy services, have witnessed an overall growth from HK$22,027.4 million in 2016 to HK$21,945.6 million in 2019.

Due to the outbreak of COVID-19, both trading activities and enterprise IT solutions have experienced temporary disruptions and fell to HK$56,578.5 million and HK$19,367.6 million respectively by the end of 2020. However, supported by the strong demand for digitalisation and technological advancement, trading of IT products and enterprise IT solutions are forecasted to rise at CAGRs of approximately 4.2% and 4.1% respectively from 2022 to 2026, reaching HK$74,551.4 million and HK$25,913.7 million in 2026.

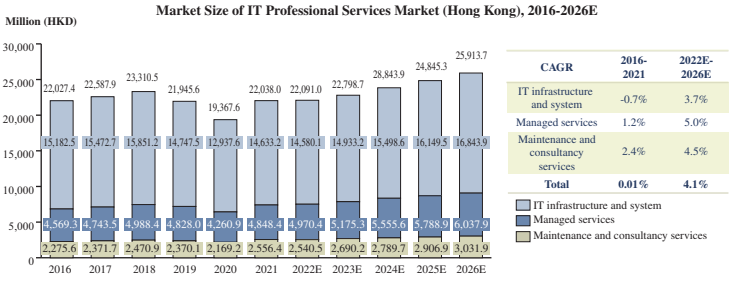


Source: Frost & Sullivan

Market Size of Enterprise IT Solutions in Hong Kong

With a relatively higher adoption and demand of digitalisation and IT in business activities, the enterprise IT solutions market is mainly driven by the development of managed services and IT maintenance and consultancy services. From 2016 to 2021, managed services and IT maintenance and consultancy services has achieved CAGRs of approximately 1.2% and 2.4% respectively, attaining HK$4,848.4 million and HK$2,556.4 million respectively in 2021.

Despite the temporary of impact of COVID-19 in 2020, the demand for enterprise IT solutions is expected to grow steadily during the period from 2022 to 2026. Professional IT services managed services and IT maintenance and consultancy services are projected to achieve HK$16,843.9 million, HK$6,037.9 million and HK$3,031.9 million respectively by the end of 2026, representing CAGRs of approximately 3.7%, 5.0% and 4.5% respectively from 2022 to 2026.



Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF IT SOLUTIONS MARKET IN MACAU

Overview of competition

The IT solutions market in Macau is competitive, with approximately 200 market participants in 2021. The IT solutions market in Macau is relatively concentrated with the top five players contributing to approximately 76.3% of the entire market in terms of revenue. The Group recorded the revenue of approximately MOP417.6 million for the provision of IT solutions, accounting for approximately 25.8% of the market share in Macau.

Engaged in both provision of enterprise IT solutions and distribution and resale of hardware and software, the Group is able to distinguish itself from other IT solution providers who only provide logistics services for the distribution of IT products or only provide enterprise IT solutions services. The in-depth knowledge of the industry and technicalities on the vendors' products as well as experience in the local market allows the Group (i) to help the vendors to penetrate the local market; (ii) to assure the customer's understanding about the products; (iii) to be at the better position to collect customers' requirements and provide customised and total solutions.

Ranking and market share of IT solutions market by revenue (Macau), 2021

Rank	Market participant	Listing status	Estimated revenue in 2021 (MOP million)	Estimated market share in 2021 (%)
1	The Group	Private	417.6	25.8%
2	NetCraft Information Technology (Macau) Co. Ltd	Private	295.5	18.3%
3	Mega DataTech Ltd	Subsidiary of a Listed Company (8033.HK)	185.2	11.4%
4	China Telecom Corporation Limited	Listed (0728.HK)	182.3	11.3%
5	JOS Macau	Subsidiary of a Listed Company (1310.HK)	154.4	9.5%
Subtotal			1,235.0	76.3%
Total			1,618.5	100%

Notes:

(i) NetCraft Information Technology (Macau) Co. Ltd is an IT solution provider in Macau, specializing in offering corporate solutions from the areas of network infrastructure and information security.

(ii) Mega DataTech Ltd is a system Integration services providers in Macau.

(iii) China Telecom Corporation Limited is an integrated intelligent information services operator in the world, providing wire line & mobile telecommunications services, Internet access services, information services and other value-added telecommunications services primarily in the PRC.

(iv) JOS Macau is an IT solutions providers in Macau, with a focus on installation and implementation, hardware and system maintenance and managed services.

Source: Frost & Sullivan

Factors of competition

Talent acquisition and management — Talents in a company determine its product development capability and thus how well the company can differentiate itself from the market competitors. A successful factor of the IT solutions industry lies in the recruitment of best-in-class talents who can create innovative solution to lead the market. With the enhanced mobility of labour force and the intense demand for top talents, it is also important for companies to manage and retain the talents they have recruited. This can be done by providing favourable employment terms and creating an embracing culture to attract the talents.

Investment and funding securement — IT solutions industry is rapidly evolving market and the short life cycle of products created intense competition on the R&D capability of companies. Maintaining market position, companies will need to invest continuously to create innovative products and upgrade it's hardware for better solution provision. While allocating sufficient resources on R&D at company's own cost may not be possible, there are various approaches to capture funding, such as PE and angel investors, bank financing and government subsidies. Successful companies are often able to leverage external capital resources.

Agility and market responsiveness — Innovation is the cornerstone of IT solutions industry. Market leaders are often companies that can create novel products to change market paradigm; on the contrary, companies that fail to keep up with the technology will be eliminated from the free market. Agility to response to market changes is thus a key success factor to surviving in the IT solutions industry. This may require companies monitor closely change in service demand of customers and continuously upgrade their solution.

Integration to bigger initiatives — The world is more connected due to globalisation and business operation is no longer fixed to the market where the company has operation in. Increased partnership and collaboration between international and local players also enhance accessibility of company to different economy and reduce the barrier of not having sufficient understanding of local demand. Expanding consumer base and potential revenue, companies will need to create products for bigger market and participate in government-initiated developmental plan, such as the greater bay area initiatives.

Entry barriers

Talent acquisition and retention — The IT solution industry relies heavily on talents that can create value and products innovative solution to strengthen product development capability of a company. Larger companies often provide better employment package, more back up support as well as promising career prospect and development opportunity to attract and retain talents. They also allocate sufficient resources to culture talents with high loyalty and better fit the needs of the company. Start-up of the IT solution industry may face difficulty in forming and maintaining their team of talent, thus has a relatively weaker product development capability and could be slower in market response and product creation progress. With the high cost of talent development especially in highly technical industry, cultivating own talents may not be cost-effective approach to smaller companies as well. Talent acquisition and retention are thus the entry barrier in the IT solution industry. Apart from industry nature that poses new market entrance, regional difference also plays a role in recruiting talents. In a globalised market and the enhanced mobility of talent, companies are not only competing with market leaders within the local market, but also internal players in distance market. High personal income tax and lower salary make it more difficult for new companies in Macau to recruit top talents around the world.

Access to capital investment — Capital is the fuel to business growth, particularly the R&D focused IT solution industry. There are various way companies can have access to finance, including company's own capital, PE and VC funds, bank financing, government subsidies and crowd-funding platforms, each poses different barriers for funding application. Start-up companies could be harder to secure capital funding from investors and banks as they lack a track record and credibility for profitable return. An alternative approach to PE and VC funding is equity crowd-funding. However, there might be issues related to the use of platform, such as regulatory compliance, accessibility and acceptance of people as well as intellectual property. Equality crow-funding thus remain a minor source of funding nowadays. Difficulty in securing sustainable funding for daily business operation and R&D capability enhancement poses entrance barrier to IT solution companies.

COMPETITIVE LANDSCAPE OF IT SOLUTIONS MARKET IN HONG KONG

Overview of competition

The IT solutions market in Hong Kong is considered highly competitive and fragmented with over 1,000 establishments of various scales in 2021. The market in Hong Kong is shared by telecommunication companies, international vendors and other local IT solutions providers. The Group recorded revenue of approximately HK$128.6 million in Hong Kong for the year ended 31 December 2021, representing a 0.2% share of the total industry revenue.

The development of IT solutions in Hong Kong is underpinned by innovative startups that may have the potential of transforming traditional products and business processes as well as the emergence of new market players in various industries, including telecommunication firms and Internet portals. At the same time, existing institutions in traditional industries are proactively pursuing the application of information and technology to enhance efficiency of their service delivery and bring benefits to consumers and enterprises.

The leading IT solutions providers generally enter strategic partnerships with the hardware manufacturers and software developers, thus enjoying flexibility in product selections and technical support.

Factors of competition

Flexible business model — In general, the competition in the IT solutions industry is highly vigorous, primarily due to the ever-changing market environment, ongoing technological innovation and various customers requirements. The IT solutions providers, therefore, have to keep abreast of the market pace and constantly formulate the strategies in business development and operational mode to sustain the market leadership.

System compatibility and customisation — In addition, the capabilities of IT solutions to realise compatibility and support customisation is another competition focus. Customers usually request their systems to be compatible with other systems, and integrated platforms are in high demand. Together with consulting, technical and support, and managed services, efficiency of the IT infrastructure would be optimised.

Market know-how — Technical knowledge is taking more and more important role in the IT solutions industry, from design, building and integration to technical support. Technical knowledge, therefore, is highly preferred by the customers who optimise the IT resources to capitalise the chances arising from technological innovation.

Entry Barriers

Expertise and Knowledge — IT solutions are usually customised to meet specific needs. Understanding of clients requirements and technical knowledge are required to maintain the competitiveness. It takes time and effort for the new market entrants to accumulate market know-how of the target client groups. IT solutions providers with proven track record and expertise are preferred by the clients. Industry expertise, therefore, act as a major barrier for entry.

Brand awareness — Brand awareness among customers is another entry barrier in the IT solutions industry. The leading market participants have established reputation by timely delivery and quality of services. These well-know brands have become first choices for the clients, especially large corporations, when it comes to procurement of hardware equipment and software services. New market entrants who have limited market penetration and brand recognition might find it difficult to acquire clients.

Strategic Partnership — IT solutions providers are required to source various types of products from hardware manufacturers and software developers. The leading IT solutions providers generally enter strategic partnerships with the hardware manufacturers and software developers, thus enjoying flexibility in product selections, timely technical support and favourable credit terms. Strategic partnership with hardware manufacturers and software developers is the indistinguishable asset in the IT solutions industry in Hong Kong.

OVERVIEW OF IT SOLUTIONS MARKET IN NANSHA AND HENGQIN

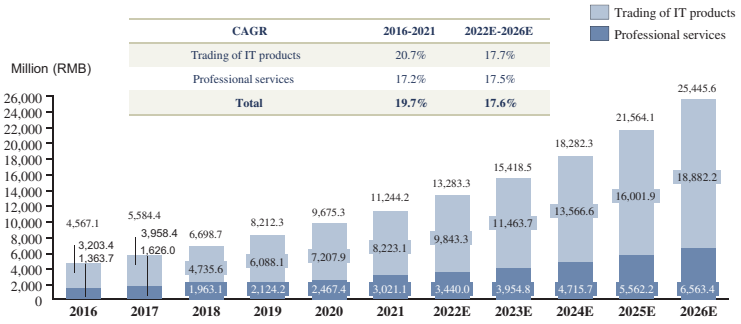
Overview of competition in Nansha and Hengqin

Revenue of information industry in Nansha increased from RMB4,567.1 million in 2016 to RMB11,244.2 million in 2021, at a CAGR of 19.7%. Located at the center of the Greater Bay Area, the Nansha New Area in Guangzhou plays an essential role to boost innovation and technology industry in the area, as well as deepen cooperation between Guangdong and Hong Kong and Macau to jointly develop logistics, tourism, financial-leasing and cross-border e-commerce industries in the years ahead. The establishment of Greater Bay Area has translated into growth opportunities for Nansha and the demand for IT solutions in Nansha.

The Nansha free trade zone is also Guangdong's gateway in participating in the construction of the Belt and Road Initiative promoting technology innovation, advanced manufacturing, international trades, shipping logistics and marine manufacturing. In particular, the supportive policies of the free trade zone status of Nansha include pilot financial reform and innovation: a one-off cash award of RMB20 million will be given to those newly recognized the world's top 500 enterprise or RMB10 million to those recognised the global top 1,000 enterprises or China's top 500 enterprises. Up to RMB5 million of subsidy will be given to those being listed in any market in the PRC or overseas. Financial support will also be available to financial leasing enterprises in carrying out business in fields of aircrafts, vessels, vehicles and real estates. With the promotion of free trade zone, revenue of information industry in Nansha is expected to increase from RMB13,283.3 million in 2022 to RMB25,445.6 million in 2026 at a CAGR of 17.6%.

According to the Development and Reform Bureau of Nansha District, as the operational plan for the "siege of cities and villages" in Nansha District and the annual "construction drawing" for the "14th Five-Year Plan" construction, this plan involves a total of 202 key projects with a total investment of RMB626.5 billion, with an annual planned investment of RMB91.1 billion. In Nansha, 59 major infrastructure projects are scheduled in 2021, involving a total investment of RMB266.2 billion and an annual investment of RMB27.4 billion. The projects include the construction of a three-dimensional transportation network with high-speed rail, intercity, subway, and high-speed roads as the main body, plan to build Metro Line 18 (the first section), and promote major transportation infrastructure such as the Guangzhou section of the Shenzhen-Mao Railway and the Wanqingsha branch of the Shenzhen-Zhongshan Passage.

Revenue of Information Industry (Nansha) , 2016-2026E



CAGR	2016-2021	2022E-2026E
Trading of IT products	20.7%	17.7%
Professional services	17.2%	17.5%
Total	**19.7%**	**17.6%**

Source: Frost & Sullivan

Hengqin is developing tourism, leisure, healthcare, commercial and financial services, culture, science, education, and hi-tech industries. It is a cultural and educational opening-up pilot zone and international business, service, recreational, and travel base. The free trade zone also advocates Macau's economic diversification through non-gaming elements and strengthened regional cooperation. In 2020, supportive government policies are also launched to promote the growth information and technology industry, particularly artificial intelligence industry. Comprehensive assistance is provided in computing power, acquisition, purchasing, loan interest rates and applications, while capital and project matchmaking and market promotion services are also made available. A repository will be established for dynamic tracking of local AI enterprises in Hengqin. Under the supportive policies, AI enterprises may use the Hengqin Advanced Intelligent Computing Center, which has a computing power of up to 1.16 exa-operations per second (Eops). The center is open to the public for free throughout Oct 1 and after that local enterprises and institutions will receive a 50 percent discount and be subsidized half of any expenditure. This greatly reduces the high costs AI enterprises face for computing power. These supportive government policies would promote the AI industry and translate into growth opportunities for the related IT solutions. The revenue of Information Industry in Hengqin increased from RMB119.4 million in 2016 to RMB295.1 million in 2021, at a CAGR of 19.8%. .

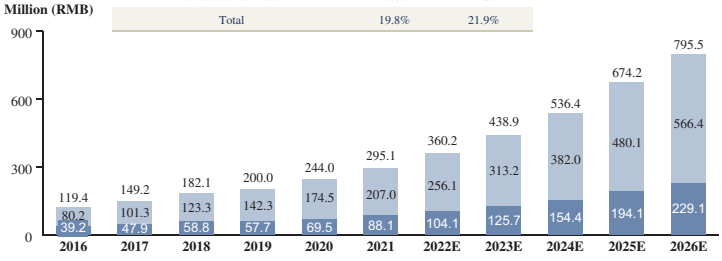
Hengqin is located at the entrance of the Greater Bay Area and the only place that is connected with the HK-Macau Road and the HK-Zhuhai-Macau Bridge at the same time. The development of Hengqin also represents the opportunity to promote Macau's diversified economic development. To seize the opportunity of development, many enterprises have set up their offices in Hengqin. In particular, Alibaba and Zhuhai Hengqin New District reached strategic cooperation, and Alibaba Cloud helped build Hengqin Smart Island. Up to 2019, 45 Fortune 500 companies and 73 companies from the China Fortune 500 have settled in Hengqin, with a total investment of over RMB500 billion. Macau and Hengqin are increasingly integrated with many Macau enterprises, hotels, and government agencies launching expansion projects in Hengqin. In 2020, the Macau Trade and Investment Promotion Institute (IPIM) has received numerous applications recently from Macau enterprises for their development in Hengqin, covering comprehensive development,

science and technology, and other projects, of which the investment is about RMB400 billion. This new development of Hengqin will create huge market demand for IT solutions. Digital-based experience is the crucial part of urban development infrastructure and serves as the key factor in attracting tourists. To enhance visitors' digital experience, enterprises, and hotels in Hengqin New District would increase investment in IT infrastructure and digital services, which in turn drive the demand for IT solutions. The revenue of Information Industry in Hengqin is expected to reach RMB795.5 million in 2026, at a CAGR of 21.9% from 2022 to 2026.

In 2020, the number of qualified construction contractors in Zhuhai amounts to 510, at an annual growth rate of 26.6% and the gross value-added of the construction industry in the Zhuhai reaches RMB24.7 billion, at an annual growth rate of 8.9%. In 2020, the number of newly started construction projects in Zhuhai is 241, with investment of RMB91.6 billion. In 2020, the total investment of major construction projects in Zhuhai amounts to RMB195.6 billion. In particular, the investment of construction of Posto Fronteiriço de Hengqin and Integrated Transport Hub is RMB26.1 billion and it is expected to be completed by 2024. In addition, the investment in Hengqin Science City (Phrase 1) is RMB17.4 billion and is expected to be completed by 2022.

Revenue of Information Industry (Hengqin), 2016-2026E

CAGR	2016-2021	2022E-2026E
Trading of IT products	20.9%	21.9%
Professional services	17.6%	21.8%
Total	19.8%	21.9%



Source: Frost & Sullivan

COMPETITIVE LANDSCAPE OF IT SOLUTIONS MARKET IN NANSHA AND HENGQIN

As of 2021, there are a total number of over 4,000 market participants in the IT solutions industry in Greater Bay Area. With the large number of market participants in the industry, the overall IT solutions market is considered to be highly competitive and fragmented. The top players in the market are primarily Chinese multinational conglomerate which offer technology-based products and services covering all or most of the sectors and applications. With smaller scale and less resources, smaller market players tend to focus their resources on a particular segment in the supply chain and often become one of the subcontractors for the major market players in the industry.

With the growing demand from technology and high-end manufacturing, traditional Chinese medicine, tourism and MICE, and finance, the IT solutions industry in Hengqin is expected to grow accordingly and the number of IT solutions providers in Hengqin would increase accordingly. The preferential tax treatment for enterprises those are conducive to Macau's economic diversification would increase the number of Macau-based enterprises in Hengqin. Going forward, the Macau-based IT solutions providers who have established relationship with those Macau-based enterprises would further expand their presence to Hengqin. The IT industry in Hengqin is expected to be increasingly competitive.

The major market participants in Greater Bay Area usually have the coverage in Nansha and Hengqin. As estimated, there are over 500 market participants in Nansha and over 100 market participants in Hengqin. As estimated, the IT solutions market in Nansha and Hengqin account for approximately 0.9% and 0.02% of the overall Greater Bay Area market in terms of revenue.

Market share of IT solutions market by revenue (Nansha), 2021

Market participant	Estimated market share in 2021 (%)
廣州軟通動力信息技術有限公司	3.2%
廣東新禾道信息科技有限公司	2.6%
廣東遠大系統集成有限公司	2.1%

Notes:

(i) 廣州軟通動力信息技術有限公司 is a software and IT services provider in Guangzhou, with offices in Changsha, Shenzhen and Foshan.

(ii) 廣東新禾道信息科技有限公司 is a system integration services providers in Guangzhou, specializing in cloud computing, IoT and big data.

(iii) 廣東遠大系統集成有限公司 is an IT solutions providers in Guangzhou, with a focus on implementation and system maintenance.

Market share of IT solutions market by revenue (Hengqin), 2021

Market participant	Estimated market share in 2021 (%)
珠海港信息技術股份有限公司	5.0%
珠海易雲科技有限公司	3.6%
珠海夢科軟件系統集成有限公司	2.9%

Notes:

(i) 珠海港信息技術股份有限公司 is an IT services provider in Zhuhai, engaged in the provision of software development, system integration and consulting services.

(ii) 珠海易雲科技有限公司 is an IT services providers in Zhuhai, with the focus on cyber security.

(iii) 珠海夢科軟件系統集成有限公司 is a IT service providers in Zhuhai, specialising in enterprise management and e-commerce.

DIRECTORS' CONFIRMATION

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information therein.

This section sets out summaries of certain major laws and regulations in Macau, Hong Kong and the PRC, which are relevant to our business and operation.

MACAU LAWS AND REGULATIONS

Laws and regulations in relation to the provision of Internet Services

The Basic Telecommunications Law of Macau (Law no. 14/2001) stipulates that the Government of Macau (the "**Government**") shall regulate the access to activities concerning the operation of public telecommunications networks and the provision of publicly accessible telecommunications services, as well as the specific regulations for the exploration of such activities.

Pursuant to article 13 of Law no. 14/2001, together with the Administrative Regulation no. 24/2002 of Macau, the operation of public telecommunication networks and the provision of publicly accessible telecommunications services may be carried out by duly licensed companies, i.e., (i) companies incorporated in Macau including in the terms of incorporation the provision of internet services as their object; (ii) having the appropriate technical capability and experience for fulfilling the obligations of the licence, including a qualified workforce; (iii) having adequate financial and economic capability; and (iv) an apt accounting system, in view of the analysis required by the proposed projects.

Licences are valid for a period not exceeding five years, renewable upon application by the licensee. Under article 9 of the Administrative Regulation no. 24/2002, the licence states which category or categories of internet services are covered therein.

The provision of services must respect the freedom of choice by the user, specifically not forcing bundles of services in such a way that the user cannot subscribe one service without also subscribing another, undesired, service (article 22 of the Administrative Regulation no. 24/2002).

Most other clauses stipulated in the Administrative Regulation no. 24/2002 and binding the licensee are specifically set out in the licence itself, subjecting the licensee to the following general terms and conditions: (I) payment of the required fees; (II) general obligations, namely to (i) ensure the secrecy and the protection of communications in services provided, against breaches, including the protection of personal data and privacy of users and computer networks and systems; (ii) maintain in Macau all the required human, technical, material and financial resources; (III) quality obligations: the licensee must (i) meet the basic quality indicators set by the regulator and by particular terms and conditions of the licence, if any; and (ii) provide, upon request by the regulator, all relevant information regarding the assessment of the quality of services rendered. (IV) customer relations, namely (i) ensure the availability of the licensed services to clients in equal terms to anyone who meets the established requirements, with no unreasonable delays, as well as the availability of services for commercial assistance and reporting of anomalies; (ii) suspend or cancel the provision of services, upon breach of contract or violation of applicable rules by a client, subject to an adequate advance notice to the client and allowing the client to adopt remedial action; (iii) otherwise, only limiting or suspending the provision of services following prior authorisation by the Government; and (iv) give appropriate advance notice to clients of any limitation of suspension of services, detailing the reasons, scope and duration of the limitation or suspension. (V) prices: the licensee shall (i) charge and collect the agreed contractual prices from the users of services; (ii) give advance notice to the regulator of any changes to the prices of services; (VI) otherwise the licence may be suspended or revoked upon: (i) failure by the licensee to start the provision of services within the legal period; (ii) breach by the licensee of the

terms and conditions of the licence or violation of applicable rules on secrecy and protection against breach of communications; (iii) unauthorised suspension of services, in whole or in part, by reason directly attributable to the licensee; (VII) the regulator is empowered to supervise the compliance with the terms of the licence and applicable laws and regulations, including the licensee's duty to: (i) provide the regulator with all required and pertaining information as well as granting access to concerned premises; and (ii) regularly conduct tests, at the licensee's expense, to the equipment and services provided, according to a reasonable calendar, and whenever requested to do so by the regulator.

Providers of internet services must hold a valid licence. This remains valid in the case of contractual arrangements involving two or more providers, namely upon subcontracting the provision of services or parts thereof. Those arrangements, if any, may not transmit to a third party any rights granted, under the licence, to the licensee, as explained above.

The Law on Computer-related Crimes of Macau (Law no. 11/2009) includes, under article 16, a few special measures that impose duties on providers of internet services, namely enabling the judiciary authorities, in the course of a criminal investigation, to issue an expedite order for:

(i) conservation of data, requiring the provider of internet services to preserve the integrity of such data for a maximum period of 90 days, and to provide the authorities with traffic data enabling the identification of the concerned suppliers of services;

(ii) disclose specific data stored in a system under the provider's control;

(iii) disclose data that may be in the provider's possession, regarding the identification of users of the services provided;

(iv) adopt appropriate measures for removing, or blocking access to, illegal data, in an expedited way; and

(v) failure to comply is a criminal offence, punishable with imprisonment not exceeding two years or fine not exceeding 240 days, under article 312(2) of the Criminal Code of Macau.

Protection of personal data

Personal data protection is a fundamental right under the laws of Macau. Articles 30 and 32 of the Macau Basic Law provide the foundation for the protection of the privacy of the residents and their communications.

Personal data is regulated by the Personal Data Protection Act of Macau (Law no. 8/2005, hereunder the "**PDPA**") as any information of any type, irrespective of the type of medium involved, including sound and image, relating to an identified or identifiable natural person ("**data subject**"); an identifiable person is one who can be identified, directly or indirectly, in particular by reference to an indication number or to one or more factors specific to his physical, physiological, mental, economic, cultural or social identity.

The PDPA defines controller as the natural or legal person, public entity, agency or any other body which alone or jointly with others determines the purposes and means of the processing of personal data.

The provision of internet services in the categories of "Database Access and Retrieval" and "Web hosting, Application Hosting and Database Hosting" does not include the power to determine the purposes and means of the processing of personal data, therefore the provider of those services is not deemed a "controller" under the PDPA.

The provision of such services is included in paragraph 1(6) of article 4 of the PDPA: "processor" shall mean a natural or legal person, public entity, agency or any other body which processes personal data on behalf of the controller.

Specific stipulations of the PDPA on the activity and duties of the processor include all those regarding the security and confidentiality of processing: article 15 (security of processing) makes the controller liable for ensuring the implementation of appropriate technical and organisational measures to protect personal data against accidental or unlawful destruction or accidental loss, alteration, unauthorised disclosure or access, in particular where the processing involves the transmission of data over a network, and against all other unlawful forms of processing. Having regard to the state of the act and the cost of their implementation, such measures shall ensure a level of security appropriate to the risks represented by the processing and the nature of the data to be protected. The duties imposed by the PDPA primarily on the controller shall be equally imposed on any of its processors, whenever the process is carried out by such processors on behalf of the controller. To this effect, the choice of processor by the controller must ensure that the processor provides sufficient guarantees in respect of the technical security measures and organisational measures governing the processing to be carried out and compliance with those measures.

In doing so, the processing of data must be governed by a contract binding the processor to the controller and stipulating in particular that the processor shall act only on instructions from the controller and that the obligations above shall also be incumbent on the processor.

Therefore, the contracts between the provider of internet services of "Database Access and Retrieval" and "Web Hosting, Application Hosting and Database Hosting" must include clauses to this effect and shall be in writing in a document legally certified as affording proof.

Some categories of personal data are afforded special protection. These include personal data revealing philosophical or political beliefs, political association or trade-union membership, religion, privacy and racial or ethnic origin, and the processing of data concerning health or sex life, including genetic data. However, the controller may be allowed to process these categories of data in some circumstances.

Whenever a controller resorts to a processor in dealing with these categories of personal data, special security measures apply.

Article 17 of the PDPA stipulates that any person acting under the authority of the controller or the processor, including the processor himself, who has access to personal data must not process them except on instructions from the controller, unless he is required to do so by law.

Under article 18 of the PDPA, anyone who obtains knowledge of the personal data processed in carrying out their functions shall be bound by professional secrecy, even after termination of their functions, including employees of the processor.

Competition law

The Commercial Code of Macau provides, in articles 156 through 173, a basic legal framework for defining "unfair competition".

Specifically, article 23 of the Administrative Regulation no. 24/2002, prohibits companies rendering internet services from engaging in any practices that might cause unfair competition or abuse of dominant market position, namely: discriminating in their relations with other renderers or with the public; predatory pricing of services; curtailing the freedom of choice of renderer by the user; denigration of competitors; collusion with other companies to the effect of practicing unfair competition acts; cross-funding with the purpose of undermining competition; unfair enticing of customers.

Under article 25/1/4 of the Administrative Regulation no. 24/2002, breaches of the above rules shall be punished with a fine ranging from MOP20,000 to MOP120,000.

Public procurement

Public procurement in Macau is governed, under the Administrative Law of Macau, by a set of acts that establish the mandatory procedures that must be followed by the public sector upon procurement of public works and provision of goods and services.

These acts apply to all entities of the administrative public sector of Macau, as well as to the administrative activity of the legislature and the judiciary of Macau. Moreover, they also apply to the administrative activity of the Concessionaires of Public Services of Macau. The basic legal framework of public procurement in Macau rests on the foundation of Decree-Law no. 122/84/M of Macau, enacted on 15 December 1984, supplemented by Decree-Law no. 63/85/M of Macau, on the procedures for public tenders upon procurement of goods and services for the public sector, and by Decree-Law no. 74/99/M of Macau, enacted on 8 November 1999, on the procedures for public tenders for procurement of public works.

Recently, the Chief Executive of Macau motioned a proposal for legislative amendment of Decree-Law no. 122/84/M of Macau, with a very limited scope in line with the evolution of the economy of Macau.

The current discussion in the legislature of Macau, therefore, has no impact on the substantive rules and methods of public procurement and private companies and their businesses will not be affected by the proposed changes, should they be approved.

These changes may be summarised by a simple rule: all applicable thresholds will be multiplied by six.

Additionally, written contract shall no longer be mandatory for works with an estimated performance of over 12 months and for the provision of goods or services with an estimated performance of over six months.

Nevertheless, a detailed table of the said parameters and their current and proposed values is included below, for reference.

Proposed amendments to Decree-Law no. 122/84/M of Macau (Summary)

(admitted on first reading to the Legislative Assembly of Macau on 2 February 2021)

(pending reading at the 1st Standing Committee)

Description	Current	Proposed
	(MOP million)	*(MOP million)*
Possibility of public tender with prior qualification whenever the estimated cost exceeds the amount of:		
— Public works	15.00	90.00
— Goods or services	7.50	45.00
Public tender mandatory whenever the estimated cost exceeds the amount of:		
— Public works	2.50	15.00
— Goods or services	0.75	4.50
Direct award without written consultation possible if not exceeding:		
— Public works	0.15	0.90
— Goods or services	0.015	0.09
Written contract mandatory if over:		
— Public works	1.50	9.00
— Goods or services	0.50	3.00
Waiver of mandatory written contract possible on exceptionally urgent cases, if not over:		
— Public works	2.50	15.00
— Goods or services	0.75	4.50
Procurement of goods or services from outside Macau requires an authorisation by the Chief Executive of Macau whenever the estimated cost exceeds	0.50	3.00

Subcontracting

In the laws of Macau, there are no special restrictions to awarding a portion of an existing contract by a contractor.

Typically, a contractor retains subcontractors for the purpose of carrying out specialty work, but there is no general provision limiting subcontracting to those circumstances. Technically it is possible to award the complete object of a contract.

On the other hand, there are no waivers regarding the requirements to be met by the main contractor in the first place. For instance, if an administrative licence is required for the main contract, the contractor may not award such portions of the main contract to a subcontractor who does not meet the same requirement, i.e., the same type of administrative licence.

Subcontracts must not be confused with sub-licences: as described under "Laws and regulations in relation to the provision of Internet Services" in this section, there is no provision to the effect of allowing sub-licensing, and transmission of the specific licence to a third party must be authorised by the Government.

Labour, health and safety

The Macau Labour Relations Law of 2008 establishes the general regime of labour relations, containing various rules concerning employment contracts that range from, but are not limited to, general principles applicable to employment relationships, duties and obligations of the employer and the employee, probation period, employment contract requirements, employment contract for a fixed period, working hours, overtime, weekly time-off, annual leave, and compensation in case of contract termination without justifiable cause.

Regarding the employment of foreign labour, 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 such workers is subject to strict regulations included in Law no. 21/2009 of Macau.

Specifically regarding non-residents, their labour contracts are obligatorily made in writing, with the inclusion of mandatory minimum information as set out in Law no. 21/2009 of Macau such as the residence or headquarters of each party, the term of the contract and the grounds justifying it, the professional grade or functions agreed upon and the respective remuneration, the place in which the work will be performed, the working time and normal working hours, the date when the contract comes into effect, the functions of the replaced employee (in the case of replacement of an absent employee), and the date when the contract is entered into. The written labour contracts must also be signed in two originals whereof one original is to be held by each party.

Non-compliance with the rules included in Law no. 21/2009 of Macau 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 period of six months to two years, and/or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers and the prohibition for a period of six months to two years to request new authorisations; (ii) prohibition, for a period of six months to two years, to participate in public tenders related to public works or public concessions; and (iii) prohibition, for the period of six months to two years, to receive any subsidies or benefits conferred by Macau public entities.

Regarding the work environment, according to Decree-Law no. 37/89/M of Macau, an employer must comply with the rules provided under the General Regulation of Work Safety and Hygiene of Offices, Services and Commercial Establishment 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 Decree-Law no. 13/91/M of Macau (sanctions for the non-compliance with the General Regulation of Macau of working safety and hygiene of office, service and commercial establishments).

Pursuant to Decree-Law no. 40/95/M of Macau (Legal Regime of Compensation of Damages Caused by Industrial Accidents and Occupational Diseases), a company must provide industrial accident insurance for its employees. In the event the employer fails to provide such insurance, fines may be imposed as legal sanction.

Environmental protection

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M of Macau (the "**Macau Environmental Law**"), which seeks to enhance the protection and sustainable development of the environment. As a general principle, the Macau Environmental Law prescribes that everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life.

In order to achieve this goal, all projects and constructions which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will be punished with civil liability, administrative fines or criminal liability (article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Injunctions may also be granted in order to cease environmental infringements. The regulatory authority in charge of monitoring environmental protection matters is the Environment Protection Services Bureau of Macau.

Import and export trade

The import and export of goods in Macau is regulated by Law no. 7/2003 of Macau, the Macau Foreign Trade Law. This Law establishes the general principles of external trade and the regime of entry, exit and passage of goods and other products from Macau. The entry and exit of goods is free of limitations, notwithstanding the specifications, foreseen in the Macau Foreign Trade Law, regarding some goods.

Only the individuals or companies established in Macau that provide evidence of the settlement of their tax obligations (consumption tax or industrial tax) may carry out external commerce operations in Macau. The entry and exit of goods shall only be made through officially qualified customs borders and the supervision of the foreign trade operations carried out through the customs borders of Macau or by post shall be the Macau Customs Services' responsibility.

Under Macau laws, there are three types of external commerce operations: (i) export of goods; (ii) import of goods and (iii) transit of goods.

If the goods are not included in Table A (regarding the export of a limited number of goods) and Table B (regarding the import of a limited number of goods) attached to the Executive Order no. 487/2016 of Macau, not only the respective export/import is not subject to the licensing regime, but also its transit can be carried out by a common external commerce operator other than a transit enterprise duly licensed. The activity carried out and the types of goods imported by BoardWare Macau are not included in the aforesaid Tables A and B, hence no licensing is necessary.

Notwithstanding this, the operations of external commerce are subject to declaration of import/export of goods — when not included in the aforesaid Tables A and B — with value over MOP5,000.

Any person who, through any means, imports or exports to Macau any goods, out of the appropriate places referred above, shall be punished with a prison sentence of up to one year, or with a fine of prison daily rate of up to 200 days. In addition, the goods and objects that have served or were intended to serve the practice referred are seized and, in case of conviction, declared lost in favour of the Government. This crime is applicable to legal persons or entities.

TAXATION IN MACAU

Macau has a civil law (or continental law) legal system where written legislations or statutes that contain rules and principles are the primary source of law. Unlike the common law legal system, Macau's legal system relies largely on statutes and codes and deals with case law apart from any precedence value. While it can be indicative of the interpretation of a set of similar circumstances, and may be relevant in the decision of subsequent court cases, a line of similar case decisions will not constitute precedent as understood in common law jurisdictions and will not be binding to the courts or any other authorities or entities in Macau.

Macau practices an independent taxation system and, taking the low tax policy previously pursued in Macau as reference, enacts its own laws and regulations concerning types of taxes, tax rates, tax reductions and exemptions, allowances and expenditures, and other matters of taxation. When applying tax laws and regulations, Macau authorities are subject to the principle of fiscal territoriality and unless double taxation treaties exist. Save where a double taxation treaty is in place and such treaty is invoked by the taxpayer, Macau tax authorities will independently levy taxes on income deemed to be Macau-sourced regardless of whether such income has been, will be or may be taxed in other jurisdictions.

No double taxation treaties or equivalent agreements with Hong Kong are currently in force in Macau that are or could potentially be applicable to our activities. Hence, in relation to income generated by our activities in Macau, Macau authorities will apply the relevant tax laws and regulations thereto, regardless of whether such income has been, will be or may be taxed in any other jurisdictions, including Hong Kong.

Macau follows a calendar fiscal year (from 1 January to 31 December) and its taxation system categorises different types of taxes into direct and indirect taxes which are levied on income as well as on assets and wealth. The most relevant taxes for our activities in Macau are:

(i) Industrial contribution (Law no. 15/77/M of Macau), which corresponds to an annual fixed payment for the operation of industrial and commercial activities in Macau; and

(ii) Complementary income tax (Law no. 21/78/M of Macau), which corresponds to a profit tax on earnings from business activities.

The industrial contribution and the complementary income tax are administered by the Macau Finance Bureau.

Infringements to tax statutes may result in the application of sanctions or penalties. While there is not a unified penalty policy, there is no unified statute that lists all infringements to tax laws and their respective penalties. Infringements generally include not declaring income, inaccuracies and omissions in tax returns, refusal to submit requested documents and not cooperating with the tax authorities, concealment, destruction, falsification and vitiation of documents, or non-payment of taxes within the stipulated deadlines. Penalties are in the form of fines which, in general, can range from MOP50 to MOP100,000 and the payment of such fines does not discharge the taxpayer from the payment of the related taxes, interest in arrears or the criminal prosecution that may take place if such criminal prosecution is provided for under the relevant taxation laws.

As a guarantee to the taxpayers, the regulations for each type of tax contain detailed procedures for the latter to file complaints, hierarchical appeals and/or judicial appeals when they consider themselves adversely affected by the decisions or practices of the Macau Finance Bureau.

Industrial Contribution

The industrial contribution (also known as industrial tax or business tax) is regulated by Law no. 15/77/M of Macau, which came into force on 1 January 1978, and corresponds to an annual fixed payment for the operation of industrial and commercial activities in Macau.

It may be considered as the Macanese counterpart to the Hong Kong business registration under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (the "**Business Registration Ordinance**"), serving similar functions of providing business information for the purpose of the opening of local tax files and is charged annually in a fixed amount.

Article 1 of the Industrial Tax Regulation of Macau states that industrial contribution, in the territory of Macau, is imposed, accounted, calculated and collected according to the terms stated in the Industrial Tax Regulation. Article 2, section 1 of the Industrial Tax Regulation determines that all persons, individual or corporate, who develop any activity that is commercial or industrial in nature are subject to industrial contribution.

Pursuant to the abovementioned article 1 and article 2, section 1 of the Industrial Tax Regulation, only entities that carry-on or wish to carry-on an ongoing commercial or industrial activity in Macau are subject to industrial contribution.

According to article 7 of the Industrial Tax Regulation of Macau, for entities (individual or corporate) that have a permanent establishment in Macau, the process of imposition, calculation and collection of industrial contribution relating to activities developed in Macau must follow certain steps, namely (i) declaration by the taxpayer, (ii) initial classification, (iii) provisional calculation and collection, (iv) payment of tax and start of the activity, (v) report provided by inspection agents, (vi) definite classification, and (vii) confirmation of provisional calculation, cancellation or additional calculation. This procedure starts with the submission by the interested entity to the Macau Finance Bureau of a completed and notarised M1 form for industrial contribution at least 30 days before the probable date of commencement of the respective activity.

The penalties for non-compliance with the provisions of the Industrial Tax Regulation of Macau are as follows:

(i) Persons or entities developing and activity without registering for industrial contribution (where applicable) by submitting the M1 form for industrial contribution may be sanctioned with a fine between MOP200 and MOP100,000 (see article 37 of the Industrial Tax Regulation of Macau);

(ii) Persons or entities that have submitted the M1 form for industrial contribution but commence their activity without paying the tax due may be sanctioned with a fine between MOP200 and MOP100,000 (see article 38 of the Industrial Tax Regulation of Macau);

(iii) Persons or entities that in the M1 form for industrial contribution deliberately conceal the truth or omit any fact relevant to the classification of their activity may, without prejudice of the relevant criminal proceedings that may be started, be sanctioned with a fine between MOP200 and MOP100,000 (see article 40 of the Industrial Tax Regulation of Macau);

(iv) If 60 days have passed after the specified period for the payment of tax, the taxpayer who has not settled the relevant amount may be fined a maximum amount equal to half of the tax payable;

(v) Local entities that do not comply with the obligation of ensuring, before any and each payment is made to an entity that does not have a permanent establishment in Macau and with whom a contract specified in article 9, section 3 of the Industrial Tax Regulation of Macau has been executed, that such entity has registered for the purposes of industrial contribution (when applicable) are jointly liable with the entities that do not have permanent establishments in Macau for the industrial contribution eventually due by such entity that does not have a permanent establishment in Macau. Furthermore, the amount paid according to the contract executed with such entity that does not have a permanent establishment in Macau will not be treated as a deductible expense for tax purposes of the local entities or, if they are exempted from the payment of complementary income tax, the local entities may be liable to pay a fine corresponding to 10% of that amount.

Whenever there is a voluntary presentation for payment of these taxes and corresponding fines pursuant to article 43 of the Industrial Tax Regulation of Macau the maximum penalty is to be reduced to half.

If a taxpayer considers that they have been aggrieved by a decision or act of the Macau Finance Bureau in relation to the provisions of the Industrial Tax Regulation of Macau, they may request that such decision or act be modified or revoked through an administrative complaint filed within 15 days of the notice of the decision with the entity that made such a decision or act. The decision of the administrative complaint may be appealed to the Chief Executive of Macau via a hierarchical appeal to be filed within two months of the notice of the appealed decision. Alternatively (and concurrently), the taxpayer may file a judicial appeal in first instance with the Macau Administrative Court, within 45 days of the notice of the decision. The Macau Administrative Court's decision may be appealed to higher courts of Macau. None of the administrative complaint, hierarchical appeal or judicial appeal have a staying effect on the decision or act.

It should be noted that since 2002 the payment of industrial contribution in Macau has been exempted by the annual Budget Laws of Macau.

Complementary Income Tax

Complementary income tax is regulated by Law no. 21/78/M of Macau, dated 9 September, 1978, as successively amended by Law no. 6/83/M, dated, 2 July, 1983, by Decree-Law no. 37/84/M, dated 28 April, 1984, by Decree-Law no. 15/85/M, dated 2 March, 1985, by Decree-Law no. 37/85/M, dated 11 May, 1985, by Law no. 13/88/M, dated 20 June, 1988, by Decree-Law no. 48/88/M, dated 20 June, 1988, by Law no. 4/90/M, dated 4 June, 1990, by Law no. 11/93/M, dated

27 December, 1993, by Law no. 4/97/M, dated 21 April, 1997, by Law no. 12/2003, by Law no. 4/2005, by Law no. 4/2011, and by Law no. 21/2019, which came into force on 1 January 1979, and corresponds to a profit tax on earnings from commercial or industrial activities.

Article 1 of the Complementary Income Tax Regulation of Macau states that such tax, in Macau, is imposed, accounted, calculated and collected according to the terms stated in the Complementary Income Tax Regulation of Macau. Pursuant to article 2 of the Complementary Income Tax Regulation of Macau, taxpayers liable to pay complementary income tax are divided into two groups, A and B. A Group A taxpayer is an individual or corporation with complete and appropriate accounting records audited by a registered auditor or accountant in Macau that has applied for such status. Any other taxpayers whose registered capital is not more than MOP1,000,000 or does not, on average, have taxable profits for the three preceding years of over MOP500,000 or reports their taxable profits by themselves (without auditing by a registered auditor or accountant in Macau) are considered Group B taxpayers.

Article 2 of the Complementary Income Tax Regulation of Macau determines that complementary income tax is levied over the global revenue defined according to article 3 of the aforementioned Regulation that any individual or corporation, regardless of residency or head office, derive from Macau. Article 3, section 2 of the Complementary Income Tax Regulation of Macau determines that the global revenue of corporations corresponds to the annual net profits derived from conducting commercial or industrial activity in Macau, calculated in accordance with the provisions of the aforementioned Regulation. Profits are defined under article 20 of the Complementary Income Tax Regulation of Macau as the profits or gains from operations, the proceeds from any transactions or operations executed by the taxpayers as a result of normal or occasional, primary or secondary activities in Macau.

Pursuant to the abovementioned article 2, article 3, section 2 and article 20 of the Complementary Income Tax Regulation of Macau, Macau residents are taxed on worldwide income (profits) and non-Macau residents are taxed only on Macau-sourced income (profits).

If a foreign entity is engaged in commercial/industrial activities and/or rendering services in Macau, the resultant gain from such commercial/industrial activities and/or services rendered will be subject to complementary income tax in Macau. Income will generally be regarded as arising in or derived from Macau if it is received in consideration of activities or services performed by the taxpayer in Macau. When the foreign entity is not habitually engaged or does not habitually conduct commercial or activity in Macau, the Macau Finance Bureau's current interpretation of articles 2 and 3 of the Complementary Income Tax Regulation of Macau and practice in Macau is that, except for those specific activities and services listed under article 9, sections 1 and 3 of the aforementioned Regulation, entering into an isolated transaction in Macau would not constitute conducting commercial or industrial activity in Macau.

If a foreign entity is not "engaging in commercial/industrial activities in Macau" nor "rendering services in Macau" and it has not executed any contracts with Macau entities related to construction works, prospection activities, research related thereto or technical or scientific services (including mere consultancy or assistance) it will not be subject to taxation in Macau, namely to complementary income tax.

The non-subjection of the foreign entity to complementary income tax in Macau would be further underlined if the location where contracts are executed is not Macau, if the location where the obligations under the contracts are performed is not Macau, if the location where payments are made or received is not Macau and the foreign entity's has no direct involvement in Macau.

According to article 10, section 1 of the Complementary Income Tax Regulation of Macau, entities (individual or corporate) that in the preceding year have obtained profits in Macau as defined in article 3 of the Complementary Income Tax Regulation of Macau are required to submit a Complementary Income Tax Form M/1 with the Macau Finance Bureau. As the Company is a Group A taxpayer, as provided by article 4, section 2 of the Complementary Income Tax Regulation, and as described above in this section, such annual tax return must be submitted in the months of April, May or June, as opposed to Group B taxpayers, who must file their tax returns in the months of February or March. A foreign entity's Complementary Income Tax Form M/1 must be submitted by a lawful attorney and shall indicate, for tax purposes, an address in Macau, without which the tax return is considered as not having been duly submitted.

It is possible for Macau tax authorities, pursuant to Article 36, paragraph 3 of the Complementary Income Tax Regulation, to launch an own-motion procedure of tax assessment upon failure or insufficiency of the Form M/1 of a Group A taxpayer, to the effect of enabling said authorities to issue the notice of assessment and tax demand notice to Group A taxpayer, even in the absence of a Form M/1 filing (or in the case of a late tax filing).

The taxable profit of Group A taxpayers reports to the balance revealed by the profit and loss accounts, drafted pursuant to acceptable accounting principles and shall consist in the difference between all profits or gains, irrespective of source, accrued in the financial year precedent to that in course, and the expenses or losses attributable to that same financial year. As described above, profits are defined under article 20 of the Complementary Income Tax Regulation of Macau as the profits or gains from operations, the proceeds from any transactions or operations executed by the taxpayers as a result of normal or occasional, primary or secondary activities in Macau. Losses are defined under article 21 of the Complementary Income Tax Regulation of Macau as the costs or losses attributable to the operations which support the realisation of taxable profits or gains and maintain productivity.

It is possible for Macau tax authorities to order an examination or audit of a Group A taxpayer's accounting records when there is an absence of insufficiency of information in the tax returns not clearly explained by the taxpayer or their accountants or auditors, or when despite the clarifications provided by the taxpayer or their accountants or auditors, the results of the financial year are not sufficiently justified. The examination or audit will be conducted, without any costs for the taxpayer, by employees of the Macau Finance Bureau or, in their absence, by specially recognised experts nominated by the Chief Executive of Macau and the taxpayer's accountants or auditors responsible for the tax returns filed are entitled to be present at the examination/audit. If after the examination/audit it is still impossible to determine the taxable income or if there are justified doubts on whether the results of the accounting records correspond to the reality, complementary income tax will be levied on estimated profits (see Article 40 of the Complementary Income Tax Regulation of Macau).

Pursuant to Article 44 of the Complementary Income Tax Regulation of Macau the determination of the taxable income may be challenged by the interested taxpayer to the Revision Commission of Macau within 20 days counted from the sending date stated on the notice sent to the taxpayer by registered post. Such challenge has a suspensive effect and should be decided within 30 days of its presentation. The decision of the Revision Commission may not be challenged through administrative complaints or hierarchical appeals and must be judicially appealed, without a staying effect, before the Macau Administrative Court, within 45 days of the notice of the decision. The Macau Administrative Court's decision may be appealed to higher courts of Macau.

Pursuant to article 57 of the Complementary Income Tax Regulation of Macau, once determined, complementary income tax is paid in two equal instalments in September and November of each year, save if the tax due is not over MOP3,000, in which case it is paid in only one instalment. Pursuant to article 59 of the Complementary Income Tax Regulation of Macau, the non-payment or delayed payment of the tax due is subject to interest in arrears and to 3% interest for debts in the 60 days immediately following the payment deadline. After such 60 days the Macau Finance Bureau will advance to tax execution proceedings to seek payment of the unpaid tax. Furthermore, the non-payment of the first instalment also determines that the amount of the second instalment is immediately due.

The statute of limitations period is five assessment years from the relevant year of assessment for both Group A and Group B taxpayers. During this five-year period, in case there is an omission in the calculation of the complementary income tax due or a factual or legal error is discovered resulting in damages to either the Government or the taxpayer, the Macau Finance Bureau may correct the discrepancy through an additional calculation or cancellation if the amount is over MOP50 (see articles 54 and 55 of the Complementary Income Tax Regulation of Macau).

Among others, the penalties for non-compliance with the provisions of the Complementary Income Tax Regulation of Macau are as follows:

(i) Non-submission, inaccuracy or omissions of tax returns and not providing clarifications when requested may be sanctioned with a fine between MOP100 and MOP10,000 in cases of negligence and with a fine between MOP1,000 and MOP20,000 in cases with intent (see article 64, sections 1, 2 and 3 of the Complementary Income Tax Regulation of Macau);

(ii) If irregularities are found and/or the taxpayer and/or their accountants and auditors are reticent to provide clarifications in the context of an audit or examination to the taxpayer's accounting records, taxpayers may be sanctioned with a fine between MOP1,000 and MOP20,000 (see article 64, section 4 of the Complementary Income Tax Regulation of Macau); and

(iii) Refusal to exhibit accounting records or documents related thereto to the tax authorities, as well as their hiding, destruction, falsification or vitiation may be sanctioned with a fine between MOP1,000 and MOP20,000 for Group A taxpayers and between MOP500 and MOP10,000 for Group B taxpayers (see article 65, sections 1(c) and 2(b) of the Complementary Income Tax Regulation of Macau).

Whenever there is a voluntary presentation for payment of these taxes and corresponding fines pursuant to article 68 of the Complementary Income Tax Regulation of Macau the maximum penalty is to be reduced to half.

If a taxpayer considers that they have been aggrieved by a decision or act of the Macau Finance Bureau in relation to the provisions of the Complementary Income Tax Regulation of Macau (other than the determination of taxable income, which must follow the specific procedure described above), they may request that such decision or act be modified or revoked through an administrative complaint filed within 15 days of the notice of the decision with the entity that made such a decision or act. The decision of the administrative complaint may be appealed to the Chief Executive of Macau via a hierarchical appeal to be filed within two months of the notice of the appealed decision. Alternatively (and concurrently), the taxpayer may file a judicial appeal in first instance with the Macau Administrative Court, within 45 days of the notice of the decision.

The Macau Administrative Court's decision may be appealed to higher courts of Macau. None of these administrative complaints, hierarchical appeals or judicial appeals have a staying effect on the decision or act.

Complementary income tax in Macau, as per article 7 of the Complementary Income Tax Regulation of Macau is levied at progressive rates between 3% and 12% with taxable profits up to MOP32,000 exempt from taxation, as follows:

Annual Taxable Income	Tax Rate
Up to MOP32,000	Exempt
In what exceeds and progressively:	
From MOP32,001 to MOP65,000	3%
From MOP65,001 to MOP100,000	5%
From MOP100,001 to MOP200,000	7%
From MOP200,001 to MOP300,000	9%
Above MOP300,000	12%

HONG KONG LAWS AND REGULATIONS

There are no specific statutory requirements for us to obtain any licences for carrying on our businesses in Hong Kong other than the general legal requirement for applying and obtaining valid business registration certificate under the Business Registration Ordinance and with the exception to the specific statutory requirement that valid licence shall be obtained to cover the import of certain strategic commodities from the Director-General of Trade and Industry of Hong Kong by our Group. Further, there are no specific statutory provisions to regulate the business activities carried out by us in Hong Kong other than the general statutory provisions applicable to the businesses involving the sales of goods and supply of services.

Business registration

The Business Registration Ordinance requires that every person carrying on any business shall make application to the Commissioner of Inland Revenue of Hong Kong in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue of Hong Kong 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 and 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 Sales of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the "**Sales of Goods Ordinance**") which aims to codify the law relating to the sale of goods provides that:

(i) 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;

(ii) 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 (a) as regards defects specifically drawn to the buyer's attention before the contract is made; or (b) if the buyer examines the goods

before the contract is made, as regards defects which examination ought to reveal; or (c) 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

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

Where any right, duty or liability arises under a contract of 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) (the "**Control of Exemption Clauses Ordinance**")) be negatived or varied by express agreement, or by the 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) (the "**Supply of Services (Implied Terms) Ordinance**") which aims to consolidate and amend the law with respect to the terms to be implied in contracts for the supply of services (including a contract for the supply of a service whether or not goods are also transferred or to be transferred, or bailed or to be bailed by way of hire under the contract) provides that:

(i) 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

(ii) where the supplier is acting in the course of a business, the time for 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 supply of service who deals as a consumer, the supplier cannot, by reference to any contract term, exclude or restrict any liability of his arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Other than the aforementioned, where any 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 as 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:

(i) 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;

(ii) 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 (a) when himself in breach of contract, exclude or restrict any liability of his in respect of the breach; or (b) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him; or (c) 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;

(iii) under section 9, a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person (whether a party to the contract or not) 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

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

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

Products in relation to information security systems, their equipment and components, which we sourced from our suppliers during the Track Record Period are articles contained in Schedule 1 Category 5 Part 2 of the Regulations and are therefore subject to the licensing control.

Licence 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 of the Government of Hong Kong. On issuing of a licence, apart from the standard licence conditions, the Director-General of Trade and Industry of Hong Kong may, depending on circumstances of individual cases, impose special and additional conditions on approved licences. For the abovementioned products, one common special licence condition is that the licence only authorises import of the goods for civil end-use. Any further export or transfer of the goods for the use other than civil end-user(s) requires prior notice to and approval from the Director-General of Trade and Industry.

PRC LAWS AND REGULATIONS

Regulations in relation to foreign investment

The Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**"), which was promulgated by the National People's Congress of the PRC on 15 March 2019, and came into effect on 1 January 2020, provides that the foreign investment refers to the investment activities in the PRC carried out directly or indirectly by foreign natural persons, enterprises or other organisations, including the following: (i) foreign investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors; (ii) foreign investors acquiring shares, equities, properties or other similar rights of the PRC domestic enterprises; (iii) foreign investors investing in new projects in the PRC alone or collectively with other investors; and (iv) foreign investors investing through other ways prescribed by laws and regulations or the State Council the PRC. The PRC adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favourable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the PRC. The PRC will grant national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval of the State Council of the PRC. On 30 December 2019, the Ministry of Commerce of the PRC (中華人民共和國商務部) (the "**MOFCOM**") and the State Administration for Market Regulation of the PRC (國家市場監督管理總局) (the "**SAMR**") jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on 1 January 2020 and pursuant to which, the establishment of the foreign invested enterprises, including establishment through purchasing the equities of a domestic enterprise or subscribing the increased capital of a domestic enterprise, and its subsequent changes are required to submit an initial or change report through the enterprise registration system.

Foreign investment in the PRC is subject to the Catalogue for the Encouraged Investment Industries (2020 Edition) of the PRC (《鼓勵外商投資產業目錄(2020年版)》) issued on 27 December 2020 and effective from 27 January 2021, and the Special Administrative Measures for the Access of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單) (2021年版)》) issued on 27 December 2021 and effective from 1 January 2022, which together comprise the encouraged foreign-invested industries catalogue and the special

administrative measures for the access of foreign investments to the restricted or the prohibited foreign-invested industries. The latter sets out restrictions such as percentage of shareholding and qualifications of senior management.

Regulations in relation to cyber security and data protection

CAC Measures and Draft CAC Regulations

On 28 December 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the "**CAC**"), jointly with other twelve PRC governmental authorities, promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**CAC Measures**"), which became effective on 15 February 2022. The CAC Measures provides that, among others (i) online platform operators possessing personal information of more than one million users must apply to the Cybersecurity Review Office for a cybersecurity review before conducting any listing in a foreign country; (ii) the purchase of network products and services of a critical information infrastructure operator (the "**CIIO**") and data processing activities of an online platform operator that affect or may affect national security shall be subject to the cybersecurity review; and (iii) the relevant governmental authorities in the PRC may initiate cyber security review if such governmental authorities determine any network products and services and data processing activities affect or may affect national security.

On 14 November 2021, the CAC promulgated the Regulations on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例（徵求意見稿）》) (the "**Draft CAC Regulations**"). According to the Draft CAC Regulations, data processors shall, in accordance with relevant PRC regulations, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganisation or separation of online platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) processing personal information of more than one million individuals and seeking a listing in a foreign country; (iii) apply for listing in Hong Kong, which affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. As at the Latest Practicable Date, the Draft CAC Regulations are still in draft form and subject to change with substantial uncertainty.

On 29 April 2022, our PRC Legal Advisers and Sponsor's legal advisers conducted a telephone consultation (the "**Consultation**") with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRTCC**"), the department responsible for accepting applications for cybersecurity review under the guidance of the Office of Cyber Security Review which was established under the CAC in accordance with the Cybersecurity Review Measures for Cyber Security Reviews. The CCRTCC confirmed that (i) a listing in Hong Kong does not fall within the definition of "listing in a foreign country", and our **[REDACTED]** is not required to apply for the cybersecurity review under the CAC Measures; (ii) a CIIO under the CAC Measures shall be identified by its competent authority; (iii) an online platform operator under CAC Measures shall mean an operator collecting, processing, storing and using data through online technology; and (iv) the Draft CAC Regulations are in draft form and have not yet come into effect, currently we are not required to apply for cybersecurity review under the Draft CAC Regulations. Our PRC Legal Advisers are of the view that the CCRTCC is the competent authority to provide the above confirmation during the Consultation.

Other regulations in relation to cyber security and data protection

On 7 November 2016, the Standing Committee of the National People's Congress (the "**SCNPC**") promulgated the Cyber Security Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cyber Security Law**"), which became effective on 1 June 2017. The Cyber Security Law requires network operators to perform certain functions related to cyber security protection and strengthen the network information management. On 10 June 2021, the SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**PRC Data Security Law**"), which became effective on 1 September 2021. Pursuant to the PRC Data Security Law, data refers to any record of information in electronic or any other form and data processing including the collection, storage, use, processing, transmission, provision, and public disclosure of data.

On 28 May 2020, the SCNPC approved the Civil Code of the PRC (《中華人民共和國民法典》) (the "**Civil Code**"), which came into effect on 1 January 2021. Pursuant to the Civil Code, the personal information of a natural person shall be protected by the law. Any organization or individual that need to obtain personal information of others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of others, or illegally purchase or sell, provide or make public personal information of others.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which took effect from 1 November 2021. The Personal Information Protection Law stipulates, among other things, the circumstances under which a personal information processor could process personal information, such as: (i) with the consent of individual; (ii) if necessary for the execution or performance of a contract to which the individual is a party; (iii) if necessary to fulfill statutory duties and statutory obligations; (iv) in order to respond to public health emergencies or protect natural persons' life, health and property safety under emergency circumstances; (v) such information that has been made public is processed within a reasonable scope in accordance with this Law; (vi) personal information is processed within a reasonable scope to conduct news reporting, public opinion-based supervision, and other activities in the public interest; or (vii) under any other circumstance as provided by any law or regulation.

Compliance with the relevant laws and regulations in relation to cyber security and data protection

As at the date of this document, we confirm that we have not been notified by any authorities of being identified as a CIIO, and have not received any notice from the competent government authorities requiring us to apply for the cybersecurity review, neither have we been subject to any enquiry, investigation, or sanction imposed by any regulatory authorities in relation to cyber security or data protection.

Based on (i) the above confirmation from our Company; (ii) the Consultation with CCRTCC; and (iii) the fact that our PRC subsidiaries only serve as IT service providers, and are not involved in the collection, process, storage, use, transmission, provision or public disclosure of data during their business operation, our PRC Legal Advisers are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had not violated the relevant PRC laws and regulations in relation to cyber security and data protection in all material respects. Moreover, since our PRC subsidiaries do not conduct any online data processing activities under the Draft CAC Regulations during their business operation, if the Draft CAC Regulations take effect in the current proposed form, our PRC Legal Advisers are of the view that we are not subject to the Draft CAC Regulations.

Regulations in relation to foreign exchange administration

The principal law governing foreign currency exchange in the PRC is the PRC Administrative Regulations on Foreign Exchange the PRC (《外匯管理條例》) (the "**Foreign Exchange Regulations**"), which was enacted by the State Council of the PRC on 29 January 1996 and most recently revised on 5 August 2008. According to the Foreign Exchange Regulations, the RMB is freely convertible for "current account transactions", which include, among other things, dividend payments, interest and royalties payments, trade and service-related foreign exchange transactions. For "capital account transactions" which principally include direct investments, loans, securities investments and repatriation of investments, prior approval of and registration with the PRC Administration of Foreign Exchange of the PRC (the "**SAFE**") or its local branches is generally required.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises of the PRC (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**Circular 19**"), which came into effect on 1 June 2015 and replaced the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) promulgated by the SAFE on 29 August 2008. Under the Circular 19, a foreign-invested enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account (a bank account opened by a foreign-invested enterprise where the foreign shareholder(s) are required to remit and deposit the amount of respective capital contributions), for which the relevant foreign exchange bureau has confirmed monetary contribution rights and interests (or for which the bank has registered the account-crediting of monetary contribution). Meanwhile, the use of such Renminbi should still comply with the restrictions set in this circular in that it cannot be directly or indirectly used for making payments beyond the business scope of the enterprise or payments prohibited by national laws and regulations, investing in securities unless otherwise provided by laws and regulations, granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) repaying the bank loans in Renminbi that have been lent to a third party, and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

On 9 June 2016, the SAFE promulgated the Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange Settlement (《關於改革和規範資本項目結匯管理政策的通知》) (the "**Circular 16**"), which took effect on the same day. According to the Circular 16, enterprises registered in the PRC could settle the external debts in foreign currencies to Renminbi at their own discretion. The Circular 16 sets a uniform standard for discretionary settlement of foreign currencies under capital accounts (including but not limited to foreign currency capital and external debts), which is applicable to all enterprises registered in China. It reiterated that the Renminbi funds obtained from the settlement of foreign currencies shall not be used directly or indirectly for purposes beyond the company's scope of business, and shall not be used for domestic securities investment or investments and wealth management products other than principal-protected products issued by banks, unless otherwise expressly prescribed. Furthermore, such Renminbi funds shall not be used for disbursing loans to non-affiliated enterprises, unless the scope of business expressly provides so, and shall not be used to construct or purchase real estate not for self-use (except for real estate enterprises).

Regulations in relation to taxation

Enterprise income tax

According to the PRC Enterprise Income Law (《企業所得税法》) (the "**EIT Law**"), which was promulgated on 16 March 2007 and last amended on 29 December 2018, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The Regulation on the Implementation of Enterprise Income Tax Law (《企業所得税法實施條例》) (the "**EIT Rules**"), was promulgated on 6 December 2007, came into effect on 1 January 2008, and amended on 23 April 2019. Pursuant to the EIT Law and the EIT Rules, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. An organisation or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such organisation or establishment in the PRC. A non-resident enterprise without a permanent establishment in the PRC or a non-resident enterprise which has set up a permanent establishment in the PRC whose earning income is not connected with the abovementioned permanent establishment will only be subject to tax on its PRC-sourced income. The income for such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income. Moreover, pursuant to the Arrangement between the Mainland of 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 Incomes (《內地和香港特別行政區關於對所得避免雙重徵税和防止偷漏税的安排》), which were issued by the State Administration of Taxation of the PRC (the "**SAT**") on 21 August 2006 and came into effect on 8 December 2006, a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to 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 aforementioned enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforementioned enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, the Announcement of the State Administration of Taxation on Certain Issues Concerning the "Beneficial Owners" in the Tax Treaties (《國家税務總局關於税收協定中"受益所有人"有關問題的公告》), promulgated by the SAT on 3 February 2018, and came into effective on 1 April 2018, has stipulated some factors that are unfavourable to the determination of "beneficial owner".

In addition, under the Circular of the SAT on Relevant Issues concerning the implementation of Dividend Clauses in Tax Treaties (《國家税務總局關於執行税收協定股息條款有關問題的通知》), which was promulgated by the SAT on 20 February 2009, and came into effect on the same date, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a PRC resident company: (i) such tax resident who obtains dividends should be a company as provided in the tax treaty; (ii) the equity interests and voting shares of the PRC resident company directly owned by such a tax resident reach a specified percentage; and (iii) the capital ratio of the PRC resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Value-added tax

According to Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例》), which was promulgated by the State Council of the PRC on 13 December 1993, came into effect on 1 January 1994, and was last amended on 19 November 2017, and the Implementing Rules for the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值税暫行條例實施細則》) promulgated by the Ministry of Finance on 25 December 1993 and amended on 1 January 2009 and 1 November 2011, organisations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of value-added tax, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

PRC enterprise income tax on indirect transfer of non-resident enterprises

On 3 February 2015, the SAT issued the Announcement of the State Administration of Taxation on Certain Issues Concerning the Enterprise Income Tax on the Indirect Transfer of Properties by Non-resident Enterprises (《關於非居民企業間接轉讓財產企業所得税若干問題的公告》) (the "**Circular 7**"). The Circular 7 stipulates that when a non-resident enterprise transfers the assets (including equity interests) in an overseas holding company which directly or indirectly owns PRC taxable properties, including shares in a PRC company (or PRC Taxable Assets), for the purposes of avoiding PRC enterprise income taxes through an arrangement without reasonable commercial purpose, such indirect transfer should be reclassified and recognised to be a direct transfer of the assets (including equity interests) of a PRC resident enterprise in accordance with the EIT Law, unless the overall arrangements relating to an indirect transfer of PRC Taxable Assets fulfil one of the conditions as stipulated under the Circular 7.

Further according to the Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (《關於非居民企業所得税源泉扣繳有關問題的公告》) issued by the SAT on 17 October 2017 and revised on 15 June 2018, the "income from property transfer" shall include the income from the transfer of equity interests and equity investment assets (hereinafter referred to as "**equities**"). The balance after deducting the net value of equities from the income from equity transfer is the taxable income from equity transfer. When calculating the income from equity transfer, an enterprise shall not deduct the amount that may be distributed from the shareholders' retained proceeds that are attributable to such equities, such as the undistributed profits of the invested enterprise.

Regulations in relation to labour and social welfare

The PRC Labour Law (《中華人民共和國勞動法》), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 5 July 1994, and amended on 27 August 2009 and 29 December 2018, and the PRC Labour Contract Law (《中華人民共和國勞動合同法》) (the "**Labour Contract Law**"), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 29 June 2007 and then amended on 28 December 2012, govern the relationship between employers and employees and provide for specific provisions in relation to the terms and conditions of an employment contract. The Labour Contract Law stipulates that employment contracts must be in writing and signed. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

Under applicable PRC laws and regulations, including the PRC Social Insurance Law (《社會保險法》), which was promulgated by the Standing Committee of the National People's Congress on 28 October 2010, became effective on 1 July 2011, and amended on 29 December 2018 and the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was amended by the State Council of the PRC on 24 March 2002, and amended on 24 March 2019, employers and/or employees (as the case may be) are required to contribute to a number of social security funds, including funds for basic pension insurance, employment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and housing provident funds. These payments are made to local administrative authorities and employers who fail to contribute may be fined and ordered to rectify within a stipulated time limit.

HISTORY AND DEVELOPMENT

We are the leading company in the Macau IT solutions market. During our operating history, we have been dedicated to providing reliable end-to-end and high quality enterprise IT solutions covering professional IT services and managed services, to customers which include globally renowned enterprises or bodies in TMT, gaming and hospitality and public sectors in Macau.

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 18 February 2021. Pursuant to the Reorganisation as more particularly described in the paragraph headed "Reorganisation" in this section, our Company has become the holding company of our Group for the purpose of the **[REDACTED]**.

Mr. Chao is the founder of our Group who is also our Controlling Shareholder, an executive Director, our chief executive officer and chairman of our Board. See "Directors and Senior Management — Directors" for further details on the background and experience of Mr. Chao. We first commenced our business in 2010 through BoardWare Macau which was established by Mr. Chao for the provision of enterprise IT solutions services in Macau. Over the years under the leadership of Mr. Chao, we have developed into the leading company in Macau for providing enterprise IT solutions and has expanded our operation from Macau to the PRC and Hong Kong. Throughout the years, we have established BoardWare ZH with the aim to develop an operating arm of our business in Hengqin, the PRC and have subsequently established a branch office of BoardWare ZH in Guangzhou, the PRC. We have also established BoardWare NS in 2021 to further explore business opportunities in the PRC. To expand our business presence and capture more business opportunities along the value chain of the IT solutions industry, Mr. Chao acquired 100% shares in Synergy CCL in 2017, which is a well-established distributor of mobility and security related hardware and the associated system in Hong Kong and was included into our Group as part of the Reorganisation. We have also established BoardWare HK with a view to establish our operation of providing enterprise IT solutions in Hong Kong.

Our business and corporate milestones are set out below. See the section headed "Business" in this document for further details of our business operation.

Milestones

The following events are our key business and corporate milestones since our establishment:

Year	Business development
2010	• First commenced our business of provision of enterprise IT solutions services in Macau through BoardWare Macau • Became a partner of HPE
2012	Completed our first major mobility and network project for one of the casino resorts located at Cotai Strip in Macau
2013	Establishment of our presales team and professional service department
2014	Establishment of BoardWare ZH in the PRC

Year	Business development
2016	• Completed our first IT infrastructure system project for one of the casino resorts located at Cotai Strip in Macau • Became a partner of NetApp
2017	• Acquisition of Synergy CCL • Establishment of BoardWare HK • First recognised as a certified three-star enterprise IT and Data Communication service partner of Huawei
2018	Launched our own cybersecurity operation centre (SOC) in Macau and our managed service under which we, as an outsourced IT service provider, offer a selected range of managed services involving a single management IT platform and proactively monitor and manage our customers' systems and infrastructures remotely
2019	• Completed an IT infrastructure and security solution project for one of the six gaming companies in Macau • Began to provide SOC services to a Macau governmental body • Obtained ISO 27001 certification in relation to our SOC in Macau • Became a member of Forum of Incident Response and Security Teams (FIRST) based in Macau • Awarded with the Macau Enterprise Award by the Business Awards of Macau • First being recognised as a 5-star partner on IP network support of Huawei
2020	• Provided private cloud service solution for a subsidiary of an international gaming and hotel chain (which is also one of the six gaming companies in Macau) • Establishment of BoardWare GZ Branch in Guangzhou, the PRC
2021	• Became a principal partner of VMWare • Establishment of BoardWare NS

PRINCIPAL SUBSIDIARIES

BoardWare Macau

BoardWare Macau is one of our main operating subsidiaries which is material to our performance during the Track Record Period.

BoardWare Macau was incorporated in Macau with limited liability on 21 April 2003 and did not commence business until June 2010. As part of his business strategies, Mr. Chao generally incorporates business vehicles when he has certain development inception and sometimes well before there is any actual business opportunity, so that the company name can be reserved and the company can turn into operation immediately when business opportunities arise. As such, BoardWare Macau commenced its business in 2010, seven years after its incorporation, when it captured the opportunity to have business with HPE. BoardWare Macau principally engages in the provision of enterprise IT solutions services in Macau. Upon its incorporation, BoardWare Macau had a registered capital of MOP25,000 which was represented by one quota of the nominal amount of MOP25,000 which was held by Ms. Wong Pui Fan, spouse of Mr. Chao, on benefit of Mr. Chao. On 27 January 2010, Mr. Chao acquired the quota of the nominal amount of MOP25,000 in BoardWare Macau from Ms. Wong Pui Fan at a consideration of MOP50,000. On 11 January 2011, Mr. Chao divided his quota of the nominal amount of MOP25,000 into two quotas, namely MOP20,000 and MOP5,000, and assigned the quota of the nominal amount of MOP5,000 to Ms. Chiu at a consideration of MOP10,000 who held the quota on benefit of Mr. Chao. Pursuant to the irrevocable power of attorney with ratification entered into by Ms. Chiu on 4 March 2021, Ms. Chiu who was holding a quota of the nominal amount of MOP5,000 in the registered capital of BoardWare Macau at that time, has ratified the acts executed on her behalf by Mr. Chao, since 11 January 2011, regarding the ownership of the aforementioned quota in BoardWare Macau, as well as her capacity as a shareholder of BoardWare Macau and granted to Mr. Chao powers relating to, amongst others, (i) the exercise of any corporate rights relating to the quota she holds; (ii) the exercise of all the obligations, duties and rights arising from ownership of the quota she holds; (iii) the execution of promissory or definitive agreements of partial or total assignment of the quota she holds; and (iv) the execution of deeds and other documents necessary or appropriate for the execution of the abovementioned acts. As a result, according to our Macau Legal Advisers, the entire registered capital of BoardWare Macau was beneficially owned by Mr. Chao. As confirmed by our Directors, such shareholding arrangement was made having regarded the consideration that limited liability companies with sole registered shareholder are in a less preferable situation when doing business in the IT solutions industry in Macau as compared to the limited liability companies with more than one registered shareholder, based on their experience.

On 4 March 2021, as part of the Reorganisation, Mr. Chao transferred and assigned the quota of the nominal amount of MOP20,000 to BoardWare BVI (I) and Ms. Chiu transferred and assigned the quota of the nominal amount of MOP5,000 to BoardWare BVI (II) at the direction of Mr. Chao, and the aforementioned arrangement between Mr. Chao and Ms. Chiu was ceased thereafter. See the paragraph headed "Reorganisation — Transfer of BoardWare Macau to BoardWare BVI (I) and BoardWare BVI (II)" in this section for further details. As at the Latest Practicable Date, BoardWare Macau was an indirect wholly-owned subsidiary of our Company.

Synergy CCL

Synergy CCL is one of our main operating subsidiaries which is material to our performance during the Track Record Period.

Synergy CCL was incorporated in Hong Kong with limited liability on 30 October 1990. Upon its incorporation, Synergy CCL had an authorised share capital of HK$10,000 divided into 10,000 shares of HK$1.00 each and one subscriber share was held by each of the two initial subscribers, which were Independent Third Parties. Synergy CCL principally engages in the distribution of mobility and security related hardware and the associated system in Hong Kong. Immediately prior to 27 October 2017, the issued share capital of Synergy CCL was wholly-owned by two individuals who were Independent Third Parties, one of whom was a director of Synergy CCL during October 2011 to July 2019 (the "**First Independent Third Party**") and the other is the director of Guangzhou Xinshangan Information Technology Co., Ltd.* (廣州市信尚安資訊技術有限公司) (the "**Second Independent Third Party**"), which is a company specialised in software and computer technology development and providing information technology consulting services and wholesale of electronic products. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, Synergy CCL was one of the indirect subsidiaries of China Fortune Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 110) until 2005, prior to the acquisition of Synergy CCL by the two aforementioned Independent Third Parties in 2011. Save as these two individuals having been the former shareholders and directors of Synergy CCL, there is no past or present relationship (business, employment, family, trust, financing or otherwise) between (a) such two Independent Third Parties and (b) our Company, its subsidiaries, its shareholders, our Directors or senior management, or any of their respective associates. At that time, the principal activities of the aforementioned listed company were mainly in the distribution and trading of mobile phones and related accessories, computer products and the development of marketing and after-sales service network.

From 2005 to 30 August 2011, Synergy CCL was held by Synergy Pacific (Holding) Limited ("**Synergy Pacific**") as to 29,499 shares and the First Independent Third Party as to one share, and was principally engaged in distribution of mobility and computer products during the same period.

On 31 August 2011, Synergy Pacific transferred its entire shareholding in Synergy CCL to the First Independent Third Party. On 24 October 2011, 170,500 and 800,000 additional shares in Synergy CCL were allotted to the two aforementioned Independent Third Parties, respectively. As a result, Synergy CCL was then held by the First Independent Third Party as to 200,000 shares and the Second Independent Third Party as to 800,000 shares.

On 27 October 2017, Mr. Chao acquired the entire issued share capital of Synergy CCL from the abovementioned Independent Third Parties at a total consideration of HK$14,400,000, which comprised goodwill in the amount of HK$10,000,000 and unaudited net asset value of Synergy CCL in the amount of HK$4,400,000 as at 31 March 2017. The consideration was determined under the commercial judgement of Mr. Chao which based on the assumption that Synergy CCL can generate a minimum average annual net profit of HK$4,000,000 and resulting in an expected payback period of 3.6 years. Such assumption of generation of annual net profit was fulfilled for the three years after the acquisition. The consideration was mutually agreed by Mr. Chao and the predecessor owners of Synergy CCL through normal business negotiation and based on the existing and potential financial performance as well as the strength of Synergy CCL as a value-added distributor of Wireless LAN products, and was solely the commercial decision made between both

parties. Mr. Chao did not engage any financial adviser for such acquisition and P/E multiple was not referred to in this transaction. As a result, the issued share capital of Synergy CCL became wholly-owned by Mr. Chao.

The following table sets out the key financial information of Synergy CCL during the Track Record Period:

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Revenue	173,139	167,407	145,135
Cost of sales	(147,013)	(140,446)	(117,467)
Gross profit	26,126	26,962	27,668
Operating profit	7,000	9,593	6,903
Net profit	5,997	8,228	5,800
Gross profit margin (%)	15.09	16.11	19.06
Net profit margin (%)	3.46	4.91	4.00
Inventories	16,346	12,617	23,877
Accounts receivables	33,638	38,402	46,614
Retained earnings	9,941	18,168	23,968

On 4 March 2021, as part of the Reorganisation, Mr. Chao transferred his entire shareholding in Synergy CCL to Synergy BVI. See the paragraph headed "Reorganisation — Transfer of Synergy CCL to Synergy BVI" in this section below for further details. As at the Latest Practicable Date, Synergy CCL was an indirect wholly-owned subsidiary of our Company.

BoardWare ZH

BoardWare ZH was established in the PRC as a wholly-foreign owned enterprise on 20 November 2014 with an initial registered capital of RMB3,500,000. As at the Latest Practicable Date, the registered capital of BoardWare ZH was RMB20,000,000 and had been fully paid up. It is the operating arm of our business in Hengqin, the PRC and commenced its business in March 2020. At the time of establishment, BoardWare ZH was wholly-owned by Mr. Chao. As Mr. Chao's consistent business strategies, BoardWare ZH was established at an early stage with the aim to tap into the regional market of the Greater Bay Area, given Macau's relatively small market; while it commenced business in recent years due to the strategy of our Group to tap into the rapid growth of the IT solutions market in the Greater Bay Area and the favourable government policies to further the growth of the IT industry in, and the migration of the enterprises to, Hengqin.

On 16 March 2020, Mr. Chao transferred his interests in the entire registered capital of BoardWare ZH to BoardWare Macau at a total consideration of RMB3,500,000. On the same date, BoardWare ZH had its registered capital increased from RMB3,500,000 to RMB20,000,000. After the abovementioned transfer and increase in registered capital, BoardWare ZH became a wholly-owned subsidiary of BoardWare Macau.

BoardWare ZH established a branch office in Guangzhou, the PRC on 20 May 2020.

As at the Latest Practicable Date, BoardWare ZH was an indirect wholly-owned subsidiary of our Company.

BoardWare HK

BoardWare HK was incorporated in Hong Kong with limited liability on 30 March 2017 with the aim to further establish our Group's operation of providing enterprise IT solutions in Hong Kong when business opportunity arises. Upon its incorporation, BoardWare HK had an issued share capital of HK$10,000 divided into 10,000 shares which was held by Ms. Chiu on trust for Mr. Chao. As confirmed by our Directors that, the trust arrangement of BoardWare HK was mainly due to the reason that, given the close relationship between Mr. Chao and Ms. Chiu and Ms. Chiu's identity as Hong Kong permanent citizen, it was more administratively practical by allowing Ms. Chiu to handle on Mr. Chao's behalf the incorporation and all other company secretarial affairs of such company in Hong Kong. In May 2021, BoardWare HK had commenced its business operation in the provision of professional IT services and the resale of hardware and software in Hong Kong.

On 29 October 2019, at the direction of Mr. Chao, Ms. Chiu transferred the entire issued share capital of BoardWare HK to BoardWare Macau at a total consideration of HK$10,000. As a result, the issued share capital of BoardWare HK was wholly-owned by BoardWare Macau.

As at the Latest Practicable Date, BoardWare HK was an indirect wholly-owned subsidiary of our Company.

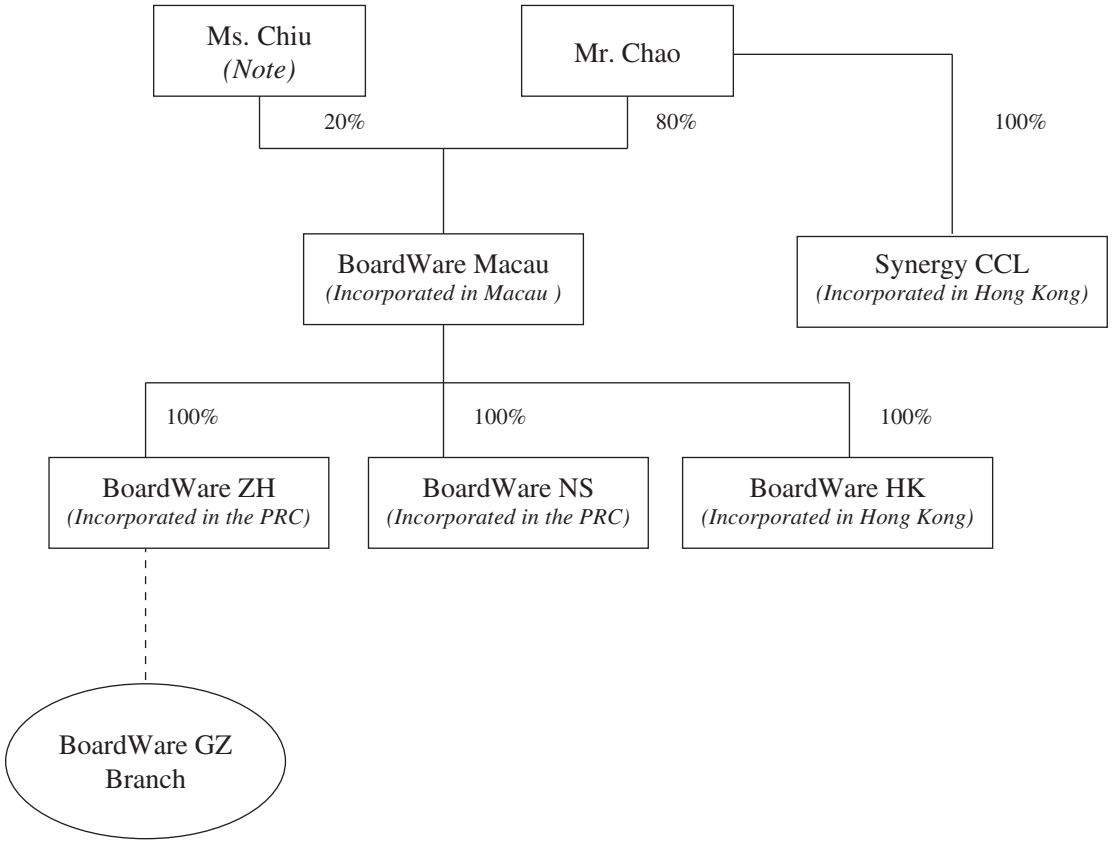
BoardWare NS

BoardWare NS was established in the PRC as a wholly-foreign owned enterprise on 8 January 2021 with an initial registered capital of RMB20,000,000 with a paid up capital of RMB7,000,000 as at the Latest Practicable Date. At the time of establishment, the registered share capital of BoardWare NS was wholly-owned by BoardWare Macau. In September 2021, BoardWare NS had commenced its business operation in the provision of professional IT services and the resale of hardware and software in Guangzhou.

As at the Latest Practicable Date, BoardWare NS was an indirect wholly-owned subsidiary of our Company.

REORGANISATION

The following diagram sets out the shareholding and corporate structure of our Group prior to the Reorganisation:



Note: Ms. Chiu held the 20% interest in the registered capital of BoardWare Macau on benefit of Mr. Chao pursuant to the irrevocable power of attorney with ratification dated 4 March 2021 granted by Ms. Chiu to Mr. Chao. As such, Mr. Chao was the sole beneficial owner of the 20% interest in the registered capital of BoardWare Macau held by Ms. Chiu. Therefore, the entire registered capital of BoardWare Macau was beneficially owned by Mr. Chao.

Our Group has undergone the Reorganisation in preparation for the **[REDACTED]** which involved the following steps:

Incorporation of our Company

Our Company, which was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2021 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 June 2021. On its incorporation, our Company's authorised share capital was HK$380,000 divided into 38,000,000 ordinary shares of a par value of HK$0.01 each. Upon incorporation, one subscriber ordinary share of a par value of HK$0.01 was issued as fully-paid to an initial subscriber which transferred the one subscriber ordinary share to Tai Wah at nominal value. Upon completion of the aforementioned share transfer, the entire issued share capital of our Company was owned by Tai Wah.

Incorporation of BoardWare BVI (I)

BoardWare BVI (I) was incorporated in the BVI with limited liability on 19 February 2021. On the date of its incorporation, BoardWare BVI (I) was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each.

On the date of its incorporation, one ordinary share in BoardWare BVI (I) was allotted and issued as fully-paid to our Company at par value. Upon completion of such allotment and issuance, the only issued share of BoardWare BVI (I) was wholly-owned by our Company.

Incorporation of BoardWare BVI (II)

BoardWare BVI (II) was incorporated in the BVI with limited liability on 19 February 2021. On the date of its incorporation, BoardWare BVI (II) was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each.

On the date of its incorporation, one ordinary share in BoardWare BVI (II) was allotted and issued as fully-paid to our Company at par value. Upon completion of such allotment and issuance, the only issued share of BoardWare BVI (II) was wholly-owned by our Company.

Incorporation of Synergy BVI

Synergy BVI was incorporated in the BVI with limited liability on 19 February 2021. On the date of its incorporation, Synergy BVI was authorised to issue a maximum of 50,000 ordinary shares of a single class with a par value of US$1.00 each.

On the date of its incorporation, one ordinary share in Synergy BVI was allotted and issued as fully-paid to our Company at par value. Upon completion of such allotment and issuance, the only issued share of Synergy BVI was wholly-owned by our Company.

Transfer of BoardWare Macau to BoardWare BVI (I) and BoardWare BVI (II)

On 4 March 2021, Mr. Chao and Ms. Chiu (on benefit of Mr. Chao) transferred and assigned their respective quotas in the registered capital of BoardWare Macau, being a quota of the nominal amount of MOP20,000 and MOP5,000 (held by Ms. Chiu on benefit of Mr. Chao), respectively, which in aggregate represent the entire registered capital of BoardWare Macau, to BoardWare BVI (I) in respect of a quota of the nominal amount of MOP20,000 and to BoardWare BVI (II) in respect of a quota of the nominal amount of MOP5,000, at a total consideration of MOP25,000.

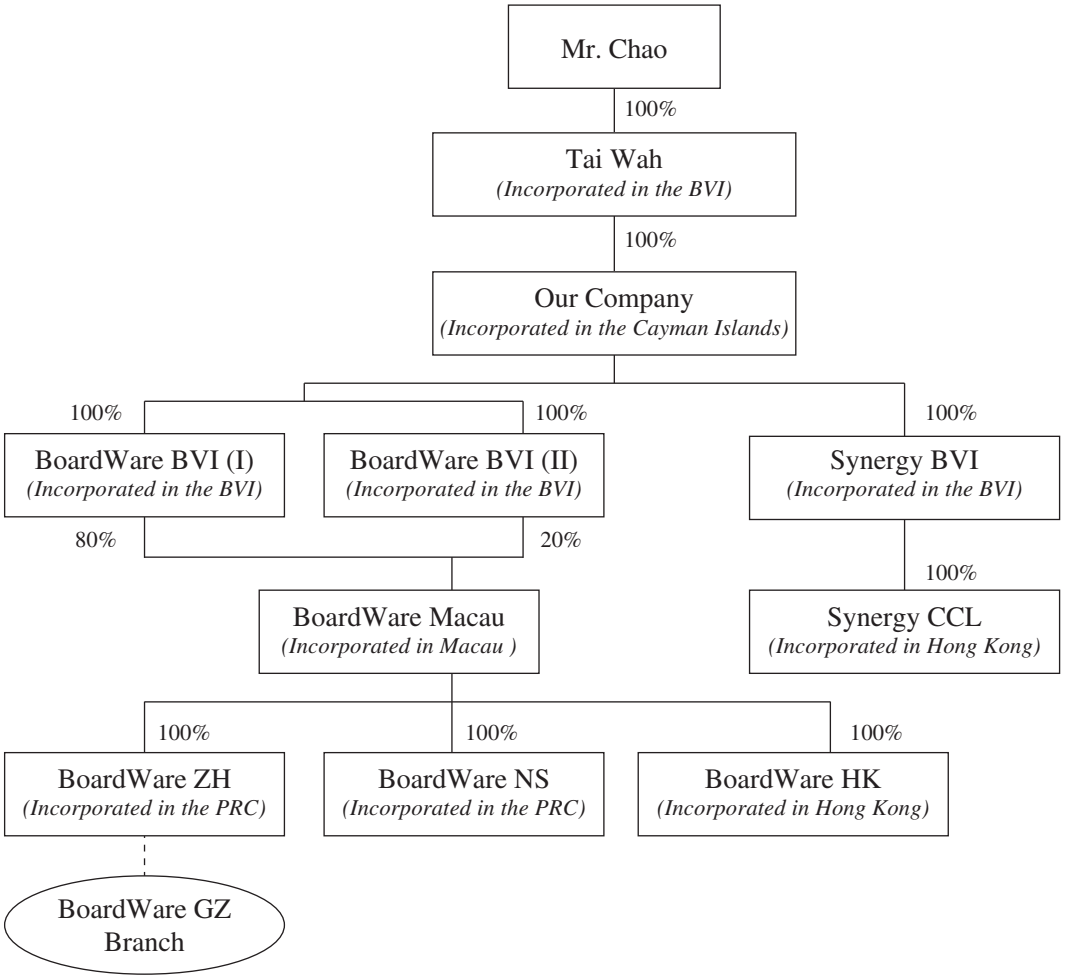
The consideration for the transfers was agreed to be settled by our Company by allotting and issuing, credited as fully-paid, 8,610 Shares to Tai Wah, under the instructions of Mr. Chao, pursuant to (i) a sale and purchase agreement dated 4 March 2021 entered into between (a) BoardWare BVI (I) and BoardWare BVI (II) (as purchasers); (b) Mr. Chao and Ms. Chiu (as vendors); (c) BoardWare Macau; (d) Tai Wah; and (e) our Company; and (ii) two assignment of shares agreements, both dated 4 March 2021, which were entered into between (a) BoardWare BVI (I) (as purchaser) and Mr. Chao (as vendor); and (b) BoardWare BVI (II) (as purchaser) and Ms. Chiu (as vendor). As a result, BoardWare Macau became an indirect wholly-owned subsidiary of our Company through BoardWare BVI (I) and BoardWare BVI (II).

Transfer of Synergy CCL to Synergy BVI

On 4 March 2021, Mr. Chao transferred his entire shareholding interest in Synergy CCL, being 1,000,000 shares which represent the entire issued shares of Synergy CCL, to Synergy BVI at the consideration of HK$20,029,000, which is determined based on the unaudited net asset value of Synergy CCL as at 31 December 2020 and which is agreed to be settled by our Company by allotting and issuing, credited as fully-paid, 1,389 Shares to Tai Wah, under the instructions of Mr. Chao, pursuant to a sale and purchase agreement dated 4 March 2021 entered into between (i) Synergy BVI (as purchaser); (ii) Mr. Chao (as vendor); (iii) Synergy CCL; (iv) Tai Wah; and (v) our Company. As a result, Synergy CCL became an indirect wholly-owned subsidiary of our Company through Synergy BVI.

Upon completion of the Reorganisation, our Company became the holding company of the members of our Group.

The following diagram sets out the shareholding and corporate structure of our Group immediately following completion of the Reorganisation but before the **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]**:



[REDACTED]

For the long-term business development of our Group, we entered into the below **[REDACTED]**.

Purchases and subscriptions of Shares

On 23 March 2021, each of DHQ and Kallo, as our **[REDACTED]**, entered into a subscription and purchase agreement with Tai Wah and our Company for the subscription and purchase of an aggregate of 1,890 Shares, which represented approximately 17.0% of the total issued share capital of our Company prior to the **[REDACTED]** and the **[REDACTED]**, and the **[REDACTED]** have become our Shareholders since then.

The subscription and purchase agreements mentioned above are collectively referred to as the "**Subscription and Purchase Agreements**" and each a "**Subscription and Purchase Agreement**".

A summary of the **[REDACTED]** made by each of the **[REDACTED]** and principal terms and conditions of the respective Subscription and Purchase Agreement are set out below:

[REDACTED]	**DHQ**	**Kallo**
Date of subscription and purchase of Shares	23 March 2021	23 March 2021
Aggregate consideration paid for the subscription and purchase of Shares	HK$56.1 million	HK$23.5 million
Basis of consideration	Based on arm's length negotiation between the parties after taking into consideration of a valuation of our Group as at 31 December 2020 conducted by an independent valuer	
Date on which the consideration was fully and irrevocably settled	23 March 2021	23 March 2021
Number of Shares purchased	499	249
Number of Shares subscribed	834	308
Total number of Shares purchased and subscribed and approximate percentage of shareholding in our Company upon completion of the subscription and purchase	1,333, 11.964%	557, 4.999%
Number of Shares and approximate percentage of shareholding in our Company immediately upon [REDACTED] ***(Note 1)***	**[REDACTED]**	**[REDACTED]**

[REDACTED]	DHQ	Kallo
Investment cost per Share	HK$**[REDACTED]**	HK$**[REDACTED]**
Premium/(Discount) to the mid-point of the indicative [REDACTED] range *(Note 2)*	**[REDACTED]**%	**[REDACTED]**%

Use of [REDACTED] in relation to the subscriptions of Shares

The **[REDACTED]** from the subscriptions of Shares by the **[REDACTED]** will be used for working capital of our Group and the settlement of our trade payables. As at 31 December 2021, 100% of such **[REDACTED]** had been utilised.

Strategic benefits to our Group

Widen our capital base. Furthermore, our Directors are of the view that our Company could benefit from **[REDACTED]**' commitment to our Company as their **[REDACTED]** demonstrates their confidence in our operations and serves as an endorsement of our performance, strength and prospects.

Our Directors are also of the view that the presence of DHQ as one of our Shareholders would facilitate our business strategy of capturing business opportunities in the Greater Bay Area, and we could also draw on the extensive networks and experience of Mr. Chui Sai Peng Jose in the science and technology industry in Macau to advance our other future plans and business strategies after his investment in our Company through Kallo. For further details of Mr. Chui's experience which can facilitate our Company's future plans and business strategies, see the paragraph headed "**[REDACTED]** — Information about the **[REDACTED]** — Kallo" in this section.

Lock-up period and [REDACTED]

The Shares held by each of the **[REDACTED]** as at the **[REDACTED]** will be subject to lock-up for a period of twelve months from the **[REDACTED]**.

In view of (i) the **[REDACTED]** are Independent Third Parties; (ii) as represented by each of the **[REDACTED]**, it is independent of and not acting upon or accustomed to take instructions from, or directly or indirectly, funded or backed by, or acting in concert with (as defined in the Takeovers Code), any connected persons of our Company in relation to the control of our Company or any acquisition, disposal, voting or any other disposition of securities in our Company; and (iii) none of the **[REDACTED]** will become a substantial shareholder of our Company upon **[REDACTED]**, the Shares held by the respective **[REDACTED]** immediately after **[REDACTED]** will be considered as part of the **[REDACTED]** after **[REDACTED]** for the purpose of Rule 8.08 of the Listing Rules.

Notes:

1. Based on the number of Shares held by each of the **[REDACTED]**, the total number of Shares to be issued to each of them pursuant to the **[REDACTED]** and the total number of Shares in issue upon completion of the **[REDACTED]** and the **[REDACTED]**, taking no account of any Shares which may be taken up under the **[REDACTED]** and 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.

2. Based on the **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]** range).

Special rights granted to DHQ

Pursuant to the Subscription and Purchase Agreement of DHQ, Tai Wah and/or our Company have granted to DHQ the following rights exercisable in accordance with the terms and conditions of the relevant Subscription and Purchase Agreement:

(i)	**Rights of first refusal**	If (a) the **[REDACTED]** is not consummated on or before 31 December 2023; and (b) Tai Wah proposes to dispose of its Shares or purchase from a Shareholder other than DHQ any Shares at a given price (the "**Offered Price**"), DHQ shall have the first right to sell its Shares at the **[REDACTED]** to the third party purchaser/Tai Wah.
(ii)	**Put option**	If the **[REDACTED]** is not consummated on or before 31 December 2023, DHQ shall have the right on or before 31 December 2025 to require our Company or Tai Wah to purchase all the new Shares subscribed by DHQ (the "**Option Shares**") under the **[REDACTED]** at the price equal to the sum of the total consideration of the Shares subscribed by DHQ under the **[REDACTED]** and a fixed rate interest.
(iii)	**Director nomination right**	DHQ shall have the right to nominate one person to be appointed as a Director prior to the **[REDACTED]**.
(iv)	**Resolution**	All Board resolutions of our Company shall be passed by no less than two-thirds of our Directors who are present at the Board meeting.
(v)	**Veto rights**	Unanimous approval of all Directors including the Director nominated by DHQ is required for matters in relation to certain major corporate actions of our Company including without limitation: disposal of assets with a value over 30% of the latest audited net asset value of our Company, investment with a value over 30% of the latest audited net asset value of our Company, creating encumbrance on assets over certain thresholds, amending existing rights of Directors, dispute resolutions and directly or indirectly changing or expanding the scope of business of our Company.

(vi)	**Restrictions on transfer**	On or before 31 December 2021, Tai Wah shall not, without the prior written consent of DHQ, dispose of any Shares or any securities of our Company or create any encumbrance on its Shares. After 31 December 2021, Tai Wah shall not, without the prior written consent of DHQ, dispose of any Shares or any securities of our Company if (a) Tai Wah would cease to be a Controlling Shareholder after the disposal; (b) the disposal would directly cause the net asset value of our Company to decrease as compared to the net asset value immediately before the disposal; and (c) the transferee of the Shares or securities of our Company belongs to one of the classes of persons specified under the Subscription and Purchase Agreement.

Save for the above, no other special rights were granted to the **[REDACTED]**. No special rights were granted to the **[REDACTED]** that will survive the **[REDACTED]**.

Guarantee

A guarantee was granted by Mr. Chao and Ms. Chiu in favour of DHQ on 23 March 2021 for the due and punctual performance and observance by Tai Wah and our Company of their obligations under the Subscription and Purchase Agreement to purchase the Option Shares under the abovementioned put option. Mr. Chao and Ms. Chiu jointly and severally agreed to guarantee the performance and observance by Tai Wah and our Company of their obligations under the abovementioned put option. The guarantee shall lapse upon **[REDACTED]**, in accordance with the terms of the guarantee, Tai Wah and our Company discharging their obligations under the abovementioned put option in accordance with the terms of the Subscription and Purchase Agreement or lapse of the put option in accordance with the terms of the Subscription and Purchase Agreement, whichever is earlier.

Information about the [REDACTED]

DHQ

DHQ is a company incorporated in Macau on 3 December 2019. It is an investment company and a wholly-owned subsidiary of 珠海大橫琴集團有限公司 (Zhuhai Da Heng Qin Group Limited*) ("**Zhuhai DHQ Group**"). Zhuhai DHQ Group is in turn owned by 珠海市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Zhuhai Municipal People's Government*) and 廣東省財政廳 (Department of Finance of Guangdong Province*) as to 90% and 10%, respectively. Zhuhai DHQ Group focuses on managing the state-owned assets of the Heng Qin New District government and DHQ is its principal operating arm for conducting and managing investments outside of the PRC. As confirmed by DHQ, apart from its investment in our Company, it does not currently have other investments, and the source of funding for the investment in our Company came from its own internal resources.

DHQ became acquainted with our Group through its business tour in Macau in October 2020. Given our reputation in the industry, the long-standing track record and the growth potentials of the market in which we operate, DHQ invested in our Company as it believes that the investment in our Group would be worthwhile. Save for being a **[REDACTED]** and the fact that Mr. Li Haodong is also a director and the general manager of DHQ, neither DHQ nor its beneficial owner has any relationship with our Group or any connected person of our Company, and is an Independent Third Party.

Kallo

Kallo is an investment holding company incorporated in the BVI on 21 May 2020. Its issued share capital is owned by Mr. Chui Sai Peng Jose and his two sons, namely Mr. Chui Derek Tinyol and Mr. Chui Calvin Tinlop (the "**Chui Family**"), as to 60%, 20% and 20%, respectively. To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, as an investment vehicle of the Chui Family, Kallo has an investment portfolio covering various companies established in Macau and the Greater Bay Area. Mr. Chui Sai Peng Jose has extensive experience in the promotion and development of the science and technology industry of Macau. In this regard, Mr. Chui currently holds the following key positions: (i) one of the chairman of The Association for Promotion of Science and Technology of Macau; (ii) the vice chairman of the board of directors and chief executive officer of Parafuturo de Macau Investment and Development Limited, a company based in Zhongshan, the PRC and being appointed by the Government of Macau to implement policies that aim to promote business start-ups and innovation in Guangdong and Macau; (iii) a member of the national committee of the China Association for Science and Technology; and (iv) the deputy director of the Mainland and Macao Science and Technology Co-operation Committee. Mr. Chui is also a Macau delegate to the National People's Congress of the PRC and a member of the Legislative Assembly of Macau. As a Macau delegate to the National People's Congress of the PRC, Mr. Chui submitted the proposal on《關於促進澳門參與粵港澳大灣區珠江西岸工業互聯網建設的建議》 (Promoting Macau's Participation in the Construction of Industrial Internet on the West Bank of the Pearl River in the Guangdong-Hong Kong-Macao Greater Bay Area*) during the two sessions of the National People's Congress held in March 2019. Mr. Chui was one of the announced winners of《第二屆全國創新爭先獎》(the 2nd National Innovation Competition Awards*) in May 2020. As confirmed by the Chui Family, apart from the investment in our Company, they also have other investments, and the source of funding for the investment of Kallo in our Company came from their own personal resources.

The Chui Family became acquainted with Mr. Chao and our Group through the referral of a mutual acquaintance in around May 2020. Given our reputation in the industry and the growth potentials of the market in which we operate, the Chui Family, through Kallo, invested in our Company as they believe the market in which our Group serves has great potential and that the investment in our Group would be worthwhile. Save for being a **[REDACTED]**, neither Kallo nor the Chui Family has any relationship with our Group or any connected person of our Company, and are Independent Third Parties.

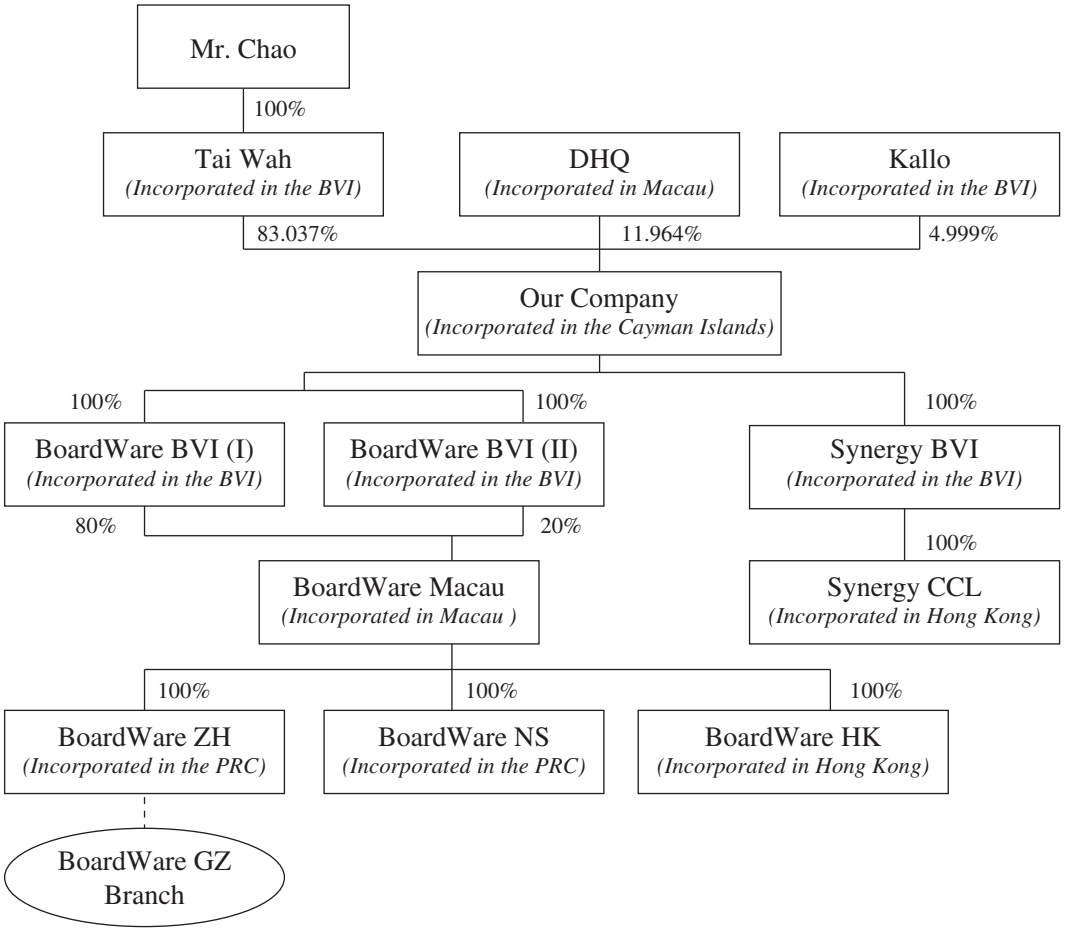
As confirmed by each of the **[REDACTED]**, save for the **[REDACTED]**, they have not invested in other companies conducting businesses similar or related to those of our Group. To the best of our Directors' knowledge and as confirmed by the **[REDACTED]**, save for the Subscription and Purchase Agreements and the personal guarantees provided by Mr. Chao and Ms. Chiu in favour of DHQ, there is no other agreement, arrangement or undertaking, verbal or in writing, with our Group, its shareholders and directors and/or among the **[REDACTED]** as regards their investments in our Group. To the best knowledge of our Directors, the **[REDACTED]** are independent from each other.

Sponsor's confirmation

Since the consideration for the **[REDACTED]** was fully and irrevocably settled by the **[REDACTED]** more than 28 clear days before the date of submission of the **[REDACTED]** application by our Company and no special rights were granted to the **[REDACTED]** that will survive the **[REDACTED]**, the Sole Sponsor is of the view that the **[REDACTED]** are in compliance with the Interim Guidance on **[REDACTED]** HKEx-GL29-12 and the Guidance on **[REDACTED]** HKEx-GL43-12 issued by the Stock Exchange.

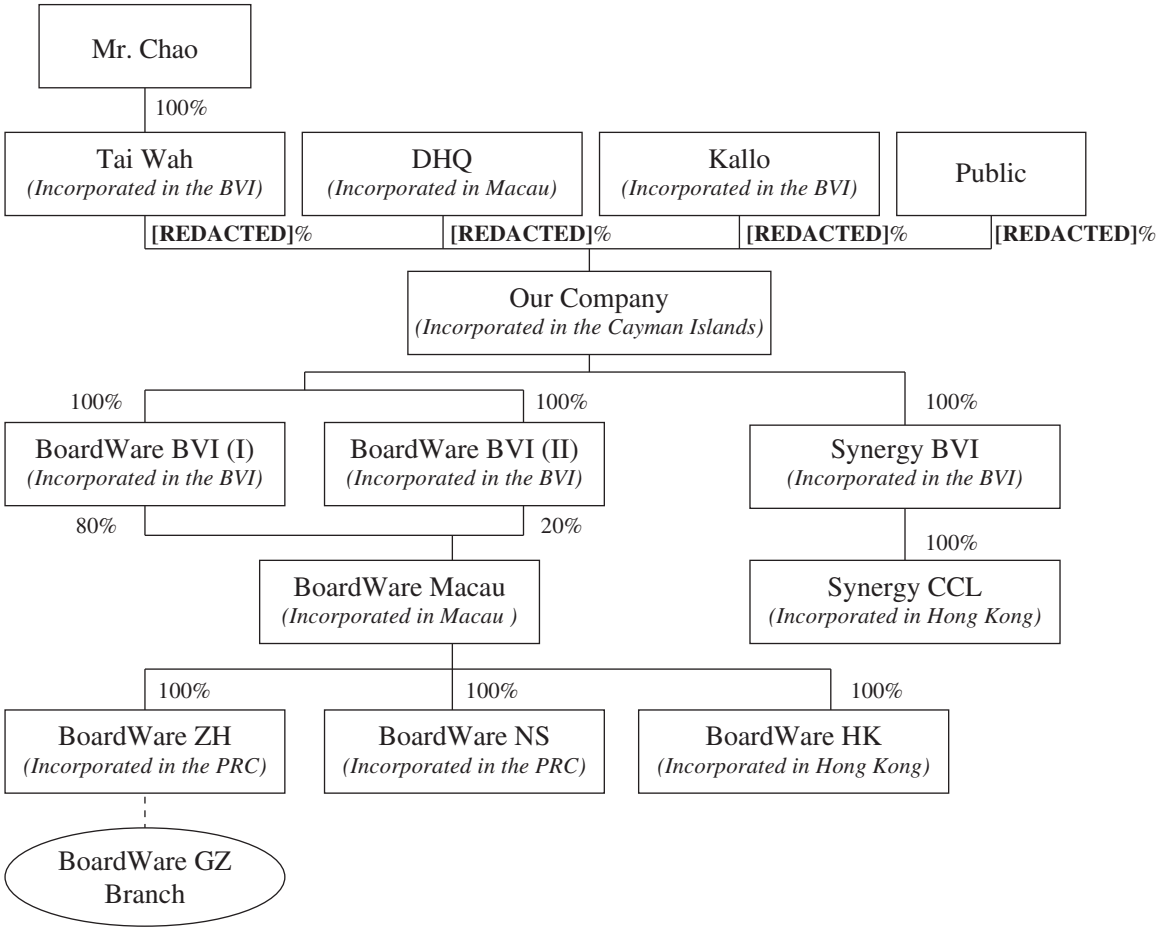
CORPORATE STRUCTURE

The following diagram sets out the shareholding and corporate structure of our Group immediately before the completion of the **[REDACTED]** and the **[REDACTED]**:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets out the shareholding and corporate structure of our Group immediately upon completion of the **[REDACTED]** and the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and taking no account of any Shares which may be allotted and issued pursuant to the exercise of options to be granted under the Share Option Scheme):



OVERVIEW

We are the leading company in the Macau IT solutions market. During our operating history, we have been dedicated to providing reliable, end-to-end and high quality enterprise IT solutions to customers which include globally renowned enterprises or bodies in TMT, gaming and hospitality and public sectors in Macau and had undertaken prominent IT projects for these customers, covering areas of both professional IT services and managed services. Further, we have been providing managed security service through our SOC for various Macau governmental bodies since 2019. We also provide standalone or extended IT maintenance services to customers, majority of which are customers of our professional IT services business and distribution business. In addition, we engage in the distribution and resale of hardware and software. We purchase IT hardware and software under our resale business for onward sales to customers of our enterprise IT solutions business (namely, customers of our professional IT services, managed services and IT maintenance and consultancy services businesses) on a standalone basis to fulfil their business needs. According to Frost & Sullivan, we ranked first in the IT solutions market in Macau in terms of revenue, with a market share of 25.8% in 2021, and during the Track Record Period, we were one of the few IT services providers in Macau with the technical ability and resources to provide comprehensive, end-to-end solutions to customers in Macau.

We began to provide enterprise IT solutions since 2010. The provision of enterprise IT solutions is our major business, which accounted for 65.6%, 69.1% and 73.9% of our total revenue, respectively, and 63.6%, 78.2% and 80.0% of our gross profit, respectively, during the Track Record Period. Our services and solutions under enterprise IT solutions business can be classified as follows:

- *Professional IT services:* We offer a wide array of integrated, end-to-end, enterprise-grade system integration and IT solutions and services, including designing our customer's overall IT infrastructure (including network, security and operational systems), assisting in or providing recommendations on procurement of hardware and the associated system, creating proof-of-concept to test the feasibility of the project design, executing, managing and coordinating the project, integrating the new IT infrastructure and system with our customer's existing operating environment, testing and optimising the system before delivery, and providing post-sales maintenance and technical support. We are well-known in the design, architecture and building up of total IT solutions for multi-functional environment for customers in various industry sectors in Macau. We provide total IT solutions accommodating our customers' integrated environment encompassing various functions such as resort complex offering accommodation and convention facilities.

- *Managed services:* To enrich our enterprise IT solutions and target those customers who entrust professional service providers with managing and monitoring their IT system, we offer managed services to match the evolving needs of our customer's business. Under this business, we act as part of the IT operational team of our customers and proactively monitor and manage our customers' devices, systems and IT infrastructure remotely through our management IT platform supported by our well-qualified engineers and our in-house developed software, and we may lease the required IT equipment and/or software which are incidental to the provision of the relevant managed services. In 2018, we set up our round-the-clock SOC (a centralised facility that monitors, detects, investigates and responds to cybersecurity incidents) in Macau, which is certified under the ISO 27001 standard.

- *IT maintenance and consultancy services:* Our customers may elect to subscribe for or purchase extended maintenance services after the expiry of the warranty period of our post-sales maintenance and support or a standalone maintenance service for a fixed fee, which are charged mainly on annual basis. Extended maintenance services may also be required to be provided by us to customers for the products sold under our distribution business. We also offer IT consultancy and advisory services for a fixed service fee, and such services include attending on-site survey on our customer's premises with an objective to assist our customers in assessing their IT operational environment (for example, an assessment on the security aspect of the IT operational environment) and IT related compliance with government requirements.

To expand our business presence and capture business opportunities along the value chain, we engage in the distribution and resale of hardware and software in parallel with our enterprise IT solutions business. During the Track Record Period, our distribution and resale businesses in aggregate accounted for 34.4%, 30.9% and 26.1% of our total revenue, respectively, and 36.4%, 21.8% and 20.0% of our gross profit, respectively, of the same periods. Our distribution and resale businesses can be classified as follows:

- *Distribution:* We, as a distributor, partner with system vendors or their authorised distributor(s) in the sale and distribution of a selected range of hardware and the associated system relating to corporate mobility and cybersecurity solutions in Hong Kong, and pursuing their marketing and sales channel development pursuant to the distribution agreement, whilst looking after the logistics, procurement and after-sales requirements of our customers who are mainly downstream solution providers or resellers. As at the Latest Practicable Date, we were the authorised distributor of 11 system vendors and carried a total of 12 brands, among which, we (through Synergy CCL) were also the sole authorised distributor of Supplier J and Supplier K, two distinguished system vendors in Hong Kong, which in aggregate accounted for 2.0% and 1.1% of our total purchases in FY2020 and FY2021, respectively. The major brands we carried during the Track Record Period include Aruba, Trend Micro and Checkpoint, and the costs for procuring relevant products under these brands accounted for over 35.0% and 30.0% of our total purchases in FY2020 and FY2021, respectively.

- *Resale:* We, as a reseller, purchase hardware and software for onward sale to customers in Macau (which are mostly existing or previous customers of our enterprise IT solutions business) who place order with us on an as-needed basis because of their confidence in our sourcing network and the reliability of our customer services.

We take pride in our strong record of serving renowned customers. Our customer portfolio during the Track Record Period comprised renowned TMT companies, leading gaming and hotel brands, governmental bodies, education institutions, banks and financial institutions and other commercial customers in Macau. Our major customers during the Track Record Period include leading gaming and hotel brands such as Galaxy Entertainment Group Limited, Sociedade De Jogos De Macau, S.A. and Melco Resorts & Entertainment Limited, and they, in aggregate, contributed 28.1% and 37.2% of our total revenue in FY2020 and FY2021, respectively. Our strong track record is further evidenced by our established and collaborative relationships with our major customers which have two to over 10 years of relationship with us and they are prominent players in their respective industries or are governmental bodies, which often have stringent requirements on service providers.

We are committed to delivering seamless, end-to-end solutions to customers. Our pre-sales and sales teams are actively involved in, and closely work with, our customers at different phases of the project. Our service level is further enhanced by our strong team of solution architects, solution experts and technical supervisors, and a majority of them held highly regarded industry and technology accreditations including VMware vExpert and Veeam Vanguard certifications, meaning that they are well qualified and accredited to perform specific technical tasks such as data centre virtualisation. In most of our projects, we are able to offer services by utilising our internal manpower and resources, particularly, our in-house design capability.

We place emphasis on innovating and evolving our solution offering by improving the technologies and software applications we adopted in our solutions and ongoing product development. During the Track Record Period, the focus of our product development has been the secondary development and enhancement of systems and applications which are being adopted in our solutions, such that they are able to address specific needs of our customers as well as to improve the related managed services. We are currently researching on building a big data portal with cross-border data exchange mechanism for enterprises in Macau and Guangdong. To reinforce our product development initiatives, we had entered into a framework cooperation agreement with the University of Macau (UM) in February 2021 to jointly establish a laboratory to research into areas on Smart Cities, use of big data, AI and cloud management services and to pull out resources to cultivate expert talents in these areas.

Going forward, our growth lies in our ability to capture opportunities by undertaking additional projects and to further develop and upgrade our enterprise IT solutions to encompass comprehensive and more diversified services and solutions as well as the ongoing research and development of our software and applications, in order to enrich our solution offering and to fulfil the demands of our target customers who are witnessed to have increasing trend in outsourcing IT functions to external service providers. Further, according to Frost & Sullivan, the continuous development of the Greater Bay Area especially in the areas of Fin-tech and e-commerce offers abundant growth opportunities for enterprise IT solutions providers in Macau. We are expected to benefit from various drivers in Macau and the Greater Bay Area including the implementation of government initiatives in promoting Smart Cities and IoT network, development of Fin-tech and e-commerce services, and increasing digitalisation in business activities, as all these will generate surging demand for IT solutions in the region.

Therefore, it is our business plan to continue to expand the portfolio of our enterprise IT solutions projects and strengthen our capacity of undertaking project of larger contract value, allocate more resources in the adjacent Greater Bay Area to grow our business, given its significant market potential, and roll out new IT solutions through our ongoing product and technical development efforts and collaboration with external research institutes. We believe that we are well-positioned to tap into the IT solutions market in the Greater Bay Area as we have strong market standing in Macau and enjoy competitive edge over our competitors as we already had rich experience in undertaking various projects for private enterprises and public bodies. See "Our Business Strategies" in this section for further details.

OUR STRENGTHS

Our Directors believe that our success and future prospects are underpinned by a combination of our strengths, including:

We are the leading IT solutions provider in Macau

We have been operating in the IT solutions market for over 10 years and stand out as a market leader in Macau. According to Frost & Sullivan, in 2021, we ranked first in the IT solutions market in Macau in terms of revenue, with a market share of 25.8% in that year. During the Track Record Period, according to Frost & Sullivan, we were one of the few IT services providers in Macau with the technical ability and resources to provide comprehensive, end-to-end solutions to customers in Macau and to operate the only round-the-clock SOC in Macau with the ISO 27001 standard to deliver managed security services. Since 16 October 2019, we are also a member of, and, as at the Latest Practicable Date, the only company from Macau joining, the global Forum of Incident Response and Security Teams (FIRST), which is the premier organisation and a recognised global leader in security incident response with over 400 members worldwide. We received the Excellence Award for Small and Medium Enterprise from the Business Awards of Macau in 2019 acknowledging our remarkable performance and status as a Macau enterprise.

Our market standing is further evidenced by our strong record of serving renowned customers. Our customer portfolio during the Track Record Period comprised TMT companies, gaming and hotel brands, governmental bodies, education institutions, banks and financial institutions, most of which are prominent players or listed companies in their respective sectors or are public bodies, meaning that they often have stringent technical and qualification requirements on service providers. In particular, we are well-known in the design, architecture and building up of total IT solutions for multi-functional environment for customers in various industry sectors in Macau and had undertaken prominent IT projects for these customers, covering areas of both professional IT services and managed services. Further, we have been providing managed security services through our SOC for various governmental bodies since 2019. Our business relationship with our five largest customers during the Track Record Period spanned from two to over 10 years.

Our strong track record of serving renowned customers and our solid relationship with our major customers have demonstrated our customers' confidence in us as well as our ability to offer solutions that could fit their sophisticated operational environment, which in turn, have been translated into the word-of-mouth reputation in the industry. With our market standing and reputation in the IT solutions market, we are well-positioned to further leverage our branding and expand our business in Macau and its adjacent regions, particularly the Greater Bay Area.

We deliver reliable, end-to-end and high quality enterprise IT solutions to our customers

Our vision is to offer enterprise IT solutions that will empower our customers to achieve optimal growth. To that end, capitalising on our strong track record as well as our in-depth technical knowledge, we provide reliable, end-to-end and high quality enterprise IT solutions that closely address the needs and industry-specific requirements of our customers as evidenced by the following:

In-depth involvement of our pre-sales and sales teams

We designate representatives from the pre-sales and sales teams for each major project and they are actively involved in and closely work with our customers at different phases of the project, from overall IT infrastructure design to post-sales maintenance and technical support. In particular, we interact with and engage our customers at early stages of projects and offer pre-sales development and assistance to them. Our pre-sales team also works with our technical staff on overall project management. We require our pre-sales team to attain technical qualifications so that they are able to effectively advise and engage our customers and communicate with our solution architects to roll out solutions that are relevant to the business needs of our customers.

End-to-end and reliable IT solutions

In most of our projects, we are able to offer our end-to-end solutions and services by utilising our internal manpower and resources, particularly, our in-house design capability, without relying on the technical support or assistance of external parties such as our suppliers or system vendors. Our service level is further underpinned by our strong engineering and technical support team which, as at 31 December 2021, comprised 85 members, and a majority of them held highly regarded industry and technology accreditations, covering specific technical areas such as networking, virtualisation and network security. At early stage of the projects, where our customer requires, our solution architects design, architect and optimise our customer's IT infrastructure, including verifying high level design requirement, converting high-level design concept into practicable solutions, advising on the required configuration to achieve our customers' desired results, formulating, managing and executing the implementation plan that is efficient with minimum disruption to our customer's operation and managing different project control points. Further, our engineers from the Professional Services Department are responsible for providing assistance at the post-sales stage to enable our customer to manage, optimise and modify the system on an ongoing basis and to integrate the same into the operational environment, review outcome and identify areas that would need future improvement. Our team has rich experience in designing the overall IT infrastructure, which, together with the level of involvement of our pre-sales team, distinguishes ourselves from our peers.

High quality after-sales services

For our enterprise IT solutions, we place emphasis on delivering high-quality, professional after-sales services with focus on real-time monitoring, incident diagnosis, rectification, status update, follow-up and reporting and such services are supported by our engineering and technical support team who are accessible by our customers 24/7. We had a well-developed incident triage procedure and escalation workflow by which we deployed our support engineers to provide timely supporting and troubleshooting services according to the incident categorisation and severity and escalate the issue for higher level technical support where needed. For customers of our

distribution and resale businesses, we as a distributor or reseller have direct access to after-sales support by liaising with the system vendors or their authorised distributors and arranging for the replacement and/or return of faulty or defective products on a timely basis.

Our commitment to and competence in delivering reliable, end-to-end and high quality enterprise IT solutions enable us to win contracts awarded by our customers and gradually expand our customer base. During the Track Record Period, we provided our services and products to over 330, 340 and 370 customers, respectively, among which over 230 customers each year during the same periods were recurring customers (i.e. customer which engaged us to provide the solutions and services or purchased from us for more than one financial year during the Track Record Period).

We have proven ability to develop customised solutions and implement latest innovative technologies as well as cloud-based services to meet the evolving market demand

We stay abreast of the latest technological and market trends and are committed to provide innovative and customised solutions to our customers. We are well supported by our product development team which consisted of 24 highly skilled personnel as at 31 December 2021 with in-depth technical and product knowledge and extensive experience in the IT solutions market, ranging from data networking, software development and infrastructure to virtualisation and cybersecurity. We have enhanced certain systems and applications on the market through secondary development to complement our provision of managed services. See "Product Development" in this section for further details. We have also gained direct access to the latest product knowledge and technological development to evolve and enrich our solution offering leveraging on our direct engagement and cooperation with the system vendors as well as external research institutes, such as University of Macau (UM). Our sensitivity to technological innovation and technical expertise allow us to respond to our customers effectively, roll out innovative solutions that are relevant to our customer's business need, and to keep ourselves ahead of competition.

With the adoption of emerging technology, the information exchange via the internet increases data exposure. This has heightened data sensitivity and increased cyber threats and risks in a number of sectors, such as gaming, financial services and telecommunication, according to Frost & Sullivan. To address the demands of our customers who are looking for comprehensive, secure and round-the-clock cybersecurity solutions, as part of our managed services, we have been operating our own SOC in Macau since 2018, which enable us to become part of the IT operational team of our customer, and we have been providing proactive, round-the-clock and real-time monitoring managed security services for customers in Macau since 2019. As at the Latest Practicable Date, we had a designated team of 21 employees responsible for continuously monitoring our customers' network and operating environment for the purpose of detecting, analysing, investigating, responding to and preventing cybersecurity incidents. According to Frost & Sullivan, as at the Latest Practicable Date, we were one of the few IT service providers in Macau to have its own SOC, which is certified under the ISO 27001 standard, and able to offer such managed security services. The launch of our own SOC is a testament to our system security and incident management capabilities.

According to Frost & Sullivan, organisations tend to adopt cloud-based technology to store data which could be accessed by all employees to enhance operational efficiency, and this creates the needs for data storage on cloud. Also, value-added services such as professional data protection and cybersecurity can be provided by cloud service solution providers and as a result, outsourcing of IT solutions services is becoming the mainstream trend. We are well aware of such

market trend and have included cloud solutions in our overall solution designs, which have enriched our solution offering and strengthened the scalability of our solutions to cater for the ever-changing operational environment and technical requirements of our customers.

We have solid partnership with globally renowned system vendors

As an integral part of our enterprise IT solutions, we procure or advise our customer on the procurement of hardware, system and components necessary for the implementation of the project design. On the other hand, we, as a solution provider, have the overall responsibility of ensuring that the hardware, system and components used or to be used will best suit our customer's operational environment and business requirements. To this end, we maintain a close contact with our suppliers or the system vendors as a way to equip ourselves with the latest information on their product offering and technical development which are relevant to the customisation and localisation of our customer's IT infrastructure and system, work with them on product demonstration, share our and our customer's feedback on the performance of their products, and follow-up with them on post-sales maintenance and support.

Our business relationship with our five largest suppliers during the Track Record Period ranged from three to 15 years (including the period before the Acquisition of Synergy CCL). As a result of our ongoing collaborative relationship with them and our relentless efforts in delivering end-to-end and reliable solutions, which in turn has generated business to our suppliers and system vendors, we have been recognised by a number of our suppliers or system vendors as their close business partners, including:

- Partner of the Year Macau Award FY20 of Aruba in 2021;
- Gold Partner of Huawei in 2021;
- Partner of the Year Macau Territory of NetApp in 2021;
- FY22 Platinum Partner of Veritas in 2021;
- Top Partner of the Year of Aruba in 2020;
- Best Performance Partner of H3C in 2020;
- Principal Partner of VMWare in 2020; and
- Partner of the Year — Highest Growth (Hong Kong & Macau) of NetApp in 2019.

For details of the accreditations we have obtained from our suppliers or system vendors, see "Certifications, Awards and Recognition" in this section. Such accreditations and recognition demonstrate the close and collaborative relationships between our suppliers or system vendors and us. By being their close and well trusted business partners, we are qualified to cooperate with them to provide relevant product trainings, presentations and demonstrations to our customers.

To expand our business presence and capture business opportunities along the value chain of the IT solutions industry, in October 2017, Mr. Chao, our Controlling Shareholder, acquired 100% shares in Synergy CCL, a well-established distributor of mobility and security related hardware and the associated system in Hong Kong (the "**Acquisition of Synergy CCL**"). Before the Acquisition of Synergy CCL, Synergy CCL was one of our suppliers of mobility and cybersecurity

related products for our enterprise IT solutions project. Following the Acquisition of Synergy CCL, the business of Synergy CCL was integrated into the business of our Group's and we operated the enterprise IT solutions business in parallel with the distribution business.

We consider that the Acquisition of Synergy CCL has brought us the following advantages: (i) we are able to leverage on the established sourcing network of Synergy CCL to extend our reach to its system vendors and identify potential business partners for future IT solutions project, especially in the area of networking and cybersecurity, thereby enriching our solution offering; (ii) we have enhanced control over the supply chain and enjoy synergy in our enterprise IT solutions business as and when the project involves procurement and application of related hardware and system for building of network infrastructure and security system; (iii) we have gained direct access to the talent pool of Synergy CCL equipped with strong product knowledge and first-hand market intelligence such that we are able to roll out customised solutions and better advise our customers on the related project design and implementation; (iv) we are able to identify potential customer groups, introduce our product portfolio and develop cross-selling opportunities among those who may need our services and solutions across different businesses; and (v) through cooperation with our suppliers or system vendors in launching sales and marketing activities under our distribution business, we are able to increase our overall visibility and business profile.

The IT solutions market is experiencing continuous growth, and we are well-positioned to capture growth opportunities and tap into the regional market of the Greater Bay Area

According to Frost & Sullivan, driven by the rising application of information technology and digitalisation among all industries in Macau, IT solutions market (comprising trading and distribution of IT products and provision of professional services) in Macau has increased from MOP1,636.6 million in 2016 to MOP1,950.8 million in 2019. The drop in 2020 was due to the slowdown of economic activities during the COVID-19 outbreak. With rising government expenditure on information and communications technology, public sector of IT solutions market has increased from MOP569.1 million in 2016 to MOP613.5 million in 2019. Private sector has also shown a growth from MOP1,067.5 million in 2016 to MOP1,337.3 million in 2019. The growth of IT solutions market in Macau was supported by the continuous development of professional services including supply and installation, managed services and maintenance which increased from MOP752.8 million in 2016 to MOP907.1 million in 2019. Meanwhile, trading and distribution of IT products, which took up a larger share of the IT solutions market, also witnessed a growth from MOP883.8 million in 2016 to MOP1,043.7 million in 2019.

The growth of the Macau IT solutions market was and is expected to continue to be driven by the rising investment in digitalisation of enterprises and other favourable factors such as the promotion of smart technology into gaming and hospitality sector, increasing popularity of outsourcing of IT solution by enterprises to increase operational efficiency, the development of local telecommunication, proliferation of IoT and cloud technologies, and increased infrastructure requirements for emerging technology adoption as well as supportive governmental policies to build up smart urban management, which will further promote the demand for IT solutions in Macau, according to Frost & Sullivan.

In addition, the government initiatives in recent years to promote business interactions and integration with, and the rapid development of, the Greater Bay Area presented significant opportunities to Macau IT solutions providers to extend the geographical reach of their services to such market. The IT solution market in the Greater Bay Area is massive. According to Frost & Sullivan, the revenue of information industry in the Greater Bay Area recorded a strong increase from RMB546.5 billion in 2016 to RMB1,257.6 billion 2021, at a CAGR of 18.1%. Therefore, we

are expected to benefit from various drivers in Macau and the Greater Bay Area, including the implementation of government initiatives in promoting Smart Cities and IoT network, development of Fin-tech and e-commerce services, and increasing digitalisation in business activities, as all these will generate surging demand for IT solutions in the region. With our comprehensive strengths mentioned in this section, we have the potential to further leverage our market standing and seize business opportunities in Macau and its adjacent regions, particularly in the Greater Bay Area.

We have an experienced and visionary management team leading a technical team with a high caliber and a proven track record

Our management team, led by our executive Directors, has extensive experience in the IT solutions industry and has played a key management and leadership role in the development of our Group. Our Chairman, chief executive officer and executive Director, Mr. Chao, has more than 18 years of extensive experience in the IT industry and he is responsible for the overall management and strategic development of our Group. Our other executive Directors and members of our senior management have an average of over 10 years' experience in the IT industry. For further biographical details of our management team, see "Directors and Senior Management" in this document.

With the experience of our executive Directors, who are, in turn, supported by our experienced senior management team, we have developed a strong presence in the IT solutions market in Macau. Also, our engineering and technical support team made up of around 45.7% of our total number of staff as at 31 December 2021. In particular, we have four solution architects, two solution experts and 12 technical supervisors, who have in-depth experience in software and hardware development and integration, and they possess more than five years of experience in system infrastructure, networking and cybersecurity and project management and IT solutions design. Most of them have also obtained professional certifications issued by well-known software and hardware companies on areas including virtualisation infrastructure technology, back-up technology and networking technology. Also, our solution experts are both highly regarded in their respective expert areas and one of them has his own publications on the specific technical discipline he excels in. The capability of our management team coupled with the technical knowhow of our pre-sales and professional services team enable us to effectively engage with our customers at early stage of the project design and planning stage and to develop customised IT solutions for our customers based on their specific requests and technical requirements. We believe that this is crucial for developing and maintaining collaborative and long-term customer relationships.

OUR BUSINESS STRATEGIES

Building on our competitive strengths, we intend to pursue the following strategies to maintain our leading position, drive our growth and extend our geographical presence going forward:

Expanding the portfolio of our enterprise IT solutions projects and strengthening our capacity for undertaking enterprise IT solutions projects of larger contract value

We distinguish ourselves from our peers in terms of our experience in undertaking IT solutions projects for renowned customers. As disclosed in "Our Projects" in this section, during the Track Record Period, we had 50, 62 and 65 contracts of enterprise IT solutions that carried awarded contract value of over HK$1 million and accounted for 43.9%, 35.6% and 35.2% of our

total revenue recognised during the same periods. Due to higher technical complexity and specifications of the hardware and software required to be used in the project, we are able to enhance our corporate profile and showcase our technical capabilities via undertaking projects of large contract value. Our ability to expand our project portfolio and our capacity of undertaking projects of larger contract value are vital to our financial performance and future growth.

It is expected that the IT solutions industry in Macau and the adjacent regions will continue to have positive market outlook. According to Frost & Sullivan, the IT solutions market in Macau has shown a continuous growth from MOP1,636.6 million in 2016 to MOP1,950.8 million in 2019. The market size of IT solutions market in Macau is anticipated to rise at a CAGR of 8.3%, from MOP1,931.1 million in 2022 to MOP2,653.2 million in 2026. Public sector and private sector are forecasted to grow with CAGRs of 7.9% and 8.5% respectively from 2022 to 2026. In light of the increasing application of information technology and digitalisation among all industries in Macau, it is expected that the IT solutions market in Macau will continue to prosper, thereby driving the demand for IT solutions services.

In addition, the IT solutions market in the Greater Bay Area is massive. According to Frost & Sullivan, revenue of information industry in the Greater Bay Area recorded a strong increase from RMB546.5 billion in 2016 to RMB1,257.6 billion in 2021, at a CAGR of 18.1%. Moreover, various government initiatives in promoting smart cities and IoT network, development of Fin-tech and e-commerce services, increasing digitalisation in business activities and the rapid economic development of the Greater Bay Area are expected to present significant opportunities for Macau IT solutions providers to extend the geographical reach of their services to such promising market. As a result, we will continue to pursue and capture business opportunities in our target markets in order to consolidate our market position and increase Shareholders' return.

On the other hand, due to our business nature, for enterprise IT solutions projects, we normally are required to incur upfront costs at the early stage of a project, which normally cover procurement costs of the required hardware and the associated system, our staff cost and subcontracting fee (where applicable), and we are entitled to issue invoice only after meeting the relevant project milestone which is normally fixed by reference to a certain amount of work completed by us. For contracts of enterprise IT solutions awarded by our major customers during the Track Record Period, such upfront costs represented 12% to over 90% of the total awarded contract value. During the same period, the average percentage of upfront costs (excluding staff cost) out of the total awarded contract value of our enterprise IT solutions projects with awarded contract value of HK$1 million or above was 26.5%. This is also in line with the observation of Frost & Sullivan, which suggested that, based on its interviews with independent market participants including IT solutions providers and customers in Macau and Hong Kong as well as industry data obtained from publicly available sources, the upfront cost of IT solutions projects covering procurement costs of the required hardware and the associated systems and subcontracting fee in the industry generally ranges from 15% to 30% of the contract value. Further, the amount receivable by us upon meeting each project milestone may be different under each contract. For large-scale projects with customers in the gaming and hospitality sector, up to 60% to 80% of the total awarded contract value may only be payable after the user acceptance testing, which is generally performed 14 to 18 months after the project commencement date. During the Track Record Period, the period after project completion and before user acceptance testing generally ranged from seven weeks to 35 weeks. In addition, during the Track Record Period, we normally granted a credit period of up to 30 days from the date of issuance of our invoice to customers for settlement of our bill and our customers may need to go through internal procedures for approving settlement. On the other hand, our major suppliers during the Track Record Period granted us credit terms ranging from 30 to 90 days. Taking into account the fact

that our performance obligation is normally assumed before the scheduled billing date, which gives rise to the contract asset, during the Track Record Period, our average trade receivables and contract assets turnover days were 103 days, 110 days and 144 days, which were longer than our average trade payables turnover days of 71 days, 86 days and 83 days, respectively, for the same periods.

As a result of the foregoing and the cashflow mismatch arising from the time lag between our payment to suppliers and receipt of payment from customers at the initial stage of our enterprise IT solutions projects as well as the creation of contract assets as we provided services ahead of the agreed payment schedules and therefore invoices were yet to be issued to our customers at that time, before commencement of our enterprise IT solutions projects, we are required to reserve sufficient cash for the expenses in relation to the upfront costs of such project and our cash position constraints the number and size of projects which we can undertake at the same time due to our limited resources. In addition, we are required to maintain sufficient liquidity in light of our capital requirement from time to time to support other existing and pipeline projects, and our daily operation. As at the Latest Practicable Date, we had backlog of our contracts of enterprise IT solutions with a closing value of HK$247.0 million. For details on our backlog of our contracts of enterprise IT solutions, please see "Our Projects — Movement of backlog" in this section.

After **[REDACTED]**, whilst we will continue to adopt a prudent and selective approach to bidding or accepting new projects by reference to our then capital requirement, cash flow position, payment terms offered and profitability of the project, we will endeavour to enlarge our capacity for securing new enterprise IT solutions projects especially those which are sizable, and for satisfying the upfront costs requirement of our existing enterprise IT solutions projects by strengthening our financial position and available financial resources, with a view to capturing emerging business opportunities while maintaining a healthy cash position. As such, additional funds are vital to our business expansion and the **[REDACTED]** would provide us with an important capital base to pursue long-term growth and achieve our business objectives.

To manage our business objectives to expand our project portfolio, we intend to utilise HK$**[REDACTED]** or **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** for wholly or partly funding the upfront costs (excluding the staff cost) of two enterprise IT solutions projects which are of large contract value (above our average contract value of enterprise IT solutions projects we carried out during the Track Record Period), and both of them will commence in or around mid-2022 (the "**Selected Projects**"), details of which as at the Latest Practicable Date are set out as follows:

Selected Projects	Area of services covered	Customers	Location of project	Expected commencement period *(Note 1)*	Expected project period	Contract value	Upfront costs to be incurred for the financial year ending 31 December *(Note 2)*		Status as at the Latest Practicable Date
							2022	2023	
						(HK$ million)	*(HK$ million)*		
1	Design and deployment of data network infrastructure and surveillance network for the expansion of a casino resort and the development of new hotel towers in Macau (the "**New Cotai Resort Hotel**")	Customer D *(Note 5)*	Macau	Mid-2022	12 months	81.8 *(Note 3)*	**[REDACTED]**	**[REDACTED]**	Contract was signed on 17 January 2020
2	Deployment of server and storage services for the New Cotai Resort Hotel	Customer D	Macau	Mid-2022	12 months	50.0 (estimated) *(Note 4)*	**[REDACTED]**	**[REDACTED]**	Contract was signed on 13 August 2021 *(Note 6)*
					Total:	**131.8**	**[REDACTED]**	**[REDACTED]**	

Notes:

1. The expected commencement period is determined with reference to our Directors' judgment or estimation. Based on our verbal communication with Customer D, the initial construction timeline of phase three and phase four of the New Cotai Resort Hotel had been delayed due to the outbreak and prolonged impact of COVID-19 and hence, the commencement dates of the Selected Projects (which constitute part and parcel of phase four of the New Cotai Resort Hotel) had been consequently postponed. Despite the reoccurrence of COVID-19 outbreak in July to August 2021, as at the Latest Practicable Date, based on the publicly available information and our verbal communication with Customer D, we had not been notified of any decision of Customer D to further change the schedule for completing the building construction work of phase four of the New Cotai Resort Hotel that would affect the work under the Selected Projects and hence any consequential change to their respective commencement periods. As at the Latest Practicable Date, we had already commenced discussion with Customer D on the design of the IT infrastructure under phase four of the New Cotai Resort Hotel. Assuming no further adverse development of COVID-19 in Macau and barring unforeseen circumstances, the relevant work under the Selected Projects is expected to commence in or around mid-2022, which will involve finalisation of the project design, followed by project implementation, required site work after topping out of the building construction of phase four of the New Cotai Resort Hotel, and testing and hardware delivery installation. Based on our verbal communication with Customer D, the grand opening of the New Cotai Resort Hotel was set to take place in or around 2024. Notwithstanding the above, the actual project commencement period may be adjusted by the customer due to any subsequent change in project requirements as well as any commercial decision of the customer to align the timing of the opening of the New Cotai Resort Hotel with the prevailing market condition in light of any possible reoccurrence of COVID-19 outbreak, which is beyond our control.

2. The amount of upfront costs for each Selected Project is calculated with reference to the bill of materials included in the contract and/or tender documents we submitted for the respective project which set out the number and types of the required hardware and the associated systems to be procured for Customer D under each Selected Project. Such amount is further allocated to each of the financial years ending 31 December 2022 and 2023 with a ratio of 4:6 based on the estimated percentage of contract value payable by Customer D during the same period. No expenses or revenue for the Selected Projects had been recorded during the Track Record Period and up to the Latest Practicable Date.

3. This amount represents the initial contract value. Based on our Directors' past experience, it is expected that such amount will be adjusted to approximately HK$92.0 million at the time of project commencement to cater for the modification of project design and cost of materials.

4. The contract value is estimated with reference to the contract value of project with similar scale and the bill of materials submitted in the tender proposal.

5. As more particularly disclosed under "Industry Overview — Market Size of Enterprise IT Solutions in Macau", the outbreak of COVID-19 is expected to bring limited impacts to the gaming and hospitality sector in Macau in the long run due to the fact that the effect of the COVID-19 pandemic has gradually subsided in Macau following the gradual relaxation of the border control and the resumption of business activities. Furthermore, the gross gaming revenue in Macau increased from MOP3,317 million in second quarter of 2020 to MOP5,077 million in third quarter of 2020. The growth continued and the gross gaming revenue in Macau further increased from MOP21,836 million in fourth quarter of 2020 to MOP25,381 million in the second quarter of 2021, as a result of the rising number of visitor arrivals during the same period. Given the above, our Directors believe that the steady growth of the gaming and hospitality sector in Macau would continue to drive the demand for IT solutions services in the region in the future.

6. The relevant work constitutes part and parcel of phase four of the New Cotai Resort Hotel which we have submitted a tender proposal in respect of the entire project (including the relevant work under phases three and four) tendered by Customer D. A contract has already been signed between us and Customer D in respect of the relevant work under phase three of the New Cotai Resort Hotel and we have already commenced the work required for such phase of the project. For the relevant work under phase four of the New Cotai Resort Hotel tendered by us as set forth under "Area of services covered" in this table, details of the project design and contract value will be finalised and the contract is expected to be signed prior to the commencement of the relevant work. We and Customer D are in the course of discussion of the contract details of the Selected Projects.

With such allocation of **[REDACTED]** from the **[REDACTED]**, our financial position would be further strengthened and we would have stronger capacity of undertaking more projects and projects with a larger contract value, so as to continue to drive our long-term business growth.

Capturing business opportunities in the Greater Bay Area by (i) expanding the geographical reach of our enterprise IT solutions business; and (ii) establishing an integrated operational centre for the provision of managed services.

(i) Expanding the geographical reach of our enterprise IT solutions business

Market landscape and potential business opportunities in the Greater Bay Area

As more particularly disclosed under "Our Business Strategies — Expanding the portfolio of our enterprise IT solutions projects and strengthening our capacity for undertaking enterprise IT solutions projects of larger contract value" above, according to the F&S Report, the IT solutions market in the Greater Bay Area is massive and has experienced a rapid growth in recent years. We believe, such market size and growth rate offer abundant opportunities for IT solutions providers in Macau who possess advanced knowledge about the latest technological developments and available products over the world for rolling out customised solutions, in-depth experience in applying a great diversity of hardware and software from different suppliers during project execution, and proven track record of serving globally renowned customers with high service and technical standard, to expand their footprint to the regions adjacent to Macau.

The sustainable development of the IT solutions market in the Greater Bay Area is supported by favourable government policies, including the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區發展規劃綱要) issued by CPC Central Committee and State Council in February 2019, which stipulated, among others, (i) the objective of strengthening the construction and development of technological innovation in the Greater Bay Area; (ii) further strengthening the construction of major technological infrastructure, cross border data exchange platforms and cutting-edge research and development capabilities in the Greater Bay Area; (iii) strengthening the protection of intellectual property rights and cultivation of professional talents; and (iv) encouraging the development of cross-border e-commerce business and cooperation of financial and research institutions and technology companies in Zhuhai, Macau and Hong Kong. Under such plan, the Greater Bay Area, consisting of Hong Kong, Macao, Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, will be further developed as a strategic economic zone in the PRC.

The expansion of Macau enterprises into the Greater Bay Area is also supported by a general plan for building a Guangdong-Macau In-depth Cooperation Zone in Hengqin issued by the CPC Central Committee and the State Council on 5 June 2021. Under the plan, enterprises that are conducive to Macau's economic diversification, including IT solutions, will be eligible for a reduced Corporate Income Tax rate of 15%. On the other hand, Guangdong province will launch a pilot program to recognise professional qualifications issued by the Macau SAR to ensure a smooth flow of talent in the region. The Guangdong-Macau In-depth Cooperation Zone planned for neighbouring Hengqin will focus on four sectors to facilitate the industrial diversifications of Macau from gaming, including, among others, technology and high-end manufacturing. According to Frost & Sullivan, the cooperation zone will become an important stop for the innovation and technology drive in the Guangdong-Hong Kong-Macau Greater Bay Area. The development of the industries in Hengqin would, therefore, increase the number of enterprises in the cooperation zone, which in turn increase the demand for IT solutions in the near future. As advised by Frost and Sullivan, there will be an increase in demand for IT solutions services due to closer economic ties and business development and cooperation opportunities among different cities and municipalities in the Greater Bay Area. As such, it is vital for us to further grow our business through taping into the market of the Greater Bay Area and capture such upcoming business opportunities when they arise.

In particular, with the strengthening efforts of the local governments in the development of the IT industries in the Greater Bay Area, revenue of information industry in local markets such as Hengqin and Nansha have shown strong increase from RMB119.4 million and RMB4,567.1 million in 2016 to RMB295.1 million and RMB11,244.2 million in 2021, at CAGRs of 19.8% and 19.7%, respectively, according to Frost & Sullivan. Located at the centre of the Greater Bay Area, Nansha plays an essential role in boosting innovation and technology industry in the area, as well as deepening cooperation between Guangdong and Hong Kong and Macau to jointly develop logistics, tourism, financial-leasing and cross-border e-commerce industries in the years ahead. The Nansha free trade zone also serves as Guangdong's gateway in participating in the construction of the Belt and Road Initiative, promoting technology innovation, advanced manufacturing, international trades, shipping logistics and marine manufacturing. In particular, the supportive policies of the free trade zone status of Nansha include pilot financial reform and innovation, such as providing financial incentives to the world's top enterprises and listed enterprises. With the rapid development and promotion of free trade zone which have translated into growth opportunities and demand for IT solutions in Nansha, revenue of information industry in Nansha is expected to increase from RMB13,283.3 million in 2022 to RMB25,445.6 million in 2026 at a CAGR of 17.6%. According to Frost & Sullivan, the operational plan for the "siege of cities and villages" in Nansha District and the annual "construction drawing" for the "14th Five-Year Plan" construction involves a total of 202 key projects with a total investment of RMB626.5 billion, with an annual planned investment of RMB91.1 billion. In Nansha, 59 major infrastructure projects are scheduled in 2021, involving a total investment amount of RMB266.2 billion and an annual investment amount of RMB27.4 billion. Based on the estimation of Frost & Sullivan, in 2021, there were over 500 market participants in Nansha and the IT solutions market in Nansha accounted for 0.9% of the overall Greater Bay Area market in terms of revenue. The number of staff of the top 20 market participants is generally more than 100 and they usually engage in the provision of design, supply, integration, operation and maintenance of IT systems, as well as managed services, whereas the number of staff of the majority of the market participants is less than 30 and they mainly engage in the provision of supply and integration of IT systems.

Hengqin, a city located at the entrance of the Greater Bay Area and connected with the Hong Kong-Macau Road and the Hong Kong-Zhuhai-Macau Bridge, has also shown rapid development and created surging demand for IT solutions in recent years. Hengqin is a cultural and educational opening-up pilot zone and international business, service, recreational, and travel base and developing tourism, leisure, healthcare, commercial and financial services, culture, science, education, and hi-tech industries. The free trade zone also advocates Macau's economic diversification through non-gaming elements and strengthened regional cooperation. Various supportive government policies have been launched to promote the growth of the information and technology industry, particularly the AI industry, such as the establishment of the Hengqin Advanced Intelligent Computing Center through which local AI enterprises and institutions will be subsidised. These supportive government policies would promote the AI industry and be translated into growth opportunities for the related IT solutions. Moreover, according to Frost & Sullivan, to seize growth opportunities in Hengqin, many enterprises have moved their headquarters to Hengqin, including renowned IT enterprises such as Alibaba and Google. Up to 2019, 45 Fortune 500 companies and 73 companies from the China Fortune 500 companies have settled in Hengqin, with a total investment of over RMB500 billion. Macau and Hengqin are increasingly integrated with many Macau enterprises, hotels, and government agencies launching expansion projects in Hengqin, which will further drive investment in IT infrastructure and digital services, and in turn, the demand for IT solutions in the region. According to the F&S Report, revenue of information industry in Hengqin is expected to reach RMB795.5 million in 2026 at a CAGR of 21.9% from 2022 to 2026. According to Frost & Sullivan, the number of qualified construction contractors in Zhuhai, where Hengqin is situated, amounted to 510 in 2020, at an annual growth rate of 26.6%,

and the gross value-added of the construction industry in the Zhuhai reached RMB24.7 billion, at an annual growth rate of 8.9%. In 2020, the number of newly started construction projects in Zhuhai was 241, with investment amount of RMB91.6 billion. In 2020, the total investment amount of major construction projects in Zhuhai amounted to RMB195.6 billion. Based on the estimation of Frost & Sullivan, in 2021, there were over 100 market participants in Hengqin and the IT solutions market in Hengqin accounted for 0.02% of the overall Greater Bay Area market in terms of revenue. The number of staff of the top 10 market participants is generally more than 50 and they usually engage in the provision of design, supply, integration, operation and maintenance of IT systems, as well as managed services, whereas less than 10 of them have more than 50 staff and they mainly engage in the provision of supply and integration of IT systems.

In light of the market size of and various drivers in the Greater Bay Area and the proximity of the Greater Bay Area to our headquarters, we have been proactively studying the market potentials and exploring or consolidating business network in the region in order to prepare for our planned expansion. As disclosed in "History, Reorganisation and Corporate Structure — **[REDACTED]**" in this document, in March 2021, we completed the **[REDACTED]** with DHQ, one of our **[REDACTED]**. DHQ is an investment company and a wholly-owned subsidiary of 珠海大橫琴集團有限公司 (Zhuhai Da Heng Qin Group Limited*) ("**Zhuhai DHQ Group**"), which is in turn owned by 珠海市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Municipal People's Government Zhuhai City*) and 廣東省財政廳 (Department of Finance of Guangdong Province*) as to 90% and 10%, respectively. Zhuhai DHQ Group have established track record in managing the state-owned assets of the Hengqin New District government and real estate development in Hengqin. Through the market intelligence of Zhuhai DHQ Group and its business referrals, we are proactively identifying business opportunities from local enterprises in Hengqin which would require professional IT services such as digitalisation, virtualisation and cybersecurity services for revamping their own IT or system infrastructure or digital transformation and innovation of their operations.

As at the Latest Practicable Date, based on our study and the information shared by DHQ, there were 12 ongoing building or construction projects in Hengqin, which we believe, would require IT services and solutions in respect of the design and implementation of IT infrastructure and security systems and data network equipment within one year to three years based on the estimated completion time of those projects, with the estimated budget to be allocated to IT solutions services ranging from RMB4.4 million to RMB1,200.0 million and on average of RMB184.9 million. Those projects primarily relate to the development of lands and properties involving (i) three phases of science park which comprise commercial and residential buildings, hotel complexes and community facilities such as health centers, kindergartens and carparks; (ii) two international data centres; (iii) residential and commercial building complexes; and (iv) a hospital and related accommodation buildings. Depending on the completion timeline of those construction projects, the relevant IT solutions projects are expected to commence around the period when the building constructions are substantially completed. Furthermore, we were in discussion with Shenzhen World Union Group Incorporated, a property management company referred by DHQ which is listed on the Shenzhen Stock Exchange and is an associated company of DHQ, in relation to the potential strategic cooperation for the integration of IoT network and solutions in the property management of various real estates development in Hengqin. As at the Latest Practicable Date, we entered into a non-legally binding strategic cooperation agreement with the aforesaid property management company and the parties will further discuss the project scope and negotiate the terms of the potential strategic cooperation. Pursuant to recent discussions, two specific sites of the real estate development area have been selected as the initial project scope, with further details of the project design to be finalised.

Apart from the real estate development projects as mentioned in the paragraph above, there were two projects in relation to the establishment of offices in Hengqin by Customer E and renovation of offices in Zhuhai by Customer M which would require the deployment of IT infrastructures with estimated contract value of RMB2.0 million and RMB0.1 million, respectively. As at 31 December 2021, we were in the course of negotiating with these two potential customers (for whom we had previously provided similar IT solutions services in respect of their Macau offices) on the scope of work involved and we submitted a quotation to Customer M in late June 2021. As at the Latest Practicable Date, we were still pending feedback from Customer M.

We have also been in discussion with Nansha government on a project involving the establishment of a Guangdong-Macau cross border industry and business information platform in Nansha for an expected project period of two years with estimated total investment of around RMB80.0 million which is expected to commence in late 2021. We signed a letter of intent with the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone* (廣州南沙經濟技術開發區商務局) on 25 January 2021 in relation to this project. As at the Latest Practicable Date, the consultation phase of this project had been completed and we were conducting feasibility study of the system design and technical aspects.

These potential projects together with the market landscape as illustrated above suggested the market demand and abundant future business opportunities in several cities of the Greater Bay Area such as Hengqin and Nansha for IT solutions providers. As more particularly disclosed below, in May 2021, we submitted the tender documents to bid for a project with Hengqin government in relation to the development of network security system and infrastructure for phase one of the Hengqin New District international data center with estimated contract value of RMB20.0 million (the "**Hengqin International Data Centre Project**"). Although we were not successful in securing the contract subsequently, as further disclosed below in this sub-section, our past experience in tendering for public project in Hengqin and the tender assessment result issued by the tendering party reinforced our belief that it is imperative to establish a solid operational and sales team of reasonable scale in the Greater Bay Area to capture potential business opportunities when they arise.

The positioning of BoardWare ZH and BoardWare NS

As at the Latest Practicable Date, we had (i) BoardWare ZH and BoardWare NS, our wholly-owned subsidiaries in Hengqin and Nansha, respectively; and (ii) BoardWare GZ Branch, a branch office of BoardWare ZH in Guangzhou, the PRC, which were established in November 2014, January 2021 and May 2020, respectively. During the Track Record Period and up to the Latest Practicable Date, BoardWare ZH had been positioned as our back offices and technical development centre, and BoardWare NS was set up for identifying new business opportunities in Nansha. BoardWare GZ Branch was yet to commence substantive operation since its establishment in the PRC. As at the Latest Practicable Date, we had 61 staff members in Hengqin to support our operation of BoardWare ZH, which comprised 43 engineering and technical support staff and five administrative staff, who were primarily responsible for (i) performing operational support and helpdesk functions for our existing customers of managed services; and (ii) assisting in the secondary development and enhancement of systems and applications, and 13 professional service engineers in our office in Hengqin to assist in undertaking projects in the PRC. We had one staff in Nansha who was mainly responsible for performing operational support and we had recruited seven sales staff for the new sales team in Nansha to identify new business opportunities and establishing relationships with our customers. We did not have staff member in BoardWare GZ Branch as at the Latest Practicable Date.

According to Frost & Sullivan, in tendering for projects from governmental bodies and companies in the public sector in the PRC, there are usually certain tendering conditions or selection criteria or preference which require their IT service providers to set up a local office with certain number of IT technical staff to be stationed in such office in order to ensure that such service providers will provide prompt response and on-site services. For some projects for the enterprise IT solutions, there are also work requirements on the IT service providers to deploy a specified number of local implementation engineers to be stationed at the construction site, and to provide prompt 24/7 post-sales maintenance services. Therefore, having a local project team would increase the chance of winning the relevant tender or contract.

With respect to the tendering conditions of the IT solutions projects in the PRC which are mandatory in nature, based on our experience, such requirements generally relate to the staff number and expertise of the candidates, track record of handling similar projects, the minimum registered capital of the candidates and/or other necessary qualifications, and vary on a case-by-case basis having regarded to various factors including (i) the scope of works for which we are responsible; (ii) the scale, complexity and technical requirement of the project; and (iii) any specific requirement imposed by the potential customers. As advised by Frost & Sullivan, after the promulgation of policies by the PRC government which promote the relaxation of entry barriers to encourage participation in projects' tendering process in 2020, the requirements relating to technical qualifications (which were previously one of the common mandatory conditions) are generally no longer a prerequisite for tendering IT solutions projects in the PRC.

Notwithstanding the above, in tendering for or during the selection process in respect of IT solutions projects awarded by governmental bodies in the PRC, especially those with relatively high contract value, based on our experience and as advised by Frost & Sullivan, preference (even though not mandatory) will be given to those candidates who possess certain technical qualifications which are relevant to the project requirements or otherwise could reassure the potential customers' confidence in the candidate's technical capability and competence. For example, in September 2019, we intended to submit tender for a project with Nam Kwong (Group) Co., Ltd.* (南光(集團)有限公司) in relation to the implementation of network security protection IT infrastructures with estimated contract value of HK$3.8 million but did not proceed to do so since one of the tendering conditions[1] required candidates to possess at least two of the four technical qualifications specified in the tender documents[2]. Furthermore, as disclosed above in this sub-section, in May 2021, we submitted tender documents for Hengqin International Data Centre Project. Despite having been one of the few shortlisted candidates in the tendering process, the project was eventually awarded to another candidate which had formed a larger project team with strong technical qualification. On the other hand, based on the tender assessment results and the understanding of our Directors, we noted the comments of the assessment panel with respect to the qualification possessed by us and our project team and that we were not able to provide necessary qualification to the satisfaction of the assessment panel.

As more particularly disclosed in the table under the paragraph "Our implementation plans to expand the geographical reach of our enterprise IT solutions business" below, there are generally requirements or assessment criteria in respect of the number of staff, their experience and

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1 Technical qualifications were still a mandatory requirement at the time when this project commenced tendering process which predated the promulgation of the PRC policies that promote the relaxation of entry barriers as mentioned in the paragraph above.

2 These technical qualifications included "Certificate for Qualifications of Information Security Service Provider (信息安全服務資質)" referred to as item numbered 2 in the table under the sub-section headed "Our implementation plans to expand the geographical reach of our enterprise IT solutions business" below.

competence and/or scale of operations in applying for the relevant technical qualifications or certifications. Given that BoardWare ZH did not have the requisite number of staff (even taking into account the staff newly recruited for this expansion plan) or scale of operation, it would need to first recruit a certain number of staff with relevant technical skills and expertise before it would be in the position to apply for those qualifications and actively tender or compete for contracts of higher value with governmental bodies in the PRC thereafter.

In light of the above, having considered the current positioning and staff's function of BoardWare ZH which largely constraint our ability to compete for contracts for enterprise IT solutions and handle the execution aspects of such projects, and in light of the potential business opportunities in the Greater Bay Area (such as those in Hengqin and Nansha) as mentioned in the paragraphs above, having a reasonable scale of operation with solid sales and operational teams staffed with local employees is conducing to our future participation in the tendering or bidding for new enterprise IT solutions contracts to be awarded by local customers especially governmental bodies and companies in the public sector in the Greater Bay Area, thereby allowing us to expand the geographical reach of our enterprise IT solutions business.

Our implementation plans to expand the geographical reach of our enterprise IT solutions business

To this end, we plan to set up new sales and operational teams in Hengqin and Nansha of the Greater Bay Area with the necessary capability and facilities to source and undertake new enterprise IT solutions projects in the region. As we target the regional market of the Greater Bay Area, among other cities in Guangdong Province, we considered Hengqin and Nansha as the ideal springboard locations to tap into this geographical market for various reasons. Taking into account the market landscape and current economic development of and availability of business opportunities in these two cities as disclosed in this sub-section, in particular, their close proximity to Macau, the close economic ties and the governments' initiatives to build a Guangdong-Macau in-depth cooperation zone in Hengqin under which certain regions in Hengqin will be governed by the system and regulations practised in Macau and managed by the Macau government, Hengqin and Nansha present significant opportunities for companies across a range of sectors such as technology and innovation, trade and logistics. The clustering of talents, capital and industries will drive high value-added productions and business developments, which in turn will create vast demand for enterprise grade and high quality IT solutions services and benefit IT solution providers who have already possessed proven track record of serving globally renowned customers with high service and technical standard. Further, as part of our strategic planning, we have established BoardWare ZH and BoardWare NS in late 2014 and early 2021, respectively, and have started to develop business network in the regions, as a result of which, we are familiar with the market landscape of those two cities and would be able to expedite our planned business expansion in Hengqin and Nansha as well as the neighboring regions within the Greater Bay Area in future. All these are factors we consider favorable in choosing Hengqin and Nansha as our pilot cities to tap into the market of the Greater Bay Area. For details of the new sales and operational teams in Hengqin and Nansha, see "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**" in this document.

We also intend to establish a solutions laboratory in our Hengqin office to be established for performing, in a virtual environment, infrastructure design, solutions testing, proof-of-concept and experimentation and for internal and external trainings for local customers. In collaboration with Peng Cheng State Key Laboratory, the University of Guangzhou and the University of Macau (UM), we plan to set up a cyber range platform in the solutions laboratory to provide simulated cybersecurity practice, cyber warfare and cyber forensic techniques training to our staff, with the primary aim of improving their ability to recognise and respond to cyber threats and attacks in a

controlled environment. The solutions laboratory to be established in our Hengqin office will generally follow the same or similar hardware and software configurations of the solutions laboratory established in our Macau office.

We consider the implementation of such plan necessary to cope with our future business needs and capture business opportunities in the Greater Bay Area, having considered: (i) the additional manpower with the necessary expertise and experience required for conducting pre-sales and sales activities at project orientation stage, showcasing our technical capability in undertaking the potential enterprise IT solutions projects in Hengqin, Nansha and their nearby regions within the Greater Bay Area by our local teams when seeking a potential project, executing the projects when we have secured the contracts, and providing prompt response and on-site post-sales maintenances and support services. Most of our staff currently employed to support the operation of BoardWare ZH, who are mainly performing the operational support, helpdesk and technical development functions, do not have the requisite technical qualification or sufficient experience that are expected from our professional project team for managing and executing a project and delivering solutions in accordance with our stringent service quality standards; (ii) the need to extend the reach of our services and solutions to local customers and enhance our service capacity to address potential local customers' demand, such as the demand for localisation of our solutions during project execution phase and on-site services by local customers. With new teams to be set up in Hengqin and Nansha and staffed with local employees, we would be able to better communicate with our customers during the project implementation process and reduce the time and cost incurred by our staff to provide on-site support for customers located in or near these two cities which are an integral part of our enterprise IT solutions, and we will be flexible in offering more competitive pricing to such customers; and (iii) as disclosed above in this sub-section, our ability to deploy new sales and operational teams of reasonable scale will increase our opportunities for tendering or winning new IT solutions projects to be awarded by local customers especially governmental bodies in the Greater Bay Area due to certain conditions or selection criteria or preference set by them which require or expect IT solutions service providers to have local subsidiaries with certain number of IT technical staff employed and/or possess certain technical qualification(s).

In addition to the above, following the implementation of our expansion plan, we are confident that we would be able to capture the demand for IT solutions in our target markets based on the following grounds:

(i) since we already have established track record as the leading IT solutions provider in Macau and strong reputation of serving prominent customers and public bodies in Macau coupled with our technical expertise in providing comprehensive, customised and reliable enterprise IT solutions to our customers, we are able to differentiate ourselves from other IT solutions providers and effectively compete with existing players in the Greater Bay Area;

(ii) given that the Greater Bay Area is increasingly integrated with many Macau enterprises, hotels, and government agencies extending their footprints and launching expansion projects in the regions, as the first and only Macau IT solutions provider having a local presence as at the Latest Practicable Date according to Frost & Sullivan, we are able to leverage our strong brand recognition and customer loyalty among Macau enterprises in tapping into the markets;

For instance, Customer D (our top five customer during the Track Record Period) and Customer E (our top five customer during FY2020 and FY2021), both of which have over eight years of business relationship with us, have been pursuing expansion and making their foray into the Greater Bay Area. Based on publicly available information, Customer D plans to develop a lifestyle leisure resort in Hengqin and Customer E plans to build a premium residential, entertainment and hospitality mixed-use complex in Zhongshan, Guangdong province. During the Track Record Period, revenue contributed by Customer D was in an increasing trend, being HK$34.8 million, HK$61.8 million and HK$118.1 million, respectively. In particular, in FY2019, we had a tender success rate of 100% for five enterprise IT solutions projects with contract value of HK$1 million or above awarded by Customer D. On the other hand, revenue contributed by Customer E during the Track Record Period were HK$16.5 million, HK$36.7 million and HK$61.8 million, respectively, and Customer E, a company with principal business in Macau, had engaged us for the provision of cloud solutions and surveillance network solutions for its resorts and office in Macau during the Track Record Period. Our Directors believe that with such relevant project experience and given the similar project nature, we will possess competitive advantage when bidding or seeking potential project engagements from these customers. Further, as part of the tender assessment criteria, these customers would generally request our project team to have well-qualified project leader and technical engineers with relevant experience to manage the technical aspects of the project. Further, as disclosed in the paragraphs above, we were in discussion with Customer E and Customer M in respect of the deployment of IT infrastructures for the establishment or renovation of their offices in Hengqin and Zhuhai, respectively, and submitted a quotation to Customer M in late June 2021. With our extensive tender experience with these customers together with the renowned track record of handling projects awarded by them and assuming that these customers are going to seek tenders requesting similar technical requirements for their respective IT solutions projects in the Greater Bay Area, our Directors believe that we are placed in an advantageous position to effectively compete for business opportunities associated with the expansion projects of these customers in the Greater Bay Area;

(iii) in respect of our business opportunities in Hengqin, DHQ, one of our **[REDACTED]** and a wholly-owned subsidiary of Zhuhai DHQ Group held by 珠海市人民政府國有資產監督管理委員會 (the State-owned Assets Supervision and Administration Commission of Municipal People's Government Zhuhai City*) and 廣東省財政廳 (Department of Finance of Guangdong Province*), has solid connection with state-owned enterprises and local governments given its shareholders composition. Abounded with vast experience and proven record in managing the state-owned assets in the regions, Zhuhai DHQ Group takes a pivotal role in promoting and facilitating the implementation of real estate development projects in Hengqin and Zhuhai DHQ Group's parent companies are vested with government functions in boosting the economic development and technological innovation in Hengqin, according to Frost & Sullivan. On 7 September 2021, DHQ published a circular announcing its full support on our planned expansion in the Greater Bay Area and its intention to solidify the strategic partnership and cooperation with us in the development of IoT network and IT infrastructure in the regions. Backed by the support of DHQ and through leveraging on its market intelligence and business referral, we are able to keep abreast of any emerging business opportunity as well as the project requirements of any potential project (especially those building or construction projects which are or will be managed or developed by Zhuhai DHQ Group) in the region, which in turn, will greatly reinforce our advantage in future securing of IT projects in Hengqin and its adjacent cities;

(iv) as more particularly disclosed in this sub-section, we were in active discussion with Shenzhen World Union Group Incorporated, an associated company of DHQ listed on the Shenzhen Stock Exchange, in connection with the potential strategic cooperation on the integration of IoT network and solutions in the property management of various real estates development in Hengqin. Further, as at the Latest Practicable Date, we had entered into a strategic cooperation agreement with Shenzhen World Union Group Incorporated which set out certain intended terms of the contract such as various phases and timeline for project execution, and we were in the course of finalising a supplemental agreement to be entered into with Shenzhen World Union Group Incorporated setting out more detailed scope of real estate development projects which may require our IT solutions service. We were also involved in discussions with Shenzhen World Union Group Incorporated on formulating the overall project framework and were requested to advise on matters in relation to the preliminary design and deployment plans of the necessary IT solutions services required. Having considered the above, the preliminary work performed by us and subject to the final project requirements, we are confident that we have a good chance of securing future IT projects which are related to the properties managed or to be managed by Shenzhen World Union Group Incorporated;

(v) in respect of our planned expansion in Nansha, we had entered into a letter of intent with 廣州南沙經濟技術開發區商務局 (the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone*) in connection with a project involving the establishment of a Guangdong-Macau cross border industry and business information platform in Nansha. As at the Latest Practicable Date, the consultation phase of this project had been completed and we were conducting feasibility study of the system design and technical aspects. In light of the above, the preliminary work performed by us and barring unforeseen circumstances, we are confident that the said project in Nansha will be proceeded and we have a good chance of securing the aforesaid project. Our Group also received support from Nansha government in the form of free rental for leasing office premises by us in Nansha pursuant to the tenancy agreement entered into with the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone in March 2021. See "Our Properties — Properties leased by us" in this section for details;

(vi) whilst there were over 500 and over 100 market participants in the IT solutions market in Nansha and Hengqin in 2021, respectively, based on the estimation of Frost & Sullivan, less than 10 of them have more than 50 staff. Upon the full implementation of our expansion plan, our Hengqin and Nansha offices altogether are expected to have around 50 sales and technical staff to support our pre-sales activities and project execution of new projects. Given the geographical proximity between our offices in Macau, Hengqin and Nansha and subject to any travel restrictions as a result of any reocurrence of COVID-19 outbreak, we are flexible in allocating our sales and technical staff and other resources from Macau to work jointly with our project teams in the Greater Bay Area should any of the above business opportunities materialises, thereby reinforcing our competitiveness in terms of manpower over our competitors; and

(vii) last but not least, we have dedicated continuous efforts to identify new business opportunities and source potential customers in the Greater Bay Area such that upon the implementation of our expansion plans in the regions and with the requisite manpower, we would be able to secure new projects and tap into the local markets in a quick and effective manner. For example, we had identified a potential strategic cooperation opportunity with Zhuhai Art College involving the development of smart campus and information security platform technologies to be implemented throughout the college and had secured a contract with Zhuhai Art College with a contract value of HK$17.4 million on this project. Further, as at the Latest Practicable Date, we had completed a professional IT services project in Guangdong with a contract value of HK$9.0 million pursuant to which we provided hardware installation and technical support services to an intelligent system solution provider in the PRC for its project with the Guangdong Province People's Hospital. We will continue to capture the business opportunities for IT solutions in the Greater Bay Area when they arise.

Pursuant to our expansion plan, we intend to utilise HK$**[REDACTED]** or **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** for this purpose. Such amount would cover (i) part of the salary package (for a period of 24 months) in connection with the additional staff for the new sales and operational teams (comprising 30 staff and 25 staff in Hengqin and Nansha, respectively); (ii) the expenses in connection with the purchase of office equipment, hardware and software incidental to the establishment of our sales and operational teams in each of Hengqin and Nansha; and (iii) the expenses in connection with the purchase of hardware and software incidental to the establishment of a solutions laboratory in Hengqin. Any shortfall will be financed by our internal resources as appropriate.

Set forth below are the details of our implementation plan, the estimated expenses and the planned allocations of the **[REDACTED]** from the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range, and the Over-allotment Option is not exercised (the " **[REDACTED]**")):

Items no.	Description	Estimated expenses	Planned allocations of the [REDACTED] to fund the estimated expenses	Estimated completion time
		(HK$ million)	*(HK$ million)*	
1.	Establishment of sales and operational teams in each of Hengqin and Nansha offices by recruiting:			
	— 30 staff in Hengqin	**[REDACTED]**	**[REDACTED]**	Within 24 months after the **[REDACTED]**
	— 25 staff in Nansha	**[REDACTED]**	**[REDACTED]**	Within 24 months after the **[REDACTED]**

Items no.	Description	Estimated expenses	Planned allocations of the [REDACTED] to fund the estimated expenses	Estimated completion time
		(HK$ million)	*(HK$ million)*	
2.	Purchase of office equipment, hardware and software such as servers, application development tools, backup solutions and other IT equipment and software licence for use in Hengqin and Nansha offices	**[REDACTED]**	**[REDACTED]**	One month after the **[REDACTED]**
3.	Purchase of hardware and software such as server cluster and the related licences, automation platform and software solution that secures computing platform incidental to the establishment of a solutions laboratory in Hengqin for performing solutions testing, proof-of-concept, experimentation and for external and internal trainings for customers	**[REDACTED]**	**[REDACTED]**	One to two months after the **[REDACTED]**
	Total:	**[REDACTED]**	**[REDACTED]**	

For further details on the salary range and description of the responsibility of the staff intended to be recruited for this expansion plan, see "Future Plans and Use of **[REDACTED]** — Use of **[REDACTED]**" in this document.

During the course of establishing the operational and sales teams in the Greater Bay Area, we will proceed to apply for certain technical qualifications or certifications which could demonstrate our level of technical capabilities and competence in performing essential technical functions that are typically involved in IT solutions projects in the PRC, details of which are set forth in the table below.

	Technical qualifications or certifications	Requirement/Assessment criteria	Awarding Institutions
1.	Level CS2 in the Information System Construction and Service Assessment* (信息系統建設與服務能力評估 — CS2級).	1. Having the independent legal person status and having been engaged in information system construction and service business for more than one year; 2. good social reputation, good credit and public image, good awareness of intellectual property rights protection, no violation of national laws and regulations in the past three years, no business abnormalities or serious illegal or untrustworthy conduct and no unfair competition behavior; and 3. having fulfilled the corresponding level requirements in the published guideline on "Information system construction and service-Capability assessment system-Capability requirements* (信息系統建設和服務能力評估體系能力要求)" including, among other things, having workplaces in the PRC equipped with hardware and software facilities that commensurate with the applicant's business scale; and 4. ongoing compliance with industry conventions.	China Electronics Information Industry Federation (中國電子信息行業聯合會)

	Technical qualifications or certifications	Requirement/Assessment criteria	Awarding Institutions
2.	Certificate for Qualification of Information Security Service Provider (信息安全服務資質)	Applicant will be evaluated on merit basis having regard to a list of non-exhaustive factors including (i) its technical capabilities; (ii) whether it is staffed with project leaders and technical engineers with corresponding experience; (iii) whether its workplace and IT facilities in the PRC commensurate with its business scale; and (iv) its quality assurance abilities in the implementation of information security engineering process. Various interviews and site visits will be conducted in assessing the above. Depending on the assessment results, the applicant will be categorised into three levels and awarded the corresponding qualifications.	China Cybersecurity Review Technology and Certification Centre (中國網絡安全審查技術與認證中心)
3.	Certification on Capability Maturity Model Integration (CMMI) 能力成熟度模型集成認證	Through a series of software development benchmark exercises performed in a process level improvement training and appraisal program organised by the authorised institute, the applicant will be classified into different maturity levels of processes.	Software Engineering Institute (SEI) (美國卡耐基隆梅大學軟件工程研究所)

(ii) Establishing an integrated operational centre for the provision of managed services

We recorded an increase in revenue derived from our managed business from HK$1.8 million for FY2019 to HK$29.6 million for FY2020 primarily attributable to (i) the increase in the number of newly awarded managed security services contracts in light of the introduction of a new cybersecurity law in Macau in 2019 which required all enterprises in Macau including governmental bodies to enhance and tighten their in-house cybersecurity monitoring measures and policies; and (ii) the increase in lease income derived from our managed printing services provided for Customer F and private cloud as a service project provided for Customer E in FY2020.

According to Frost & Sullivan, from 2016 to 2021, managed services in Macau registered a CAGR of 8.7% and is expected to rise at a CAGR of 9.2% from 2022 to 2026, reaching MOP86.7 million in 2026. As at the Latest Practicable Date, we had 26 contracts of managed services in progress with a closing value of backlog of HK$35.5 million. As at 31 January 2022, we had 17 pipeline contracts of managed services with a total estimated contract value of HK$19.6 million relating to the provision of log management services, cybersecurity services under the SOC, detection and response services and gap analysis in Macau with project period of one to two years. Among these 17 pipeline contracts (two of which were subsequently combined with two other pipeline contracts, resulting in a total of 15 pipeline contracts), we (i) had submitted quotations or tenders in respect of 13 pipeline contracts and as at the Latest Practicable Date, the quotation/tender result of two of these quotations/tenders were announced and were not awarded to

us but we secured one contract by quotation and one contract by tender. For the remaining ones, their results were still pending as at the Latest Practicable Date; and (ii) for the remaining two pipeline contracts, the relevant tender process was yet to commence and no concrete timetable as to when the tender will be open was available to us up to the Latest Practicable Date. Our provision of managed services in Macau provides us with valuable experience and track record for our planned expansion of such services in the Greater Bay Area.

Details of the secured contracts of managed services as discussed under (i) above are set out below:

	Areas of services covered	Awarded contract amount	Estimated project period (month)	Status as at the Latest Practicable Date
		(HK$'000)		
1.	Gap analysis services under the SOC.	368	4	Contract was secured by way of quotation and the project commenced in February 2022.
2.	Cybersecurity services under the SOC.	349	12	Contract was secured by way of tender and the project commenced in January 2022.

Moreover, according to Frost & Sullivan, due to the proliferation of internet and web-based application such as cloud computing and e-commerce in the Greater Bay Area and the rising number of enterprises in the regions, the need to ensure secure, controllable and predictable IT processes is on the rise, which in turn drives the demand for end-to-end security solutions in the Greater Bay Area. According to Frost & Sullivan, there is a substantial increase in sophistication of attacks of the entire IT infrastructure, including computing systems, data storage systems, advanced instruments and data repositories and visualisation environments. It is also anticipated that there will be an increasing number of Macau enterprises, hotels, and government agencies launching expansion projects in cities such as Hengqin which will drive the demand for 24/7 technical support and monitoring services from their IT solutions providers.

Therefore, we plan to expand the reach of our managed services and replicate the business model of such business, including the operation of our SOC in Macau to the Greater Bay Area. To this end, we intend to establish an integrated operational centre in Hengqin for the provision of managed services with focus on security managed services including instant threat intelligence monitoring, product vulnerability monitoring, dark web monitoring, cybersecurity services and network operation services. The integrated operational centre will also perform other proactive, remote monitoring functions and operation of our customers system according to the different work requirements of our other managed services. With an integrated operational centre to be established in the Greater Bay Area, we are able to offer prompt assistance to our customers located in the region and increase efficiency and quality of our managed services. We will also be able to overcome the technical obstacles in connecting our customer's systems remotely as a result of the differences in the cross border network infrastructure and bandwidth between Macau and the PRC, causing latency and unstable connection to our operational team if our managed services are to be provided in Macau to customer in the PRC. We consider that it would be beneficial and complementary to our business development to expand our managed services through an integrated operational centre established in the Greater Bay Area as part of our strategic development plan to strengthen our customer network and market presence as well as enhancing our market penetration in the region.

In this connection, we intend to utilise HK$**[REDACTED]** or **[REDACTED]**% of the **[REDACTED]** to establish an integrated operational centre in Hengqin of the Greater Bay Area. Such amount would cover (i) the salary package (for a period of 24 months) of 14 staff; and (ii) expenses in connection with the purchase of the IT equipment and software and operation tools incidental to the offering of 24/7 managed services in the integrated operational centre intended to be established. Any shortfall will be financed by our internal resources as appropriate.

Set forth below are details of our implementation plan, the estimated expense and the planned allocations of the **[REDACTED]**:

Items no.	Description	Estimated expenses	Planned allocations of the [REDACTED] to fund the estimated expenses	Estimated completion time
		(HK$' million)	*(HK$' million)*	
1.	Recruiting 14 technical and engineering staff with years of experience ranging from one year to five years for a period of two years	**[REDACTED]**	**[REDACTED]**	Within 24 months after the **[REDACTED]**
2.	Purchase of office equipment, hardware and software and operation tools such as cybersecurity platforms for collecting log data and software applications for monitoring encrypted online content	**[REDACTED]**	**[REDACTED]**	One month after the **[REDACTED]**
	Total:	**[REDACTED]**	**[REDACTED]**	

Continuing to strengthen our product and technical development capabilities in order to enrich our solution offering and increase our competitiveness

Our Directors believe that possession of up-to-date market intelligence within the industry and having the ability to develop customised solutions that could address the needs of local enterprises are the key factors leading to the success of an enterprise IT solutions provider. Our market standing and track record in the IT solutions market in Macau are underpinned by our efforts in evolving our solution offering through renewing and improving the technologies and software application we adopted in our solutions. We will continue to strengthen our product and technical development and commit to developing and expanding our service offerings, in order to increase our competitiveness and consolidate our market position in the IT solutions industry. In the coming future, the key areas of focus of our planned product development would be on enterprise resources planning solutions designated for local enterprises, AI technology for voice recognition and software applications relating to cybersecurity solutions and big data tools.

To this end, we intend to pursue strategic partnership with companies or businesses with strong product innovation capabilities which could complement our existing business and in-house product development. Such capabilities include the ability to demonstrate timely responsiveness to market needs and rapid and flexible product innovation, coupled with the management capability to effectively implement innovation strategies to address changing technological environment as well as identifying new ideas and transform them into new products or services that align with our

objectives and resources and enhance our service quality. We will pursue strategic partnership with external parties where we lack the necessary technical expertise and it will take a long time for us to develop and commercialise the relevant IT solutions or products, or where the technical entry barrier is relatively high. In such case, depending on the amount of capital required, we plan to either establish joint venture(s) with business partner(s) or to enter into partnership agreement with such entity(ies) which we believe could achieve our business objectives at a reasonable cost.

In identifying a partnership target(s), we will first take into account its research and product development capabilities, the marketability of its products and product pipeline, its track record and historical achievement in research and product development, whether the target possesses the know-how and technologies that are required by us, whether it shares the same corporate value with us, whether it would effectively facilitate our business expansion into a target segment or market, and the cost of collaboration. In addition to the above, we will also consider other quantitative parameters including (i) whether the target has registered or licensed with at least 100 patents or other intellectual property rights; (ii) whether its market position and ranking is within the top 100 companies in the relevant technological fields based on data published by reputable market analysis agencies; (iii) the amount of resources available for research and development; and (iv) the scale of the target's research and development team with at least 500 staff. We do not have specific financial selection criteria for our partnership target(s) since our primary focus is on broader screening considerations such as market position, R&D capabilities, technological leadership and project development abilities of our target(s) which are more relevant to achieving our business objectives of strengthening our product innovation and enhancing our solution offering. As at the Latest Practicable Date, we have identified around five companies which could potentially meet the criteria above based on information obtained from research and advisory firms which publish market data and industry ranking of companies in technology related fields on a regular basis.

For solutions or products which we expect do not involve high technical entry barrier and where suitable candidate(s) is available in the market, we also intend to expand the scale of our product development team by recruiting a chief scientific officer who will be assigned to lead our product development team and possesses strong experience in AI related fields, a data engineer and a data analyst who have technical expertise in data modeling, database design and development and segmentation techniques in order to enhance our in-house product and technical development capabilities in developing and commercialising new solutions or products on our own.

We intend to utilise HK$**[REDACTED]** or **[REDACTED]**% of our **[REDACTED]** from the **[REDACTED]** to fund full or part of the cost of strengthening our product and technical development capabilities as mentioned above. Any shortfall of the estimated expenses will be financed by our internal resources as appropriate. The amount intended to be applied for pursuing strategic partnership is determined based on a number of key parameters, including the scale of the cooperation project, the respective input of resources, whether the intellectual property rights of new products will belong to us, our then cash and financial position and the prevailing market condition. Upon identification of a suitable partner, we will proceed to commercial negotiation, complete the necessary legal and financial due diligence and enter into the investment or partnership agreement if the commercial terms are acceptable to us. As at the Latest Practicable Date, we did not have any specific partnership target and had not entered into any definitive agreement with any potential target. We will continue to screen suitable targets through market research and commence the negotiation process once a suitable target has been identified.

In addition, we have, on 3 February 2021, entered into a 5-year framework cooperation agreement with the University of Macau (UM) (the "**Framework Cooperation Agreement**") under which a research and product development laboratory will be jointly established to carry out innovative research, create an innovative system for engineering, and provide a platform for technological innovation and industry-academia collaboration in the fields of smart city technology, modern information technology, information security, public security, big data, internet of things, AI, and cloud management, as well as nurturing more innovative talent and promoting economic diversification and sustainable development of Macau and the Greater Bay Area. According to the F&S Report, in July 2018, the University of Macau (UM) received the approval of the Ministry of Science and Technology for the establishment of the nation's first state key laboratory in IoT for smart city.

Pursuant to the Framework Cooperation Agreement, we will be providing capital resources of not less than MOP1.8 million a year for a period of five years for such joint research and product development effort, and such capital resources are expected to be utilised as research and product development funding and for the training of professional talents. We will also serve as a practice base for students at the University of Macau (UM) to conduct research study and priority will be given to the graduates from the University of Macau (UM) in our recruitment process. Any intellectual property rights created or otherwise arise as a result of the collaboration will be jointly owned by the University of Macau (UM) and us and we will enter into a separate agreement with the University of Macau (UM) setting out the terms and conditions concerning the shares of ownership and our respective rights for the specific project. Unless with the prior consent of the other party, neither the University of Macau (UM) or us shall use or transfer any intellectual properties developed pursuant to the Framework Cooperation Agreement for commercial purposes. Through our cooperation with the University of Macau (UM), we expect to enhance and strengthen our research and development efforts over time as we gain more experience in product development and technology, and continue to build our research and product development capabilities and know-how in providing innovative and value-added IT solutions services to our customers.

As at the Latest Practicable Date, we were in active discussion with the University of Macau (UM) to evaluate the research scope and the technologies involved in relation to several projects including (i) the use of palm vein recognition technology; (ii) intelligent vehicle infrastructure cooperative systems which acquire vehicle and road information by use of wireless communication and sensor detection technologies, allowing interaction and data sharing between vehicles and infrastructures, thereby enhancing coordination between vehicles, enabling safer road traffic and reducing traffic jams; and (iii) IoT property management solutions and smart systems which will be utilised in the potential project with Shenzhen World Union Group Incorporated as mentioned above to automate, monitor and operate property management functions and increase operational efficiency, with estimated investment amount of HK$0.5 million for the palm vein recognition technology project and HK$1.0 million for each of two remaining projects. We submitted documents for intelligent vehicle infrastructure cooperation system project on 29 November 2021 and the relevant tendering process was still ongoing with the result pending. We have, on 21 June 2022, entered into a five-year R&D cooperation agreement with the University of Macau (UM) and an integrated service provider in the field of data security and privacy to jointly research into the technology of iris recognition and its practical application.

We intend to utilise HK$**[REDACTED]** or **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** for funding the required minimum injection of capital resources for the research and development laboratory jointly established with the University of Macau (UM) and the research and development projects pursuant to the Framework Cooperation Agreement and as mentioned above. Any shortfall of the estimated expenses will be financed by our internal resources as appropriate.

Strengthening our sales and marketing initiatives to elevate our corporate profile

We aim to improve our Group's brand recognition by enhancing our efforts to maintain close relationships with our suppliers and expand our customer base. To this end, we will continue to deploy various marketing and promotional strategies such as organising more online product briefings, seminars and presentations and marketing events such as our annual "Solution Day", as well as hosting more product launch, workshop, seminar or luncheon events with system vendors to promote our business, product and service offerings and enhance our corporate image. We intend to organise a series of all-in-one training workshops to our existing and potential customers as well as the general public with a view to increasing public awareness of cybersecurity related issues and educating people on the potential impact of a cyber-attack and the steps required to reduce risk and prevent cybersecurity threats infiltrating the online space. We will also designate a column in our website to publish information and market news and insight relating to cybersecurity on a regular basis. In addition, to further increase business opportunity under our distribution and resale businesses, we will participate in industry-related activities organised by system 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. Through these initiatives, we believe we will develop closer relationships with our customers and elevate our corporate profile. We plan to fund these sales and marketing initiatives by our internal resources.

OUR BUSINESS MODEL

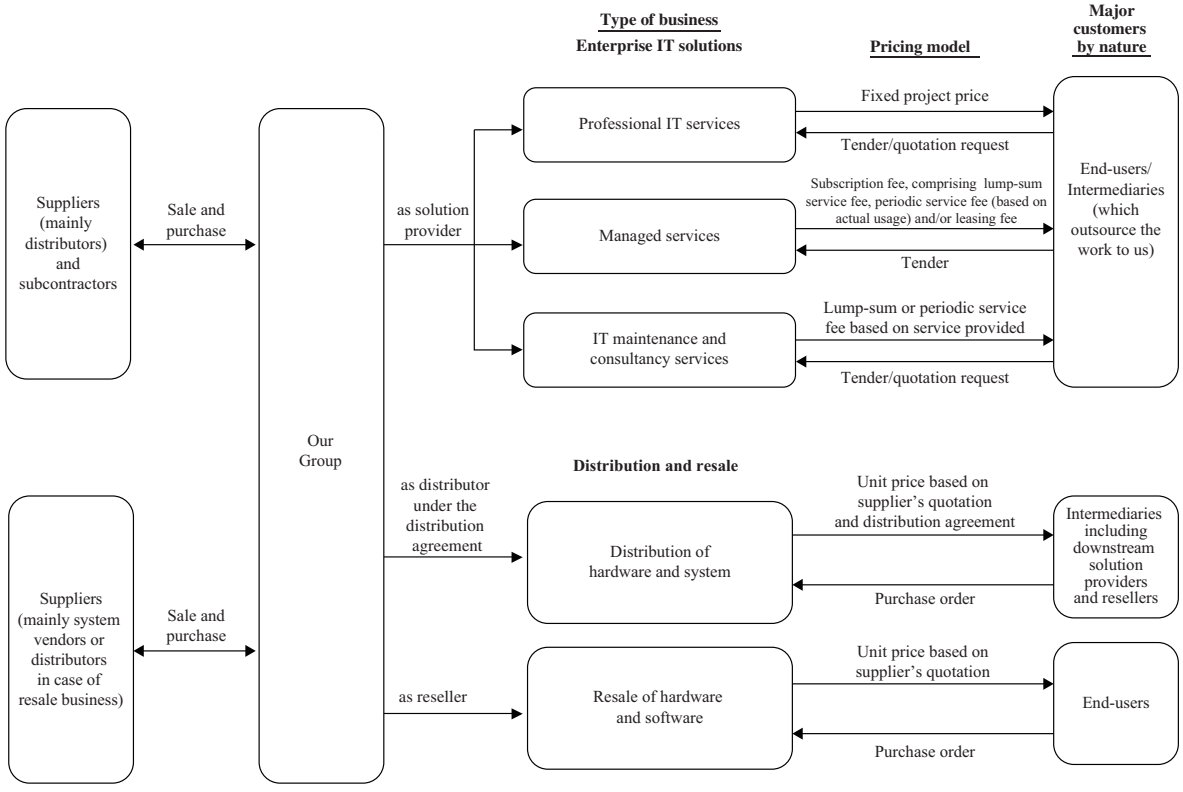
Introduction

We provide reliable, end-to-end and high quality enterprise IT solutions, covering professional IT services, managed services, and IT maintenance and consultancy services. By customer nature, customers of our enterprise IT solutions comprise (i) end-users such as telecommunication companies and technology companies (which engage us to build the system or IT infrastructure for them) in TMT sector, gaming and hotel brands, banks and financial institutions, and commercial customers in private sectors as well as governmental bodies and education institutions in public sector; and (ii) intermediaries such as solution companies which outsource the relevant work to us. Depending on the service nature, we price our solutions and services under our enterprise IT solutions business on a per project basis, actual usage basis and/or for a lump-sum or periodic service fee. We also provide standalone or extended IT maintenance services to customers, majority of which are customers of our professional IT services business and distribution business.

In addition, during the Track Record Period, we, as a distributor, had been engaging in the distribution and sale of mobility and security related hardware and system to downstream solution providers and resellers, which diversified our revenue source and complemented our enterprise IT solutions business. Apart from distribution, we, as a reseller, also purchase hardware and software for onward sale to customers in Macau (which are mostly end-users and are existing or previous customers of our enterprise IT solutions business) for their own business needs based on purchase

order. We price the products sold under our distribution business based on the quotation we obtained from our suppliers and our targeted profit margin. Further, under our distribution business, as an authorised distributor of our suppliers, we are required to observe certain restrictions or covenants set by our suppliers.

The following diagram illustrates our business model:



The following table sets out a breakdown of our revenue by business line and nature for the indicated periods:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Enterprise IT solutions						
— Professional IT services	294,068	58.5	248,932	52.4	289,223	54.1
— Managed services and lease income	1,826	0.4	29,568	6.2	35,353	6.6
— IT maintenance and consultancy services	33,734	6.7	50,113	10.5	70,388	13.2
Sub-total	329,628	65.6	328,613	69.1	394,964	73.9
Distribution and resale						
— Distribution	113,351	22.5	108,800	22.9	99,860	18.7
— Resale	59,763	11.9	37,895	8.0	39,478	7.4
Sub-total	173,114	34.4	146,695	30.9	139,338	26.1
Total	502,742	100.0	475,308	100.0	534,302	100.0

The following table sets out a breakdown of our gross profit and gross profit margin by business line and nature for the indicated periods:

	FY2019		FY2020		FY2021	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Enterprise IT solutions						
— Professional IT services	48,222	16.4	51,775	20.8	61,951	21.4
— Managed services and lease income	(3,084)	(168.9)	5,863	19.8	9,660	27.3
— IT maintenance and consultancy service	9,373	27.8	15,523	31.0	18,088	25.7
Sub-total	54,511	16.5	73,161	22.3	89,699	22.7
Distribution and resale						
— Distribution	22,102	19.5	15,900	14.6	15,782	15.8
— Resale	9,044	15.1	4,452	11.7	6,629	16.8
Sub-total	31,146	18.0	20,352	13.9	22,411	16.1
Total	85,657	17.0	93,513	19.7	112,110	21.0

Our vision and value

We aspire to be the most reliable and efficient enterprise IT solutions provider in Macau and our mission is to provide and offer a wide range of enterprise IT solutions to our customers that will empower them to achieve optimal growth. We value and recognise the importance of being versatile and responsive to market changes and we strive for excellence through continuously offering products and designs that are both creative and add value to our customers' business. We also build long-term and trusted relationships with our customers, our suppliers, system vendors and other business partners.

OUR PRINCIPAL BUSINESS

Enterprise IT solutions business

Professional IT services

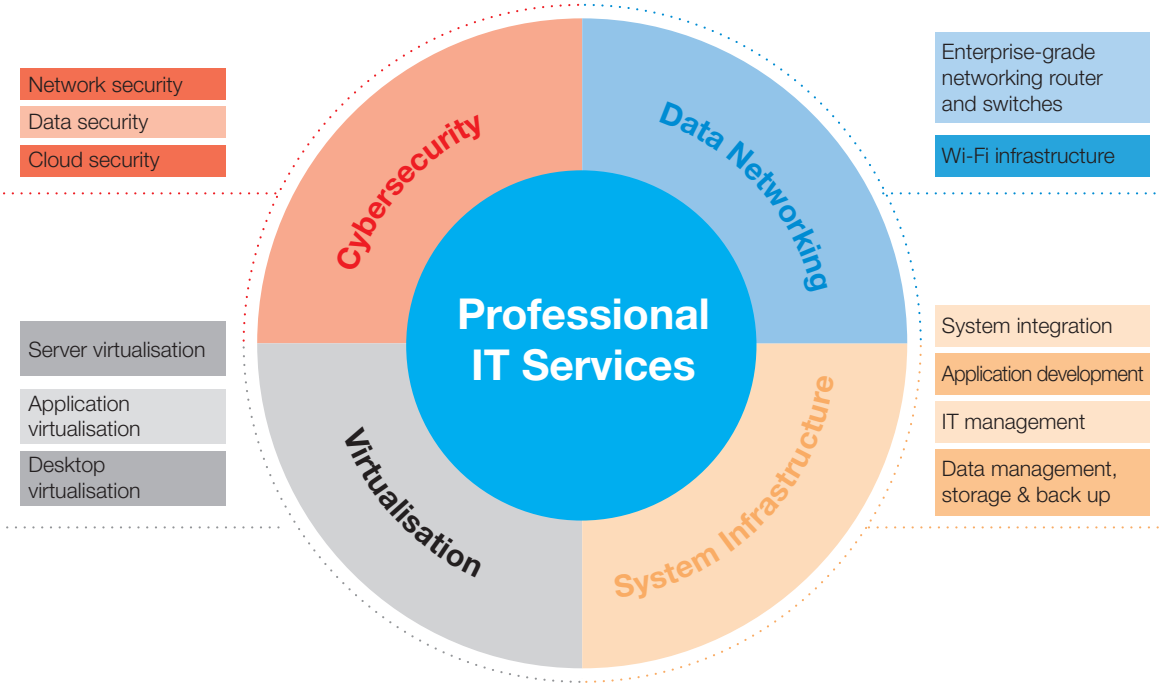
The provision of professional IT services is our major business. We began to provide enterprise IT solutions since 2010. Under this business, we offer an array of integrated, end-to-end, enterprise-grade system integration and IT solutions to our customers depending on their specific requests and the nature of their business. In delivering our solutions, usually we are involved in the entire process since the beginning stage of overall IT infrastructure design up to post-sales maintenance and technical support.

We take pride in our ability to provide customised solutions through the continuous efforts of our pre-sales team who have a very high level of and early involvement during the entire project phase, work jointly with our customers on systems design and development, and deliver advice on hardware, the associated system or other components to ensure that the new system will best fit their needs and function as intended. During the Track Record Period, we provided customised professional IT services to our customers in various industry sectors, including customers in gaming and hospitality, education and government sectors. See "Our Projects — Top five projects" in this section for details. In most of our projects, we are able to offer the above services

throughout the entire project by utilising our internal manpower and resources without relying on the technical support or assistance of external parties such as our suppliers or system vendors. We typically provide our solutions on a project-by-project basis, and the relevant contracts are secured either by way of participation into a tender or submitting a quotation to our customers.

The key areas covered by the professional IT services provided by us during the Track Record Period include (i) data networking; (ii) system infrastructure; (iii) virtualisation; and (iv) cybersecurity services. The precise work scope of professional IT services under the relevant contracts (which may cover one or more than one area or all areas mentioned above in case of total solution) is mainly project-driven and defined in the formal agreement(s) signed with our customers.

The following diagram illustrates the key areas covered by our professional IT services:



Data networking: In data networking projects, we design the layout of the networking infrastructure for our customers with an aim of developing a reliable, stable, effective and secured network for users to stay connected and exchange data seamlessly. Enterprise-grade networking hardware such as wireless Wi-Fi access points, networking routers and switches are installed as part of the Wi-Fi and networking infrastructure.

System infrastructure: System infrastructure encompasses all hardware, software, servers, an operating system, related applications as well as data storage components, and the integration of which to deliver services and solutions. In providing our services, we design and develop the entire operational IT system infrastructure, which includes the setting up of servers, applications, storage and data management systems, and their integration. Apart from developing operational IT system infrastructure, customers may also engage us for the design, development and/or building up of online applications or online platforms for their specific use. We also manage the overall IT system for our customers.

Virtualisation: Virtualisation is a common and standard practice in enterprise IT infrastructure. It allows the hardware element of a single physical compute resource be divided into multiple virtual resources, each with its own operating system. With the different kinds of virtualisation technology provided by us, including server virtualisation, application virtualisation and desktop virtualisation, our customers and their users are able to utilise their physical hardware more efficiently, with a faster provisioning of applications and resources and enhance the resilience of the performance of the relevant applications.

Cybersecurity: We provide cybersecurity solutions to safeguard the network, data and cloud-based services and applications of our customers from attack, damage, unauthorised access, intrusion as well as disruption and misdirection. Through the deployment of cybersecurity solutions, our customers are able to assess and analyse the vulnerabilities and risks in their relevant system or network to ensure system or network integrity and detect, identify and monitor any security threats, attacks or intrusions.

As part of our full services, our professional IT services cover post-sales maintenance and support, ranging from 12 to 36 months and in some cases, up to 60 months, following the completion of the project, and the fee of our enterprise IT solutions is normally inclusive of our post-sale maintenance and support during the warranty period. For details, see "After-sales Services and Warranty" in this section.

Our revenue from the provision of professional IT services increased by HK$40.3 million or 16.2% to HK$289.2 million for FY2021 from HK$248.9 million for FY2020. Such increase was primarily attributable to the extended work and services rendered for the Cotai Casino Expansion Project with Customer D in Cotai due to the modification of the IT infrastructure design for such project, in which additional contracts were entered into with Customer D for such project during FY2021. For further details, see "Financial Information — Review of Historical Results of Operation" in this document.

Managed services

Under this business, we, as an outsourced IT service provider, offer a selected range of managed services under which we are entrusted with and act as part of the IT operational team of our customers to proactively monitor and manage our customers' systems and infrastructures remotely through our management IT platform with the support of our well-qualified engineers and in-house developed software. Where required, we lease the required IT equipment and/or software comprising servers, printing facilities and other relevant hardware and system software solutions which are incidental to the provision of the relevant managed services.

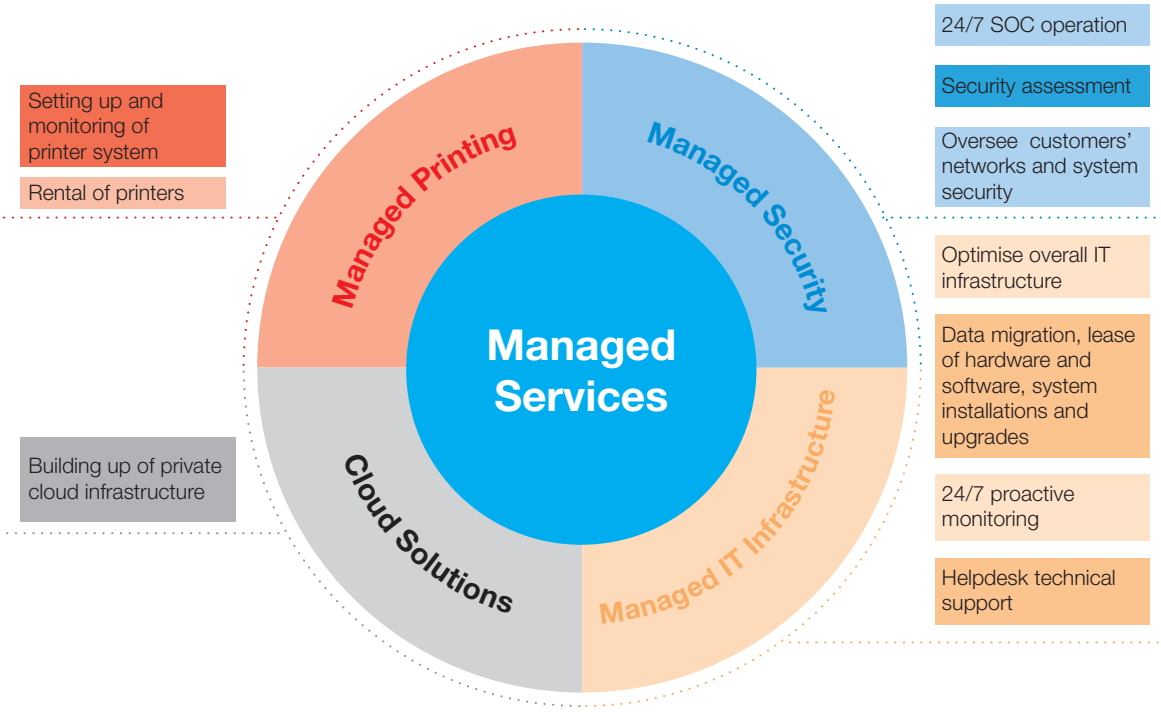
In 2018, we set up our round-the-clock SOC in Macau, through which we offer localised cybersecurity services to our customers in Macau to proactively and continuously monitor their IT infrastructure for purpose of detecting, analysing, investigating, responding and preventing cybersecurity incidents. The services provided by us under our SOC include instant threat intelligence monitoring, product vulnerability monitoring and dark web monitoring. As at 31 December 2021, our SOC team comprised a total of 21 employees, including three tiers of operational teams and helpdesk administrators. A majority of our operational team members held highly regarded technology accreditations and certifications in the cybersecurity area. The first tier is responsible for collecting and logging data relating to the IT system and operating environment of our customers and detecting malicious activities; while the second tier is responsible for analysing the flagged incidents and providing remedial action and solutions to our customers. Where there are any advanced issues or forensic-related incidents, they would be escalated to our

third tier staff for further follow up and action. We also provide incident reports to our customers detailing the issues identified, their actual and potential impacts on the IT infrastructure of our customers and our incident findings, recommendations and suggestions. We have established incident response workflows, coupled with up-to-date threat detection and intelligence tools, for our SOC operation to ensure performance consistency, timely resolution of issues identified, enhanced accuracy and precision in issue detection and identification as well as providing all-rounded cybersecurity protection. As part of our services under our SOC, we may lease required hardware and/or software for use by our customers, and such software is mainly for purpose of data collection and feedback for our SOC team to be familiarised with the operating environment of our customers and its features for further analysis. We may also, on a case-by-case basis, deploy our local SOC staff to offer onsite support to our customers under the SOC operation.

We have rolled out managed services to complement our enterprise IT solutions and respond to the growing demand of our customers (especially for those with limited in-house IT capability) for such services in light of the upcoming trend of enterprises in outsourcing IT services to external service providers to increase operational efficiency and the increasing complexity of the operational environment of our customers as well as the required IT hardware and system. Leveraging on our accumulated experience, we have in place standard procedures for and established protocol on the daily operation of our managed services. Through the subscription of our managed services, customers are able to offload their general management and monitoring duties from in-house to external service provider and minimise upfront cost in running and managing the IT equipment and the operating system. There is also a higher degree of security as a result of our real-time and round-the-clock monitoring, which can be time-consuming and relatively costly if performed by our customers internally; and customers can benefit from the knowledge and expertise of our team of experienced engineers and the efficiency of our services which are rendered through our management IT platform.

Currently, BoardWare ZH (including the BoardWare GZ Branch) is mainly providing operational support and helpdesk services to our existing customers of managed services. In particular, a majority of our employees of BoardWare ZH are having a rotating shift schedule with our employees in Macau for providing helpdesk support to our customers. By utilising the available manpower in the PRC, we benefit from a relatively lower operational cost and cost of labour and are able to maximise workflow efficiency.

The following diagram illustrates different types of our managed services:



Managed security services: We oversee our customers' IT infrastructure and the related security of their information systems, manage any network/system intrusions, firewalls and upgrades, perform anti-virus and security assessments, detect security threats and respond to any security-related emergencies. Some customers may subscribe to use our services rendered through our SOC. For details on our SOC, see "Our Principal Business — Managed services" above. Our SOC has attained the ISO 27001 and ISO 20000 standard for information security management.

Managed IT infrastructure services: We provide resources to plan, integrate, operate and optimise the IT infrastructure of our customers on an ongoing basis. We proactively monitor the performance, diagnose the issues and resolve problems of the overall IT infrastructure of our customers, which may include network testing and monitoring, overseeing and mitigating network security risk, managing installations and system upgrades, and providing technical support services. We may lease the required IT equipment and/or software incidental to the provision of the managed IT infrastructure services. We also set up Wi-Fi network for our customers via multiple access points in their premises and we manage, troubleshoot, monitor and fix such Wi-Fi system remotely. Our customers are able to enjoy higher bandwidth speeds and multiple devices may be connected to the Wi-Fi at any given time.

Managed printing services: We set up and link up the network of printing systems for our customers and rent the entire set of printers to them during the service period. We also provide our customers with print tracking and reporting services, alongside with the status and state of the printing consumables, such that they may have an insight as to the printing statistics and an overview as to their internal print expenses for managing printing budgets as well as eliminating underused or misused print devices. Further, based on our customers' needs, the print jobs may be secured by the implementation of print security policy.

Cloud solutions: With the increasing trend in using cloud computing technologies by enterprises for data storage and daily operation, we have rolled out cloud solutions as part of our managed services. We assist in building up of the private cloud infrastructure as well as its management and provide customisation of the applications running on the cloud as requested by our customers.

Compared to professional IT services the service fees of which are mainly charged by stages and could vary greatly between projects, the fees we charge our customers under our managed services are subscription fees comprising lump-sum and/or periodic service fee and/or leasing fee. For certain managed services, we also charge leasing fee which we invoice periodically (e.g. quarterly) for the lease of the required IT equipment and/or software to our customers, so that we are able to generate recurring and relatively stable source of revenue during the service period. See "Pricing Strategy" in this section for further details. We recorded leasing income from IT equipment in the amount of HK$0.7 million, HK$21.1 million and HK$16.7 million, respectively, during the Track Record Period. With providing ongoing support and interactions with our customers, we will also be able to consolidate the business relationship with them.

Our managed services are complemented by our in-house software development efforts. We focus our in-house software development efforts in developing customised applications, such as system infrastructure auto-provisioning application, database migration application, e-document tracking, and mobile application, for our customers, which are deployed as part of the managed services we offer to our customers. Through the deployment of customised applications, the scope and quality of our managed services provided are no longer restricted by the applications typically offered by third parties such as system vendors and the application features can be enhanced and be more well-suited to the needs of our customers.

Our revenue from the provision of managed services and lease income increased from HK$1.8 million in FY2019 to HK$29.6 million in FY2020. This is primarily attributable to the increase in the number of managed security services contracts newly awarded by governmental bodies in Macau from four for FY2019 to 14 for FY2020. Our revenue from the provision of managed services and lease income increased by HK$5.8 million to HK$35.4 million for FY2021 from HK$29.6 million for FY2020. Such increase was primarily attributable to the provision of the private cloud as a service project for Customer E during FY2021. For details, see "Financial Information — Review of Historical Results of Operation" in this document.

IT maintenance and consultancy services

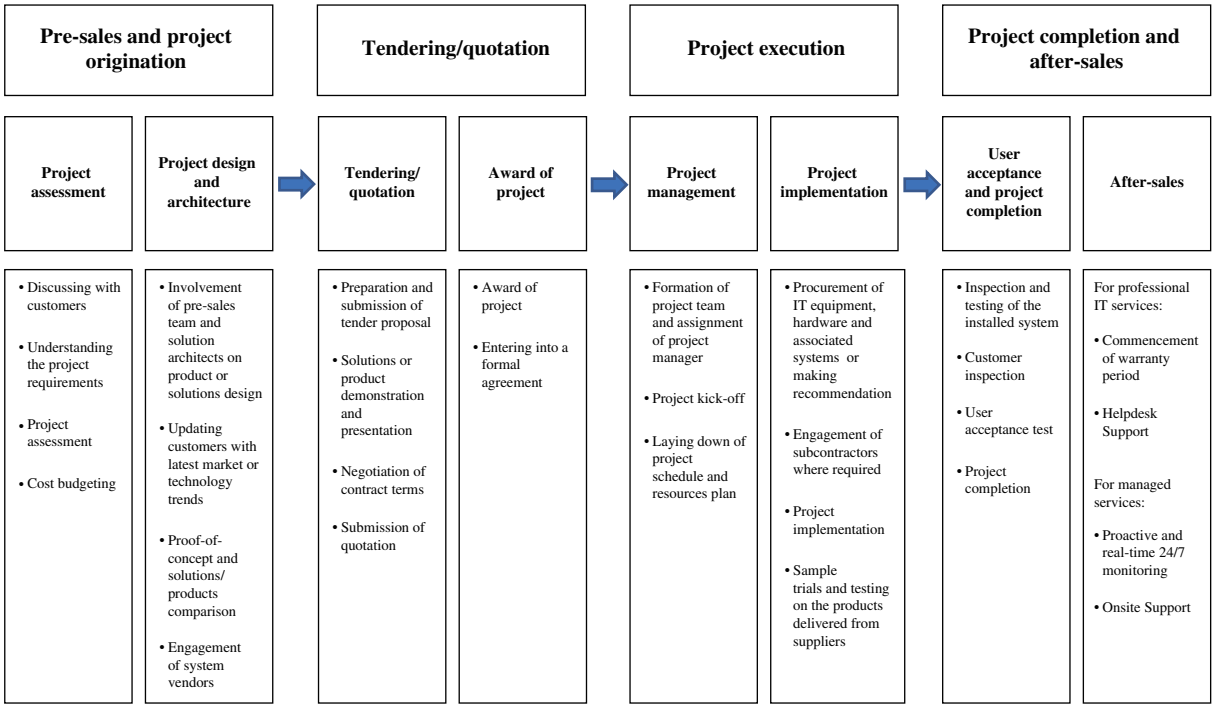
In addition to the post-sales maintenance and support services which are included in our professional IT services during the warranty period, we may be engaged by customers of our professional IT services business to provide extended (in case where the warranty period of our post-sales maintenance and support services has expired) or standalone maintenance services on IT systems or applications that are built and developed by us or by third parties. Extended maintenance services may also be provided by our distribution arm in Hong Kong to customers under our distribution business for the products sold and such request is made at the time when or after our customers place the purchase order. Based on the required support and service locations, we offer telephone, remote as well as online troubleshooting on pre-defined IT systems and call escalation to support from system vendors. We provide troubleshooting and/or technical support to solve usage difficulties upon receiving support request from our customers. We follow the similar maintenance support flow that we adopt for our post-sales maintenance and support in respect of

professional IT services. See "After-sales Services and Warranty" in this section for details. Other follow up support services including IT spare parts swapping and ongoing system maintenance and health check are also provided.

Further, we offer IT consultancy and advisory services, which aim at assisting our customers in assessing their IT operational environment and IT related compliance with government requirements, such as attending to the on-site survey on our customer's premises for building up a Wi-Fi network, for a fixed service fee.

Operational flow of our professional IT services and managed services

The diagram below illustrates the key steps of the workflow of our professional IT services and managed services:



Pre-sales and project origination

Our account managers from the sales department are responsible for reaching out to potential customers to identify business opportunity and understand the requirements of any potential project such that we would be able to design the IT or system infrastructure that would be relevant to their specific needs at the concept stage of the project and offer customised solutions for them, thereby increasing our chance of winning the contract. They are also responsible for client relationships management and are regularly in touch with our customers for potential upcoming projects and plans.

After we have identified a potential project, we will review the project requirements and conduct internal assessment of such projects, taking into account a number of factors, including technical specifications, cost budgeting, project location, project prospects, background of the potential customers and whether necessary licences, certificates and/or permits have been obtained. Our pre-sales teams from the Business Consultation Department would be involved in

recommending suitable products and associated system designs for use by our customers, making products or solutions comparison and provide professional technical advice on system and project design. After project assessment, where the project requires designing our customer's IT infrastructure or involves specific technical areas, our solution architect(s) may be deployed according to their respective areas of expertise to design the infrastructure or solutions, perform testing, demonstrations or proof-of-concept on specific products or systems such that customers would fully understand the use and compatibility of such products/systems prior to confirming the project design. We would also provide updates to customers on the latest market and technology trends and introduce new products and solutions as appropriate. After obtaining the knowledge of the specific products, hardware and the associated systems that may be used by the customers in the project, we will, where required, engage relevant system vendors by obtaining their technical views and advice on the project.

Tendering/quotation

During the Track Record Period, we were awarded 50, 62 and 65 new contracts of enterprise IT solutions, respectively, with awarded contract value of HK$1 million or above. Amongst these new contracts, during the Track Record Period, 37, 49 and 49, respectively, were secured by us through submitting quotations. For details, see "Our Projects" in this section.

For contracts awarded by customers such as gaming and hotel brands, governmental bodies and education institutions, in case where the contract value is significant, these customers may award the contract by way of tender. The following table sets out a summary of our tender success rates in respect of contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services with awarded contract value of HK$1 million or above) which were awarded by way of tender:

	No. of tenders submitted	**Contracts awarded**		**Success rate**
		(No.)	*(Contract amount) (HK$'000)*	
FY2019	24	13	120,042	54.2%
FY2020	35	13	78,800	37.1%
FY2021	43	16	39,695	37.2%

In FY2020, we have submitted a larger number of tenders in respect of enterprise IT solutions contracts as compared to the previous year of the Track Record Period, but we were awarded the same number of contracts as in FY2019, resulting in a lower tender success rate for FY2020. The potential contracts for which we submitted the tenders for FY2020 were mainly relating to the IT work of a smaller scale and for customers which are mainly governmental bodies and commercial customers, as customers from the gaming and hospitality sector who generally awarded larger-scale projects had postponed their development plans in FY2020 due to the outbreak of COVID-19 and hence, their invitation for tenders. The tenders we submitted for FY2020 were generally more competitive in terms of the tender pricing. We submitted the tenders as a way to maximise our business opportunities, maintain the relationship with our customers and increase our visibility, even though we were more experienced in larger-scale projects involving the design, architecture and building up of total IT solutions. In FY2021, we were awarded more enterprise IT solutions contracts by tender as compared to FY2020 but the aggregate awarded contract amount for FY2021 was lower than that for FY2020. Such decrease in aggregate awarded contract amount despite an increase in number of awarded tenders was mainly as a result of (i) a five-year managed services contract with contract value of HK$57.0 million was secured by way

of tender with Customer E for FY2020, which contributed to the relatively higher aggregate awarded contract amount in FY2020; and (ii) most of the awarded tenders for FY2021 were relating to IT work of a smaller scale for governmental bodies and with contract value of around HK$1 million.

Our account managers are responsible for the preparation of tender proposals. During the tendering process, for complex or large-scale projects, we may also be required to perform demonstration or presentation of our solution proposal to the customer. Our account managers and pre-sales teams are also responsible for negotiating the contract terms with our customers. Our other departments may also be involved in the contract negotiation process with potential customers on areas that may require their advice and input. For further details of our tender preparation and submission process, see "Sales and Marketing — Tenders submission" in this section. After a project has been awarded to us, we enter into formal agreements (which in general include a master agreement and/or a statement of work) with our customers.

For project which we are not required to go through the tendering process, we submit price quotation after obtaining internal approval to the potential customers which typically sets out the description, price and quantity of the hardware and/or the associated system required and the expected project completion date. The customers would then counter-sign on the price quotation to acknowledge their acceptance or enter into a formal agreement with us.

Project execution

After the award of contract and execution of formal agreement, the project is formally kick-started. Typically a project team comprising project manager(s), engineer(s) and technical leader will be formed to oversee and advice on the entire project scope, including project quality and safety, labour management and supervision and supply and equipment management, as well as the technical aspects of a project and specific requirements of customers, to ensure smooth project execution. Depending on the work nature (such as whether the project involves Wi-Fi networking), level of complexity and scale of the project, our project team generally comprises two to over 20 members. The project team will prepare relevant project documents, including the project schedule and the resources plan, for implementing the project.

We will then begin to implement the proposed design in accordance with the technical requirements and terms under the tender documents and the formal agreement. We will also procure (or make procurement recommendation) the required hardware and the associated system from the authorised distributor(s) of the relevant system vendor(s) according to the bill of materials. For further details of our suppliers, see "Our Major Suppliers — Characteristics of our suppliers" in this section. The ordered products and components are generally delivered to the site of our customers by us either directly or via third-party logistic service providers, after which we will then proceed with sample testing, installation and configuration. We have designated an area in our office in Macau for use as a solutions laboratory where we may, together with our customers, perform a pre-installation compatibility testing of the solutions to be deployed in our customers' operational environment where needed. Such solutions laboratory is also used by us for performing, in a virtual environment, solutions testing, proof-of-concept, experimentation and for external and internal trainings.

We may engage subcontractors to complete and deliver the manual works such as cabling, hardware installing and Wi-Fi mounting services for our projects in accordance with the requirements set out in the contract. For details of the subcontracting arrangement, see "Subcontracting Arrangement" in this section.

As disclosed in "Our Major Customers — Key terms and conditions of the agreements entered into with our major customers — Enterprise IT solutions business" in this section, payments for our enterprise IT solutions are generally paid by stages according to project milestone dates. As such, the revenue recognised under the relevant contract is commensurate with the value of work performed and completed by us. Accordingly, we may incur significant upfront costs at the early stage of the project, and such upfront costs normally cover procurement costs of the required hardware and the associated system, our staff costs and subcontracting fee (where applicable). For contracts awarded by our major customers during the Track Record Period, such upfront costs represented 12% to over 90% of the total awarded contract value of a project.

We have established project management and quality control procedures in place and we adhere to such procedures throughout the entire project execution phase to ensure our compliance with the project requirements and our deliverables to be of consistent quality. See "Quality Control" in this section for further details.

Project completion and warranty

Upon completion of the project, our project team will perform internal inspection and testing of the installed systems. A user acceptance testing is prepared by the project team for customers to formally try and accept the developed system. Upon the completion of the user acceptance testing, the project is accepted as formally completed.

Depending on the project nature and scale, the duration of our major enterprise IT solutions projects typically ranges from one year to five years (including the period covered by our post sales maintenance and support).

For professional IT services, the warranty period during which we will provide post-sales maintenance and support services commences upon completion of the project. Such warranty period generally ranges from 12 to 36 months from the date of completion of project implementation and varies from project to project. We are required to maintain the installed systems in good order and ensure they function efficiently and effectively in accordance with the specifications and requirements. We will also respond to customer inquiries and service requests if they encounter any issues when operating the installed systems. For projects of managed services, during the service period, we proactively monitor and manage our customers' systems and infrastructures 24/7 and we offer onsite support where needed. See "After-sales Services and Warranty — Enterprise IT solutions business" in this section for further details.

Distribution and resale businesses

Distribution business

During the Track Record Period, we had been engaging in the distribution and sale in Hong Kong of mobility and security related hardware and the associated system. The number of brands we carried during the Track Record Period and as at the Latest Practicable Date was 10, 12, 12 and 12, respectively, which comprised internationally reputable brands of corporate mobility solutions, such as Aruba and Peplink for Wi-Fi and 5G devices, and cybersecurity solutions, such as Checkpoint and Trend Micro for firewalls and end-point protection software.

We provide value-added distribution services to our customers (who are mainly downstream solution providers and resellers) under this business. In distributing and selling the hardware and the associated system to our customers, we provide technical advice, presentations, trainings and

demonstrations on the features and uses of the products as well as introduction of relevant new products as requested by our customers. On the other hand, we as an authorised distributor may also be requested by the system vendor to offer product briefings or trainings on its behalf to our customers to assist them to obtain product certifications. We also assist our customers in liaising with the system vendor and arranging for product swapping or replacement in case there is any faulty or defective item. See "After-sales Services and Warranty — Distribution and resale businesses" in this section for further details. The type and nature of products sold by us are much determined based on the specific requests of the end-users as communicated to us through our customers and the industries in which the end-users operate.

Our distribution business is mainly carried out through Synergy CCL, our wholly-owned subsidiary and distribution arm in Hong Kong. Established in 1990, Synergy CCL is a well-established distributor of mobility and security related hardware and the associated system in Hong Kong. As at 31 December 2021, Synergy CCL had a professional sales team of 11 members and a technical team of 19 members. The business of Synergy CCL was integrated into the business of our Group's following the Acquisition of Synergy CCL and completion of the Reorganisation. We consider that the Acquisition of Synergy CCL has brought us the following advantages:

- *Extended our reach to new suppliers:* Synergy CCL has been strategically focusing on the distribution and sale of mobility and security related hardware and the associated system in Hong Kong and it has established stable and long-term relationships with a number of system vendors in networking and cybersecurity areas. With Synergy CCL being our distribution arm, we are able to leverage on its established sourcing network and identify new suppliers (being system vendors) for our enterprise IT solution projects, with whom we may also partner for the purpose of our project tender submission, especially in the area of networking and cybersecurity.

- *Enhanced our control over supply chain and enjoy synergy:* As part of the workflow of our professional IT services and managed services, we may be required to assist in the procurement of hardware, the associated systems and components or make procurement recommendations. Through the vertical integration of Synergy CCL, we have enhanced control over the supply chain as and when the project involves procurement of hardware, the associated system and components, and are in a better position to obtain technical views and advice from the system vendors where required.

- *Strengthened our product knowledge and market intelligence:* As a value-added authorised distributor, the sales and technical teams of Synergy CCL are required to attend product or industry trainings, and obtain relevant up-to-date industry or technical certifications. They also maintain an active and continuous dialogue with our customers as well as system vendors as to the latest technical development, market trend, product offerings and user needs. Hence, through the Acquisition of Synergy CCL, we have gained direct access to the talent pool of Synergy CCL equipped with strong product knowledge and first-hand market intelligence, which in turn strengthened our overall ability to roll out customised solutions and advise our customers on related project design and implementation.

- *Generated cross-selling opportunities:* Given that we, as a group, are running both enterprise IT solutions and distribution of IT related hardware which are businesses along the same value chain and have their own target customer group, we are able to reach out more customers and enlarge our customer base. Where appropriate, we are

able to incorporate the hardware and system that Synergy CCL is able to offer in our overall infrastructure or system design, or introduce the portfolio of brands or products or solutions that our Group companies are selling to interested customers across different businesses, thereby developing cross-selling and business opportunities.

- *Elevated our corporate profile:* As part of our role as a value-added authorised distributor and the sales window of the system vendors, Synergy CCL cooperates with system vendors in launching or initiating sales and marketing activities, despatching sales personnel to develop sales channels, delivering trainings and product demonstrations to users, and engages in new product development and proof-of-concept of system vendors. Through such activities, we are able to increase our overall visibility and business profile as a group.

Under our distribution business, we normally will enter into distribution agreement with each system vendor to acknowledge our status as an authorised distributor and to govern the region and type of products that we are authorised to distribute and sell. During the Track Record Period, we, via Synergy CCL, were the authorised distributor of nine, 11 and 11 system vendors in Hong Kong, and as at the Latest Practicable Date, of a total of 11 distributorships granted to us, two were sole distributorship. We, through Synergy CCL, were the sole authorised distributor of Supplier J and Supplier K, two distinguished system vendors in Hong Kong, which in aggregate contributed 6.6%, 9.0% and 1.5% of the total revenue in our distribution business during the Track Record Period. We have established relationships with our system vendors from one year to 15 years (including the period before the Acquisition of Synergy CCL). Pursuant to the distribution agreement entered into with the system vendors, apart from the procurement logistics with these system vendors, we also cooperate with them in launching or initiating sales and marketing activities, developing sale channels in their designated market, delivering trainings and product demonstrations to users. In order for us to maintain such relationship and be recognised as the authorised distributor, our sales and technical teams are required to attend product or industry trainings, and obtain up-to-date certifications in various areas covering networking, virtualisation and network security.

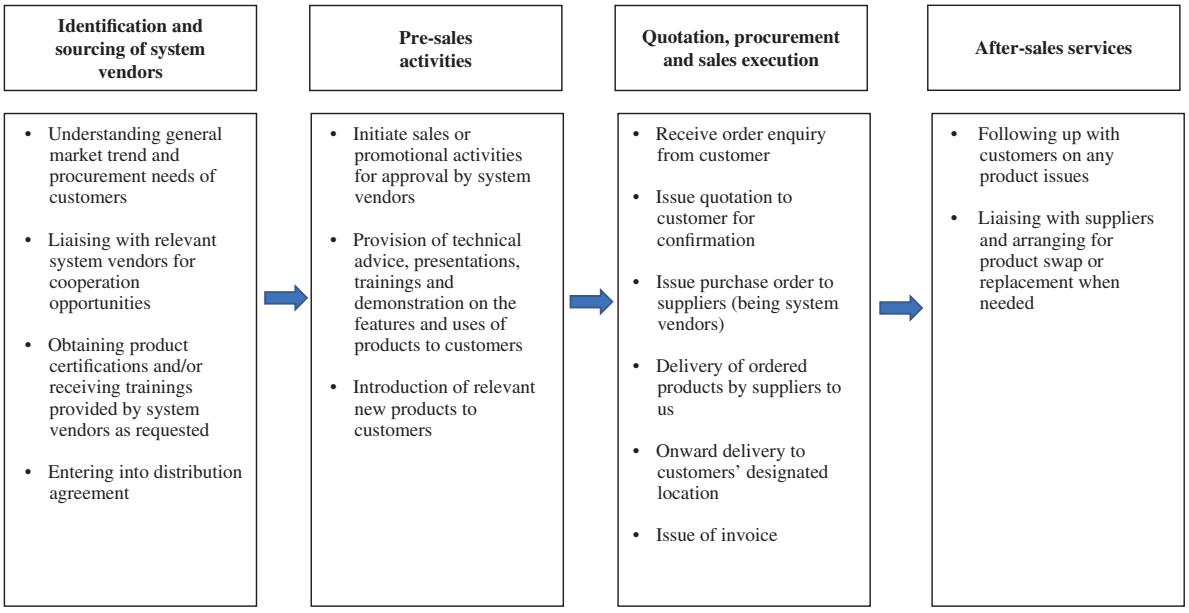
Resale business

Under the resale business, we purchase hardware and software from upstream suppliers (which are mainly distributors) for onward sale to our customers in Macau based on purchase order. Customers under this business comprise gaming and hotel brands, education institutions and banks and financial institutions, and most of them are existing or previous customers of our enterprise IT solutions business. We believe that customers under this business, including customers of our professional IT services, managed services and IT maintenance and consultancy services businesses, who had limited sourcing capability in hardware and software made procurement from us during the Track Record Period as they had confidence in our sourcing network and the reliability of our customer services based on their past experience and our word-of-mouth reputation in the market. In addition to enterprise IT solutions, our customers of our professional IT services business may also place separate purchase orders on a standalone basis for hardware and software products which are requested by them to fulfil their own business needs and such products are separate from those required for their enterprise IT solutions projects. By handling orders from customers under this business, we are able to foster ongoing business relationship with them and expand our source of revenue. Products sold under the resale business include laptops, licences for window operating system and third party software, which are ordered by customers for their own business needs. Upon receipt of a customer's purchase order, normally

we will place a back-to-back purchase order to the suppliers. In some cases when the order of hardware is in bulk, our customers may also require us to provide initial installation, set-up or deployment services to them.

Operational flow of our distribution and resale businesses

The diagram below illustrates the workflow of our distribution business:



Identification and sourcing of system vendors

Under our distribution business, the products sold by us are much determined based on the specific requests and needs of the end-users. Hence, it is fundamental for us to keep abreast of the general and latest market trend as well as the procurement needs and preferences of the end-users. Our sales department is responsible for maintaining regular and close contacts with our customers whom in turn directly interact with the end-users and to us their needs and preferences. We actively approach the relevant system vendors, with a focus on mobility and security related hardware and the associated system, after understanding the market trend and the procurement need and requirement of our customer to get hold of their latest product portfolios and seek cooperation opportunities. When there is a potential brand or product which we consider is of market interest and potential, we will liaise with the system vendor for the authorised distribution right. To become an authorised distributor, our technical team attend the trainings and examination requested and provided by the system vendor and obtain requisite certifications. Given our strategic focus on mobility and security related brands, our staff are generally well equipped with the specific and necessary technical qualifications and knowledge in relation to a range of related products. Our business relationship with system vendors is governed by the distribution agreement entered into with them. For the salient terms of such agreement, see "Our Major Suppliers — Key terms for the agreements with system vendors — Distribution agreement" in this section.

Pre-sales activities

As an authorised distributor, we undertake an obligation to promote and market the products supplied by the system vendors, including proposing and initiating promotional activities for approval by them, providing training and demonstration and introduce relevant new products to customers. During the quotation process and as a value-added authorised distributor, we may also be requested to provide technical advice, presentations, training and demonstrations on the features and uses of the products to the customers or users.

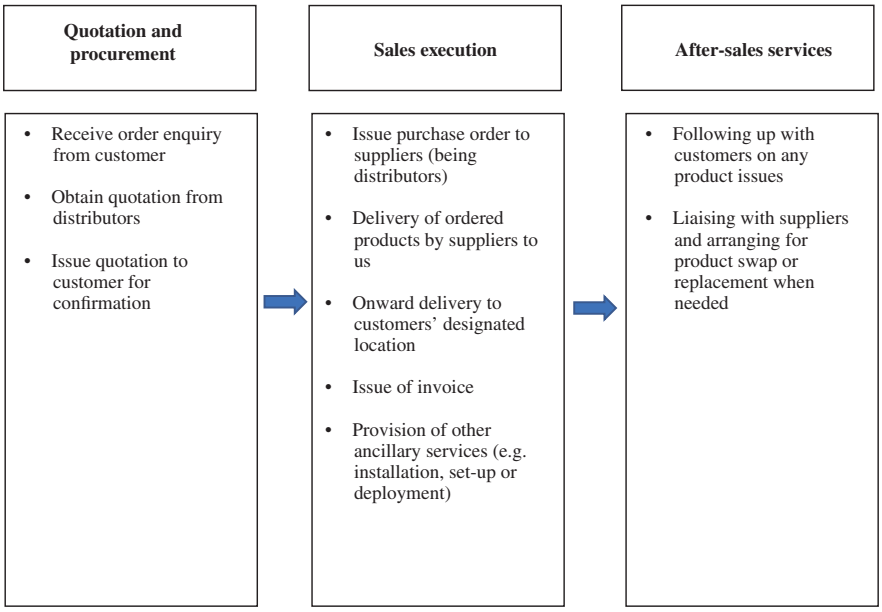
Quotation, procurement and sales execution

Once we have received an order enquiry or purchase request from our customers, we will normally seek quotation from the supplier of the corresponding products and provide price quotation to our customers. Upon confirmation of the price quotation by our customers, we place purchase order to our supplier mainly via their online system or through e-mail. After placing of purchase order, our supplier would provide us with a product delivery schedule and we monitor and follow up with the delivery status of the ordered products accordingly. Our supplier will arrange product delivery to the third-party warehouse leased by us. We will then deliver the products either directly to our customers or to the places designated by our customers. We normally issue invoice to them at the same time of delivery.

After-sales services

As we are the authorised distributor of hardware and the associated systems, we are generally responsible for ensuring that the products sourced conform to the requirements of our customers and following up with the system vendors for any faulty or defective products. The products are generally purchased by our customers with the standard warranty provided by the system vendors. In case if our customers notify us that any of the product is faulty or defective upon arrival, we assist in reporting the incident to the system vendor and arranging for any product return and/or replacement. We may also provide onsite support to our customers or to the end-users on a case-by-case basis.

The diagram below illustrates the workflow of our resale business:



Under our resale business, when we receive order enquiry from our customer, we obtain quotation from the relevant authorised distributor. We issue price quotation to our customer for confirmation and simultaneously place purchase order to the authorised distributor. Upon receiving the products delivered by the authorised distributor, we arrange delivery of products to the location designated by our customer and we may, on a case-by-case basis and upon the request of our customer, provide ancillary services such as hardware installation, system set-up or software deployment. We also provide certain after-sales services, including following up with customers on product issues such as usage problem and liaising with the authorised distributor for product exchange. Therefore, we consider ourselves being the principal to the transaction.

Business risks of our distribution and resale businesses

Given the difference in nature of our distribution and resale businesses and in view of their respective operational workflow as described above, we are subject to different levels of business risks in the following key aspects:

Flexibility in taking product orders

Under our distribution business, we are generally governed by the distribution agreements entered into with system vendors as to the type of products and regions which we are authorised to distribute and sell. Also, we may lose existing customers if they switch to using products of system vendors of whom we are not an authorised distributor.

Under our resale business, we purchase hardware and software from upstream suppliers for onward sale to our customers based on their purchase orders. We have a greater flexibility in taking product orders under our resale business and may source hardware and software from different distributors.

Flexibility of source of supply

We normally issue purchase order to the relevant system vendors when we receive an order enquiry from our customers under our distribution business. While such product supply is generally stable, in the case if there is a shortage of supplies from the system vendor, there may not be alternative products available of which we are authorised to distribute and sell as replacement. Also, we may have to purchase products from our system vendors in advance in view of the expected shortage of supplies in order to reduce the lead time for fulfilling anticipated demands of our customers, and this may in turn subject us to a higher level of inventory risk.

For our resale business, if there is a shortage of product supply, we may liaise with our customers to source products from alternative supplier and obtain quotation accordingly. Given the nature of products sourced by our customers under our resale business, such as laptops and third party software and licences, replacement products are generally more readily available and we have more flexibility in sourcing the supply.

Flexibility on product pricing

Under our distribution business, system vendors normally provide us with suggested price of its products and we may set the selling price above or below the suggested price by reference to our target profit margin and any other restriction or covenant relating to pricing that we may need to observe. Therefore, we may not have a high degree of flexibility in setting the selling price. For further details, see "Pricing Strategy — Distribution and resale businesses" in this section.

Under our resale business, we also charge our price on a cost-plus basis but we are relatively flexible in terms of setting product price.

Availability and level of after-sales services

As discussed in the paragraph headed "Operational Flow of our distribution and resale businesses" above, in case if there is any product issue under our distribution and resale businesses, we follow up the same with our customers and liaise with the suppliers (being system vendors under the distribution business and distributors under the resale business) accordingly for product swap or replacement. The level of business risks that we are subject to under our distribution and resale business are similar in this regard.

OUR PROJECTS

Number of contracts awarded

The table below sets out the number of contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) which were awarded to us, in terms of the range of contract value, and the revenue recognised under such contracts during the Track Record Period:

	FY2019			FY2020			FY2021		
Awarded contract value	**No. of contract awarded** *(Note)*	**Revenue recognised during the year**	**% to total revenue**	**No. of contract awarded** *(Note)*	**Revenue recognised during the year**	**% to total revenue**	**No. of contract awarded** *(Note)*	**Revenue recognised during the year**	**% to total revenue**
		(HK$'000)			*(HK$'000)*			*(HK$'000)*	
HK$1,000,000 or above	50	220,775	43.9	62	169,083	35.6	65	188,251	35.2
HK$500,000 to HK$1,000,000	45	23,058	4.6	43	25,255	5.3	62	27,130	5.1
Below HK$500,000	728	30,816	6.1	1,517	36,104	7.6	1,052	49,891	9.3
Total	823	274,650	54.6	1,622	230,443	48.5	1,179	265,272	49.6

Note: The contract may cover one or more than one type of enterprise IT solutions services provided by us.

Breakdown of revenue by completed and ongoing contracts

The table below sets out the breakdown of our revenue and number of contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) by status during the Track Record Period:

	FY2019		FY2020		FY2021	
	No. of contracts completed or in progress	Revenue recognised for the year	No. of contracts completed or in progress	Revenue recognised for the year	No. of contracts completed or in progress	Revenue recognised for the year
		(HK$'000)		*(HK$'000)*		*(HK$'000)*
Completed	717	90,590	1,433	36,331	1,140	69,668
In progress	867	239,037	1,056	292,282	1,095	325,296
Total	1,584	329,628	2,489	328,613	2,235	394,964

The number of completed contracts of enterprise IT solutions in FY2020 has increased from 717 in FY2019 to 1,433 in FY2020. However, the revenue recognised from completed contracts in FY2020 amounted to HK$36.3 million, as compared to HK$90.6 million for FY2019. This was attributable to (i) the fact that most of the contracts completed for FY2020 were small-sized contracts with awarded contract value of below HK$500,000; and (ii) the status of performance of certain contracts were reaching the end of the respective project cycle in FY2020 with only insignificant amount of remaining contract value.

Breakdown of contracts by solutions and services type

The table below sets out the movement of the number of our enterprise IT solutions contracts (in progress) by solutions and services type during the Track Record Period:

	FY2019			FY2020			FY2021		
	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services
Number of contracts as at 1 January of the relevant year *(Note 1)*	275	1	485	364	7	496	495	15	546
Number of new contracts awarded during the year	268	13	542	263	27	1,332	235	53	891
Number of contracts completed during the year *(Note 2)*	(179)	(7)	(531)	(132)	(19)	(1,282)	(308)	(42)	(790)
Number of contracts as at 31 December of the relevant year *(Note 3)*	364	7	496	495	15	546	422	26	647
		Total	867		**Total**	1,056		**Total**	1,095

Notes:

1. The number of contracts where the percentage of completion had not reached 100% as at the beginning of the relevant year.

2. The number of contracts where the percentage of completion had reached 100% during the relevant year.

3. The number of contracts where the percentage of completion had not reached 100% as at the end of the relevant year.

4. Save for the managed services project for Customer E (see "Top 10 projects on hand" below), the Cotai Casino Expansion Project awarded by Customer D in FY2020 and the managed services project for Customer N awarded in FY2019 which were constituted by more than one contract, all of our projects of enterprise IT solutions as indicated in the above table were constituted by one contract as awarded by the relevant customer.

Top five projects

The following tables set out the details of our top five projects of enterprise IT solutions (constituted by one or more than one contract on the same subject matter awarded by the same customer) in terms of revenue recognised under the relevant contracts for the relevant year mentioned below. For illustrative purpose, any project which has been a top five project in any financial year during the Track Record Period will not appear again on the list of top five projects for the subsequent financial year(s):

FY2019

Rank	Areas of services covered	Customer	Location	Project period (month)	Awarded contract amount	Revenue recognised in FY2019	Revenue recognised in FY2020	Revenue recognised in FY2021	Total	Month and year of completion/ expected completion
					(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*		
1.	Professional IT services — system infrastructure & cybersecurity, for a casino operator *(Note 1)*	Customer F	Cotai	44	82,357	54,248	13,821	13,252	81,321	November 2022
2.	Professional IT services — total professional IT services solution, for an integrated resort operator *(Note 2)*	Customer G	Cotai	75	74,929	51,261	11,334	8,484	71,079	August 2025
3.	Professional IT services — data networking, for an integrated resort operator *(Note 3)*	Customer E	Cotai	52	21,720	12,720	5,108	1,577	19,405	September 2023
4.	Professional IT services — total professional IT services solution, for an entertainment and resort operator	Customer H	Macau peninsula	12	7,863	7,701	162	—	7,863	May 2020
5.	Professional IT services — virtualisation, for a casino operator	Customer F	Cotai	9	6,741	6,741	—	—	6,741	November 2019
					Total	**132,671**	**30,425**	**23,313**	**186,409**	

Notes:

1. This is the New Property SI Project.
2. This is the Resort Complex Project.
3. This is the Surveillance Network Project.

FY2020

Rank	Areas of services covered	Customer	Location	Project period (month)	Awarded contract amount	Revenue recognised in FY2019	Revenue recognised in FY2020	Revenue recognised in FY2021	Total	Month and year of completion/ expected completion
					(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	
1.	Managed services — managed IT infrastructure & cloud solutions, for an integrated resort operator *(Note 1)*	Customer E	Cotai/Hong Kong	60	62,806	—	21,035	20,008	41,043	December 2025
2.	Professional IT services — system infrastructure, for an integrated resort operator *(Note 2)*	Customer D	Cotai	Not specified *(Note 2)*	118,949	5	20,091	92,364	112,455	Not specified *(Note 2)*
3.	Professional IT services — data networking, for an integrated resort operator	Customer D	Cotai	21 *(Note 3)*	14,028	—	10,491	2,954	13,445	March 2022 *(Note 3)*
4.	Professional IT services — system infrastructure and data networking, for an IT company in Hong Kong	Customer B	Cotai	3	8,491	—	8,491	—	8,491	April 2020
5.	Professional IT services — system infrastructure and data networking, for an IT company in Hong Kong	Customer B	Cotai	3	7,886	—	7,886	—	7,886	April 2020
					Total	**5**	**67,994**	**115,326**	**183,320**	

Note:

1. During FY2021, one additional contract with contract value of HK$5.8 million was entered into with Customer E for the managed IT infrastructure and cloud solutions project.

2. This is the Cotai Casino Expansion Project. During FY2021, 10 additional contracts with total contract value of HK$103.2 million were entered into with Customer D for the Cotai Casino Expansion Project (and such contract value has been reflected in the awarded contract amount in the above table). The project period and expected completion are not available as at the Latest Practicable Date as they are subject to further discussion between our Group and Customer D.

3. The project was completed by March 2022 and the awarded contract amount has been recognised in full.

FY2021

Rank	Areas of services covered	Customer	Location	Project period (month)	Awarded contract amount	Revenue recognised in FY2019	Revenue recognised in FY2020	Revenue recognised in FY2021	Total	Month and year of completion/ expected completion
					(HK$'000)	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	
1.	Professional IT services — data networking, for an integrated resort operator	Customer E	Cotai	36	67,510	—	—	36,048	36,048	August 2024
2.	Professional IT Services — system infrastructure, for a software development company	Customer O	Cotai	11	12,221	—	—	12,141	12,141 *(Note 1)*	December 2021
3.	Maintenance services, for an integrated telecommunications service provider	Customer N	Cotai	37	12,457	—	2,076	4,152	6,228	June 2023
4.	Professional IT Services — data networking, for an integrated resort operator	Customer M	Macau Peninsula	9	4,199	—	—	4,129	4,129 *(Note 1)*	September 2021
5.	Professional IT Services — system infrastructure, for a marketing company	Customer S	N/A *(Note 2)*	10	3,488	—	—	3,425	3,425 *(Note 1)*	October 2021
					Total	**—**	**2,076**	**59,895**	**61,971**	

Notes:

1. For completed contracts of enterprise IT solutions with total revenue recognised amount during the Track Record Period less than the awarded contract amount, the difference is primarily due to the revenue derived from the provision of post-sales maintenance and support services within the contract warranty period, which may be recognised on a gross or net basis (being the gross or net amount earned as commission from goods sold or services provided). In determining whether revenue of our Group should be reported gross or net, a continuing assessment of various factors shall be made based on and in accordance with the requirements as set out in *IFRS 15 Revenue from Contracts with Customers*. When determining whether our Group is acting as the principal or agent in offering goods or services to our customers, our Group needs to first identify who controls the specified goods or services before they are transferred to the customers. Our Group is regarded as a principal if we obtain control of any of the followings: (i) a good or another asset from the other party that our Group transfers to the customer; (ii) a right to a service to be performed by other party, which gives our Group the ability to direct that party to provide the service to the customer on our Group's behalf; (iii) a good or service from the other party that our Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when our Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, our Group records revenues on a gross basis. Otherwise, our Group records the net amount earned as commission from goods sold or services provided.

   Based on the above, for the post-sales maintenance and support services that are provided by system vendors under the back-to-back warranties instead of by our Group, our Group would be regarded as a non-primary obligor for the provision of such services and the corresponding revenue is recognised on a net basis.

2. This project relates to the design and development of an online purchase platform for Customer S and as such, there is no project location.

Movement of backlog

The following table sets out the movement of backlog (representing our estimate of the contract value of work remains to be completed as at a certain date) of our contracts of enterprise IT solutions (with breakdown by contracts for the provision of professional IT services, managed services and maintenance services) during the Track Record Period:

	FY2019			FY2020			FY2021		
	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services	Professional IT services	Managed services	Maintenance services
		(HK$'000)			*(HK$'000)*			*(HK$'000)*	
Opening value of backlog as at 1 January of the relevant year	49,751	339	70,579	126,670	3,578	78,647	96,885	50,808	113,111
Contract value of new contracts awarded during the year	370,987	5,065	41,802	219,147	76,797	84,576	320,118	29,345	55,175
Revenue recognised during the year	(294,068)	(1,826)	(33,734)	(248,932)	(29,568)	(50,113)	(289,223)	(35,353)	(70,388)
Closing value of backlog as at 31 December of the relevant year	126,670	3,578	78,647	96,885	50,808	113,111	127,780	44,799	97,898
		Total	208,896		**Total**	260,804		**Total**	270,477

Subsequent to 31 December 2021 and up to the Latest Practicable Date, we had secured 353 new contracts of enterprise IT solutions (including contracts for the provision of professional IT services, managed services and maintenance services) with a total awarded contract value of HK$105.2 million, and we recognised revenue from completed contracts or contracts in progress in the amount of HK$128.7 million for the same period. As at the Latest Practicable Date, we had a total of 1,040 contracts of enterprise IT solutions and a closing value of backlog of HK$247.0 million.

Top 10 projects on hand

As at the Latest Practicable Date, we had a total of 1,040 contracts of enterprise IT solutions on hand, with an estimated closing value of backlog in the amount of HK$247.0 million. The table below sets out the details of our top 10 projects of enterprise IT solutions (constituted by one or more than one contract on the same subject matter awarded by the same customer), which accounted for 48.9% of the estimated closing value of backlog of our contracts of enterprise IT solutions as at the Latest Practicable Date:

Rank *(Note 1)*	Areas of services covered	Customer	Location	Project period	Project duration	Awarded contract amount	Closing value of backlog as at the Latest Practicable Date	Estimated revenue to be recognised *(Note 2)*				
								From 22 June to 31 December 2022	For the financial year ending 31 December 2023	For the financial year ending 31 December 2024	For the financial year ending 31 December 2025	For the financial year ending 31 December 2026
					(months)	*(HK$'000)*	*(HK'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*	*(HK$'000)*
1.	Professional IT services — data networking and maintenance services, for an IT services provider	Customer C	Macau Peninsula	January 2022 to December 2023	24	29,810	29,810	26,829	2,981	—	—	—
2.	Managed services — managed IT infrastructure & cloud solutions, for an integrated resort operator	Customer E	Cotai/Hong Kong	January 2021 to December 2025	60	62,806	17,509	2,497	4,994	4,994	5,025	—
3.	Full professional IT services	Zhuhai Art College	Zhuhai	January 2022 to December 2025	48	17,400	17,400	5,040	10,620	870	870	—
4.	Professional IT services — data networking, for an integrated resort operator	Customer E	Cotai	September 2021 to August 2024	36	67,510	17,254	13,502	1,876	1,876	—	—
5.	Professional IT services — data networking and maintenance services, for an electricity supplier	Customer R	Macau Peninsula	May 2022 to December 2025	44	19,599	14,783	13,305	493	493	493	—
6.	Maintenance services, for an electricity supplier	Customer R	Macau Peninsula	January 2022 to December 2024	36	7,299	6,082	1,216	2,433	2,433	—	—
7.	Managed services — managed printing, for a casino operator	Customer F	Cotai	June 2020 to May 2025	60	11,404	5,906	685	1,846	1,846	1,442	86
8.	Professional IT services — data networking and maintenance services, for an electricity supplier	Customer R	Macau Peninsula	April 2022 to December 2025	45	4,337	4,321	3,673	216	216	216	—
9.	Maintenance services, for an integrated telecommunications services provider.	Customer N	Cotai	June 2020 to June 2023	37	12,457	4,152	2,076	2,076	—	—	—
10.	Professional IT services — total professional IT services solution *(Note 3)*, for an integrated resort operator	Customer G	Cotai	June 2019 to August 2025	75	74,929	3,542	753	929	929	929	—
					Total	307,551	120,761	69,578	28,464	13,657	8,975	86

Notes:

1. The top 10 projects are ranked based on the estimated closing backlog value as at the Latest Practicable Date. Save for the managed services project for Customer E which were constituted by more than one contract, all of our projects of enterprise IT solutions as indicated in the above table were constituted by one contract as awarded by the relevant customer.
2. The estimated revenue is made based on our best estimation based on factors including the date(s) specified in the relevant contracts and internal historical statistic data of revenue recognition.
3. This is the Resort Complex Project.

SALES AND MARKETING

Our sales and pre-sales teams

Our sales teams are responsible for identifying new business opportunities as well as establishing and maintaining relationships with our customers. As at 31 December 2021, we had two sales teams in Macau with a total of seven account managers under our sales department. We also have a sales team in Hong Kong comprising 11 members as at 31 December 2021 handling customers of our distribution business.

Each account manager under our enterprise IT solutions business is generally responsible for taking care of key customers, ensuring a high level of customer engagement and responsiveness to customers' feedback. Due to the nature of our business, we require our account managers not only to possess sales and marketing and customer service-related experience, but also in-depth IT product knowledge and related technical skills. Apart from providing services to customers in response to their requests, our account managers also follow up with our customers upon expiry of any of their retainer engagement with us, such as renewal of any professional maintenance and support services.

Apart from our sales teams, under our enterprise IT solutions business, our pre-sales team from the Business Consultation Department would also be engaged to get in touch with our customers and they have a very high level of and early involvement during the entire project phase. They, together with the account managers, work jointly with our customers on systems design and development and provide advice to customers on procurement of hardware and associated systems and system integration. See also "Our Principal Business — Operational flow of our professional IT services and managed services — Pre-sales and project origination" in this section for further details of the coordination of our sales and pre-sales team since origination of an enterprise IT solutions project.

For our distribution and resale businesses, our sales team is responsible for closely following up with customers' orders and maintaining regular contacts with them, offering logistics, procurement, customer relationship and technical support services, and is the main contact point between the system vendors and our customers. Over the years, through the efforts of our sales team, we have successfully developed solid relationships with our major customers and word-of-mouth reputation in the industry. On the other hand, our sales personnel are seen as an important sales window of the system vendors in introducing, promoting and recommending their products to suitable customers.

Tenders submission

In case where we are required to submit tender to secure a contract, in preparing a submission for tender, our account managers, who are responsible for the overall tender submission process and overseeing the coordination between different departments and business units, would first prepare and compile the relevant corporate or administrative documents, such as business registration and any specific qualification certificates obtained by us, according to the requirements of our customers and the tender specifications. Based on the proposed project design, our account managers would obtain fee quotes from the system vendor(s) or their authorised distributor(s) for procuring the relevant hardware and associated system.

Our pre-sales team, who is generally responsible for overseeing the technical aspects of an enterprise IT solutions project, would liaise and communicate with other relevant departments and business units, and come up with a proposed design and layout of the IT infrastructure or system, the underlying solutions and service scope for inclusion in the tender submission documents. In general, a bill of materials listing out all the hardware and associated systems required and their related costs, a scope of work detailing the services to be provided as well as a set of payment terms are provided as part of the tender documents to be submitted to the potential customer for consideration. In case we are required to perform demonstration or presentation of our solution proposal as part of the tender submission process, we would involve our solution architects in delivering the demonstration and presentation.

Our market activities

Apart from the daily efforts of our sales teams, we from time to time organise online product briefings, seminars and presentations to our customers as part of our marketing activities. We have an annual full-day marketing event in Macau, the "Solution Day", during which we would introduce to the participating customers and system vendors the latest integrated IT solutions to be rolled out by us in the coming year. We also organise product launch, workshop, seminar or luncheon events jointly with system vendors at which various products or pipeline events are showcased with live demonstrations to promote our business, product and service offerings and enhance our corporate image.

During the Track Record Period, our selling and distribution expenses amounted to HK$15.3 million, HK$16.4 million and HK$18.7 million, respectively, representing 3.0%, 3.4% and 3.5% of our total revenue during the respective periods.

OUR MAJOR CUSTOMERS

During the Track Record Period, we had over 330, 340 and 370 customers, respectively, among which over 230 customers each year during the same periods were recurring customers (i.e. customers which engaged us to provide the solutions and services or purchased from us for more than one financial year during the Track Record Period).

By customer nature, under our enterprise IT solutions business, customers are mainly end-users located in Macau. We also provide services and solutions to intermediaries such as solution companies which outsource the relevant work to us. Our customer portfolio include renowned companies in TMT sector, leading gaming and hotel brands, governmental bodies, education institutions, banks and financial institutions and other commercial customers. Under our distribution business, by customer nature, customers are mainly intermediaries such as downstream solution providers or resellers located in Hong Kong. Under our resale business, our customers are mainly end-users located in Macau, and most of them are existing or previous customers of our enterprise IT solutions business.

As we are also engaged to provide IT maintenance services by customers of our distribution business and customers of our IT maintenance services may place separate purchase order for hardware and software products under our resale business, certain customers of our IT maintenance and consultancy services business were also customers under our distribution and resale businesses; and they contributed 93.7%, 91.4% and 87.9% of the total revenue of our IT maintenance services business and 88.8%, 93.6% and 84.1% of the total revenue of our distribution and resale businesses (and 95.9%, 95.3% and 94.1% of the total revenue of our

distribution business; and 75.4%, 88.5% and 58.7% of the total revenue of our resale business) during the Track Record Period. For further details, see "Our Principal Business — Enterprise IT solutions business — IT maintenance and consultancy services" in this section.

As discussed in the paragraph headed "Our Business Model — Distribution and resale businesses" under this section, customers of our professional IT services and managed services businesses may also place separate orders on a standalone basis for hardware and software products which are requested by them to fulfil their own business needs. As such, certain of our customers of our professional IT services were also customers of our resale business; and they contributed 95.5%, 93.3% and 91.3% of the total revenue of our professional IT services business and 30.4%, 24.3% and 15.7% of the total revenue of our distribution and resale businesses (and 88.0%, 94.2% and 55.4% of the total revenue of our resale business) during the Track Record Period. Customers of our managed services business who were also customers of our resale business contributed 25.6%, 94.1% and 95.2% of the total revenue of our managed services business and 1.9%, 8.1% and 6.6% of the total revenue of our distribution and resale businesses (and 5.6%, 31.2% and 23.1% of the total revenue of our resale business) during the Track Record Period. During the Track Record Period, none of the customers of our distribution business were also customers of our professional IT services business and managed services business.

The table below sets out a breakdown of our revenue by industry sector of our customers for the indicated periods:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Banks and Financial Institution	26,852	5.3	45,693	9.6	35,931	6.7
Gaming and Hospitality	183,507	36.5	159,413	33.5	222,037	41.6
Education	17,255	3.4	12,481	2.6	12,172	2.3
Government	36,111	7.2	49,761	10.5	67,441	12.6
TMT *(Note 1)*	219,148	43.6	187,539	39.5	175,753	32.9
Others *(Note 2)*	19,869	4.0	20,421	4.3	20,968	3.9
Total	502,742	100.0	475,308	100.0	534,302	100.0

Notes:

1. "TMT" refers to (i) solution companies which outsource the relevant work to us under our enterprise IT solutions business; (ii) downstream solution providers and resellers under our distribution business; and (iii) telecommunication companies which are end-users of our services or products.

2. "Others" mainly comprise companies in utility, transportation, retail, aviation, construction and other industries.

As illustrated in the above table, the revenue contribution by customers in the gaming and hospitality sector increased from 33.5% for FY2020 to 41.6% for FY2021. Such increase was mainly caused by the Cotai Casino Expansion Project, which is a project awarded by Customer D in relation to the design and deployment of data network infrastructure and surveillance network extension for an integrated resort. For details of this project, see "Our Projects — Top five projects" in this section.

Notwithstanding the above, we have been able to maintain a diversified customer base and source of revenue, as certain of our five largest customers during the Track Record Period are not from the gaming and hospitality sector, including Customer A, Customer C and Customer T. For details, see "Our Major Customers" in this section. Out of our top five projects for FY2020 and FY2021, two and three of them, respectively, are contracts signed with customers not engaged in

the gaming and hospitality sector. For details, see "Our Projects — Top five projects" in this section. Also, apart from the provision of enterprise IT solutions, we have been engaging in the distribution and sale of mobility and security hardware and system to customers in Macau and Hong Kong during the Track Record Period and do not rely on a single revenue source. See also "Our Principal Business — Distribution and resale businesses" in this section for further details.

While we take pride in our ability to deliver solutions to renowned customers such as customers in the gaming and hospitality sector, the skill sets and experience of our technical staff and the equipment required for delivering the services are not very different from those required for customers in other industry sectors or can be adapted to cater for the specific requirements of our customers from time to time. As such, should there be any material adverse change in the business condition of a particular customer or group of customers engaging in a particular sector, leveraging on our reputation, proven track record and business connection with our major customers, we are confident that we would still be able to effectively seek for new business opportunities from existing or potential customers engaging in the same or other industry(ies), thereby minimising any impact on or interruption to our business operation. Our Directors are of the view that our business is resilient to different economic cycle and is sustainable as evidenced by our relatively stable financial performance during the Track Record Period and our solution offering can be flexibly adapted with reference to change in market condition from time to time.

The table below sets out a breakdown of our revenue by the geographical locations (as determined by the country of domicile in which our Group operates) for the indicated periods:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Macau	396,021	78.8	349,856	73.6	405,459	75.9
The PRC	—	—	51	0.0	241	0.0
Hong Kong	106,721	21.2	125,401	26.4	128,602	24.1
Total	502,742	100.0	475,308	100.0	534,302	100.0

The table below sets out a breakdown of our revenue by customer nature for the indicated periods:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
End-users	305,172	60.7	342,632	72.1	369,177	69.1
Intermediaries	197,570	39.3	132,676	27.9	165,125	30.9
Total	502,742	100.0	475,308	100.0	534,302	100.0

Revenue from (i) our five largest customers in each year during the Track Record Period collectively accounted for 54.9%, 42.3% and 47.4% of our total revenue during the relevant year, respectively; and (ii) our largest customer in each year during the Track Record Period accounted for 14.8%, 13.0% and 22.1% of our total revenue during the relevant year, respectively. We have established stable business relationship with our major customers and have had business relationship with our five largest customers during the Track Record Period from two to over 10 years.

The following tables set out the information about our five largest customers for the indicated periods:

FY2019

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue
						(HK$'000)	
Customer C. . .	Reseller & end-user	See Note 3	Total professional IT services solutions	2012	30 days	74,413	14.8%
Customer F . .	End-user	See Note 6	Total professional IT services solutions	2013	30 days	62.063	12.3%
Customer A. . .	Reseller & end-user	See Note 1	Professional IT services solutions — cybersecurity and data networking	2013	30 days/ 45 days	52,542	10.5%
Customer G. . .	End-user	See Note 7	Total professional IT services solutions & Managed services — managed security	2019	30 days	52,375	10.4%
Customer D . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	34,830	6.9%
						276,223	**54.9%**

FY2020

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue
						(HK$'000)	
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	61,758	13.0%
Customer C. . .	Reseller & end-user	See Note 3	Professional IT services solutions — data networking and virtualisation	2012	30 days	39,029	8.2%
Customer E. . .	End-user	See Note 5	Total professional IT services solutions & Managed services — managed IT infrastructure & cloud solutions	2013	30 days	36,707	7.7%
Customer F. . .	End-user	See Note 6	Professional IT services solutions — cybersecurity, system infrastructure and virtualisation	2013	30 days	35,125	7.4%
Customer A	Reseller & end-user	See Note 1	Professional IT services solutions — cybersecurity and data networking	2013	30 days/ 45 days	28,488	6.0%
						201,107	**42.3%**

FY2021

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue
						(HK$'000)	
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	118,127	22.1%
Customer E. . .	End-user	See Note 5	Total professional IT services solutions & Managed services — managed IT infrastructure & cloud solutions	2013	30 days	61,783	11.6%
Customer A. . .	Reseller & end-user	See Note 1	Data networking maintenance service	2013	30 days/ 45 days	39,346	7.4%
Customer F. . .	End-user	See Note 6	Professional IT services solutions — cybersecurity, system infrastructure and virtualisation	2013	30 days	18,690	3.5%
Customer T . .	Reseller & end-user	See Note 13	Cybersecurity solution, data networking hardware and maintenance service	2011	30 days	15,201	2.8%
						253,147	**47.4%**

Among our five largest customers during each year of the Track Record Period, Customer D, Customer E and Customer F (or their subsidiaries, as appropriate) are companies out of the six enterprises licensed, through concession or sub-concession, to operate casinos in Macau; and their concession status will expire in December 2022. These customers are globally renowned casino and hotel brands with listed company statuses, and they in aggregate accounted for 22.5%, 28.1% and 37.2% of our total revenue for FY2019, FY2020 and FY2021, respectively. Notwithstanding that their concession status will expire in December 2022 and thereafter the concession may be reopened for public tendering, our Group did not experience any material change in business relations with these customers subsequent to 31 December 2021 and up to the Latest Practicable Date nor was there a material decline in their revenue contribution to our Group for FY2020 and FY2021.

While the result of the bidding process for the gaming concession is beyond the control of our Group, the overall demand for the IT solutions services in our Group's target market is still sufficient as evidenced by (i) the growth in the public sector of the IT solutions market in Macau, from MOP569.1 million in 2016 to MOP613.5 million in 2019 and the growth in the private sector from MOP1,067.5 million in 2016 to MOP1,337.3 million in 2019, according to Frost & Sullivan; and (ii) the improved financial performance of the gaming and hotel operators in Macau. Based on publicly available information, the gaming revenue of the concessionaires/sub-concessionaires generally recorded an increase for the six months ended 30 June 2021 as compared to the corresponding period in 2020, and we possessed solid competitive strengths to capture business opportunities whether or not there will be any material change in the gaming concessionaries after the expiry of the existing gaming concessions in Macau. For details of the growth in the public and private sector of IT solutions market in Macau, see "Industry Overview — Overview of IT Solutions Market in Macau and Greater Bay Area — Market Size of Macau IT Solutions Market by Sector" in this document.

The following tables set out the information about our five largest customers of our enterprise IT solutions business for the indicated periods:

FY2019

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our enterprise IT solutions business
						(HK$'000)	
Customer F. . .	End-user	See Note 6	Total professional IT services solutions	2013	30 days	61,022	18.5%
Customer G. . .	End-user	See Note 7	Total professional IT services solutions & Managed services — managed security	2019	30 days	51,302	15.6%
Customer C. . .	Reseller & end-user	See Note 3	Total professional IT services solutions	2012	30 days	50,194	15.2%
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	29,603	9.0%
Customer E. . .	End-user	See Note 5	Professional IT services solutions — system infrastructure and data networking & Managed services — managed IT infrastructure	2013	30 days	14,088	4.3%
						206,209	**62.6%**

FY2020

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our enterprise IT solutions business
						(HK$'000)	
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	57,203	17.5%
Customer F. . .	End-user	See Note 6	Total professional IT services solutions	2013	30 days	33,230	10.1%
Customer E. . .	End-user	See Note 5	Professional IT services solutions — system infrastructure and data networking & Managed services — managed IT infrastructure	2013	30 days	32,775	10.0%
Customer C. . .	Reseller & end-user	See Note 3	Total professional IT services solutions	2012	30 days	18,741	5.7%
Customer B. . .	Reseller & end-user	See Note 2	Total professional IT services solutions	2012	30 days	17,538	5.4%
						159,487	**48.7%**

FY2021

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our enterprise IT solutions business
						(HK$'000)	
Customer D. . .	End-user	See Note 4	Total professional IT services solutions	2010	30 days	116,045	29.3%
Customer E. . .	End-user	See Note 5	Total professional IT services solutions & Managed services — managed IT infrastructure & cloud solutions	2013	30 days	60,027	15.2%
Customer F. . .	End-user	See Note 6	Professional IT services solutions — cybersecurity, system infrastructure and virtualisation	2013	30 days	17,555	4.4%
Customer U. . .	End-user	See Note 14	Professional IT services solutions — system infrastructure	2018	45 days	13,245	3.3%
Customer N. . .	Reseller & end-user	See Note 12	Maintenance services	2017	30 days	12,980	3.3%
						219,852	**55.5%**

The following tables set out the information about our five largest customers of our distribution and resale businesses for the indicated periods:

FY2019

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our distribution and resale businesses
						(HK$'000)	
Customer A. . .	Reseller & end-user	See Note 1	Data networking hardware and maintenance service	2013	30 days/ 45 days	42,357	24.4%
Customer C. . .	Reseller & end-user	See Note 3	Data networking hardware and software and cybersecurity solution	2012	30 days	24,219	14.0%
Customer J . . .	Reseller & end-user	See Note 8	Cybersecurity hardware and software	2018	30 days	8,927	5.2%
Customer D. . .	End-user	See Note 4	Data networking hardware and software and maintenance service	2010	30 days	5,227	3.0%
Customer K. . .	Reseller & end-user	See Note 9	Server and maintenance service	2012	30 days	4,666	2.7%
						85,396	**49.3%**

FY2020

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our distribution and resale businesses
						(HK$'000)	
Customer A. . .	Reseller & end-user	See Note 1	Data networking hardware and maintenance service	2013	30 days/ 45 days	22,973	15.7%
Customer C. . .	Reseller & end-user	See Note 3	Cybersecurity solution, data networking hardware and maintenance service	2013	30 days	20,288	13.9%
Customer B. . .	Reseller & end-user	See Note 2	Cybersecurity solution and data networking hardware and software	2012	30 days	8,701	5.9%
Customer L. . .	Reseller & end-user	See Note 10	Cybersecurity solution and data networking hardware and software	2011	30 days	7,208	4.9%
Customer J . . .	Reseller & end-user	See Note 8	Cybersecurity solution	2018	30 days	4,719	3.2%
						63,889	**43.6%**

FY2021

Customer	Role of customer	Background	Major types of solutions, products and/or services provided by the Group	Business relationship since	Credit term	Revenue	Percentage of total revenue of our distribution and resale businesses
						(HK$'000)	
Customer A. . .	Reseller	See Note 1	Data networking maintenance service	2013	30 days/ 45 days	28,932	20.8%
Customer T. . .	Reseller & end-user	See Note 13	Cybersecurity solution, data networking hardware and maintenance service	2011	30 days	13,624	9.8%
Customer C. . .	Reseller & end-user	See Note 3	Cybersecurity solution, data networking hardware and maintenance service	2012	30 days/ 45 days	6,917	5.0%
Customer Q. . .	Reseller	See Note 11	Data networking hardware	2017	30 days	6,381	4.6%
Customer L. . .	Reseller & end-user	See Note 10	Cybersecurity solution	2011	30 days	5,172	3.7%
						61,026	**43.9%**

Notes:

1. Customer A is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange. The group engages in telecommunications, media, IT solutions, property development and investment, and other businesses.

2. Customer B is a group of companies whose parent company is a company listed on the Tokyo Stock Exchange. It engages in the provision of information and communication technologies and telecommunication network services in Hong Kong and Macau. As at 31 March 2021, its parent company has worldwide business operations with approximately 115,000 employees and 300 subsidiaries across the globe.

3. Customer C is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange. The group has operations spanning across Hong Kong, Singapore, Malaysia, the PRC and Macau and is a leading integrated telecommunication and technology solution provider.

4. Customer D is a company listed on the Main Board of the Stock Exchange. It is one of the three original gaming concessionaires to operate in Macau and engages in the business of resorts, hospitality and gaming, with approximately 17,700 employees in Hong Kong, Macau and the PRC according to its annual report for 2021.

5. Customer E is a company listed on the NASDAQ. Its subsidiary is one of six companies licensed, through concession or sub-concession, to operate casinos in Macau. It is a developer, owner and operator of integrated resort facilities in Asia and Europe with around 18,000 employees worldwide according to its annual report for 2021.

6. Customer F is a company listed on the Main Board of the Stock Exchange. It is one of the six companies authorised under the terms of concession granted by the Macau government to operate casinos and gaming area. It conducts casino gaming operations and gaming-related activities in Macau, with approximately 20,300 employees as at 31 March 2021.

7. Customer G is a developer of leisure and entertainment integrated resort facilities in Macau.

8. Customer J is a provider of IT security solutions and consultancy services in Hong Kong.

9. Customer K is a subsidiary of a company listed on the Main Board of the Stock Exchange. It is one of the leading integrated telecommunications services providers in Macau, offering a range of professional telecommunication services including mobile, fixed telephone network, broadband and enterprise solutions.

10. Customer L is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange. It engages in the sale of computer products and solutions and provision of IT hardware (including installation and maintenance services) and software services (including software development, consultancy and professional services).

11. Customer Q is a solution provider and system supplier in Hong Kong.

12. Customer N is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange. This group of companies primarily engages in the provision of wireline and mobile telecommunications services, internet access services, information services and other value-added telecommunication services in the PRC.

13. Customer T is a digital technology solution and managed service provider in Hong Kong.

14. Customer U is a regulatory institution in Macau which supervises monetary and financial operations.

15. All customers as stated in the above table were customers of both the enterprise IT solutions business as well as the distribution and resale businesses.

Under our enterprise IT solutions business, normally we are eligible to issue invoice only after we have fulfilled the relevant project milestones, and we generally grant our customers a credit period of up to 30 days from the date of issuance of our invoice. Under our distribution and resale businesses, we generally offer our customers a credit period of up to 30 days from the date of issuance of our invoice. The credit period we offered during the Track Record Period varied according to the nature of solutions or services provided or products sold, our pricing model, the credit profile of our customers, and the length of our relationship with them.

To the best of our Directors' knowledge, none of our Directors, their respective close associates of any Shareholder (which to the best of our Directors' knowledge owns 5% or more of the issued Shares as at the Latest Practicable Date) held any interest in any of our five largest customers during the Track Record Period. All of our five largest customers during the Track Record Period were and are Independent Third Parties.

Key terms and conditions of the agreements entered into with our major customers

Enterprise IT solutions business

Professional IT services

In case we need to go through the tendering process to secure a contract, we are required to submit the tender and technical proposals. Upon winning the tender, we will enter into a master agreement and/or statement of work setting out the detailed commercial terms of our services. For contracts which we are not required to go through the tendering process, we submit price quotation to the potential customers. Such quotation typically sets out the description, price and quantity of the hardware and/or the associated system required and the expected completion date. The customers would then counter-sign on the price quotation or sign the formal agreement to acknowledge their acceptance.

The summary of the salient terms of our formal agreements entered into with our major customers under this business during the Track Record Period are as follows:

Key terms		**Details**
Duration	:	From effective date of the agreement until termination Depending on the project scale, the duration of our projects during the Track Record Period generally ranged from one to three years
Project manager	:	A project manager representing us as supplier and customer, respectively, will be appointed
Pricing and adjustment mechanism (if any)	:	Prices are determined on a project-by-project basis and are generally not subject to further adjustment unless there is a material change in our work scope. The agreement may set out the price breakdown of hardware, software and annual maintenance and support services (during the warranty period) We are generally required by our customers to submit a price proposal setting out details of the different cost components of the project

Scope of work and specific requirements	:	Specific business, work and technical requirements for the project are set out by customers in their tender documents or requests for proposals. We will then submit the tender and technical proposals for customers' review and approval The agreement will then set out the customer business requirements, the agreed milestones, implementation plan and specific requirements such as service requirement, project management, project tasks, training and documentation requirements, technology requirements and technical task, and security requirements
Milestones schedule	:	The milestones set out the agreed project timeline within which we are required to complete the relevant project tasks and produce the required deliverables, failing which we will be subject to the late delivery penalty (expressed as a percentage of the total value of the deliverables or services)
Payment and credit term	:	Payments are generally made by stages according to project milestones, and the payment for each milestone varies for each project, subject to negotiation with our customers. For large-scale projects with customers in the gaming and hospitality sector, up to 60% to 80% of the total awarded contract value may only be payable after the user acceptance testing. During the Track Record Period, the period after project completion and before user acceptance testing generally ranged from seven weeks to 35 weeks. For large-scale projects with a longer project cycle, up to 10% of the total awarded contract value may be retained by customers as retention money until the end of the defects liability period, which may last for one year after project completion For projects with customers in the public sector, a deposit (in the range of 10% to 50% of the total awarded contract value) is typically collected by us upon the signing of the agreement Payment is by bank transfers and, in most cases, to be settled within 30 days from the end of the month (when the invoice is issued)

Quality assurance and acceptance	:	Upon the completion of project implementation, user acceptance testing would be performed to determine whether the relevant systems can perform and function according to the requirements and specifications and customers would complete a user acceptance form for us to acknowledge that they agree that the relevant systems have been implemented. Upon expiry of the initial warranty period, customers may elect to subscribe for and purchase extended maintenance and support services; see "Quality Control" in this section for further details In some cases, a nursing period may be provided to our customers, the terms of which are determined on a case-by-case basis
Delay in completion	:	We may be liable for payment of liquidated damages in case if there is any delay on our part (save for delays due to circumstances beyond our control) in project completion as agreed and scheduled; and the amount of liquidated damages are typically subject to a cap of not exceeding 10% of the total contract price
Compliance with laws	:	We are generally required by our customers to comply with relevant laws and regulations in respect of data protection and information privacy
Termination	:	Termination by giving prior written notice

Managed services

For the managed services provided by us during the Track Record Period, we were required to submit tender for the provision of such services and enter into a master agreement and/or statement of work with our customers upon winning of the tender.

The summary of the salient terms of our formal agreements entered into with our customers for the provision of services under this business during the Track Record Period are as follows:

Key terms		**Details**
Duration	:	From effective date of the agreement until termination Depending on the project scale, our projects for managed services during the Track Record Period generally ranged from one to five years
Project manager	:	A project manager representing us as the service provider and customer respectively will be designated and appointed

Scope of work and specific requirements or service level objectives	:	The contract sets out the detailed scope of work and services to be provided by us and our responsibilities. Depending on the type of managed services required, different service items would be included in our service scope. Deliverables such as incident report are also listed. Based on the managed services to be provided, different service level objectives are laid down in the contract (for example, response and restoration rate for resolving incoming enquiries and incident management and service reliability requirement) Any subsequent changes to the scope of work will be subject to negotiations between the parties and parties have to agree on the additional fees required for implementing the relevant changes
Payment and credit term	:	Fees are fixed according to the nature of the subscribed services, and the cost of any hardware, equipment and/or software leased to our customers (if applicable). For details on the types of fees we charge for different managed services, see "Pricing Strategy" in this section Payment by bank transfers and, in most cases, to be settled within 45 to 60 days from the end of the month (when the invoice is issued)
Quality assurance and acceptance	:	Upon completion of the services provided, a service completion certificate shall be issued for the customer to acknowledge their acceptance of the services provided. In the case if the completion of services is rejected, customers have to provide the details as to why the services provided do not conform with the scope of services, and any such non-conformance shall be addressed by corresponding action plans
Termination	:	Termination by giving no less than one month's prior notice
Buy-back option	:	In some cases, customers are given a buy-back option under the contract such that they may elect to buy-back the leased hardware from us and obtain ownership of all leased hardware when the contract is terminated at a pre-determined buy-back cost (which is generally a fixed percentage of the remaining contract amount). Contracts with buy-back options are generally classified as finance lease having considered the useful life of the leased hardware and the residual value

IT maintenance and consultancy services

For customers who engage us to provide extended or standalone maintenance and support or consultancy services on IT systems or applications that are built and developed by us or other third parties, a written service contract will be entered into with them. The salient terms of our service contracts entered into with our customers for the provision of services under this business during the Track Record Period are as follows:

Key terms		Details
Duration	:	A fixed service period which generally ranges from one to three years or a one-off contract for a particular task
Scope of work	:	The contract sets out the services scope provided by us, including the support hour and location coverage, the general types of services included, and other specific services upon request, such as spare IT parts swapping and call escalation support to system vendors
Excluded services	:	The contract lists out the services that are not typically included as part of our services, such as relocation, reconfiguration, or any device damage due to human or operational error or misuse
Payment and credit term	:	The agreement will set out a lump-sum or periodic service fee depending on the service provided. The payment is generally settled on a monthly basis by way of bank transfers (and due when the invoice is issued).
Maintenance support flow	:	A maintenance support flow diagram is usually included to illustrate the different tiers of support and support escalation offered by us. Emergency contact details and service hotline information are also provided
Penalty clause	:	A penalty clause may be included in some of the contracts for maintenance services, under which we will be subject to payment of a lump-sum penalty if we are not able to deliver the maintenance services within the stated support hours. The penalty lump-sum is generally calculated based on a fixed percentage of the total contract sum
Others	:	Specific details covering the models of the customers' IT devices to be covered under the contract, their network rack and a list of inventory are also set out under the contract

Distribution and resale businesses

Under this business, we provide price quotation to customers upon receiving their purchase request. The purchase is confirmed by way of issuing a purchase order, which sets out the description, price and quantity of the hardware and/or the associated system required and the expected delivery date, and no other written agreement is entered into between us and our customer.

Upon receipt of a customer's purchase order, we then place a back-to-back purchase order to the suppliers. For the terms of the agreement typically entered into between us and our suppliers under the distribution business, see "Our Major Suppliers — Key terms for the agreements with system vendors — Distribution agreement" in this section. Payment from our customers is generally settled within 30 days of the date of the issue of our invoice by way of bank transfer.

During the Track Record Period and up to the Latest Practicable Date, we were in material compliance with the terms of agreements or purchases (as the case may be) with our major customers, and we had not experienced any circumstances leading to early termination of the agreement or any material contractual disputes with or claims by our major customers.

PRICING STRATEGY

Enterprise IT solutions business

We generally adopt a cost-plus pricing approach and determine the price of our professional IT services, which are mainly project-based, by reference to an estimated cost of completing the project plus our targeted profit margin. We also take into account various factors in determining the project price, including (i) the scope and nature of work required to be done or provided; (ii) the complexity and technical requirements of the project; (iii) the costs of hardware and/or software; (iv) staff costs (and in particular, staff costs for our technical team and engineers); and (v) duration and scale of the project. We follow our internal approval procedures before we may provide our customers with a quotation for a specific project. Different levels of pre-approvals are required to be obtained by our account managers based on the total quotation amount under our internal approval procedures.

In case where we are required to submit a tender for a potential contract, we are often required to provide, as part of the tender proposal, a price proposal, which shall include a detailed breakdown of the materials and components required (for example, software licence fee, software maintenance and support fee, hardware cost, hardware maintenance and support fee, and professional service fee, etc.) and the estimated grand total project sum. Our account managers and pre-sales team are responsible for preparing such price proposal based on the work scope, technical requirements of the project, and major cost items such as costs of the hardware and/or associated system required, and staff costs. The project price is generally settled by our customers by stages according to the agreed milestone dates as set out in the relevant agreements. Our project manager is responsible for monitoring the various costs incurred by us at different stages of the project to minimise the risk of cost overruns. Unless our customers request for a material change in work scope of the project, in which case we will further negotiate and adjust the project price based on the revised work scope and requirements, the agreed project price is not generally subject to material subsequent adjustments. During the Track Record Period, we did not experience any material dispute with our customers on the project amount payable to us, including progress payment and final payment.

For managed services, the subscription fee we charge mainly comprises a lump-sum and/or periodic service fee and/or leasing fee. The amount and nature of such fees are generally determined with reference to the nature of services and the procurement cost of any hardware, equipment or software (if any) required to be leased to our customers during the service period. We also adopt a cost-plus approach with respect to the fees we charge under our managed services. For managed services which are charged based on actual usage, we have a billing system under which the actual usage of the relevant managed services by our customers is recorded on a real time basis and billed periodically. For our managed IT infrastructure services, payment is made by

stages according to a milestone payment schedule and such payments are determined with reference to both the capital cost and operating cost of the project and are fixed at the time of the signing of the formal agreement. For our managed printing services, a lump-sum fee is payable upon the set-up of the printing network and a fixed quarterly fee, comprising the hardware leasing fee and the fee for our managed services, is payable. For our managed security services, a fixed monthly fee is payable.

For IT maintenance and consultancy services, we adopt cost-plus approach and our service fee is generally determined with reference to the nature, level and scope of services, service duration and staff costs.

Distribution and resale businesses

Under our distribution business, after our customers have informed us of their orders or made purchase requests, our sales team will provide our price based on the quotation we obtained from our suppliers with our targeted profit margin and seek internal pre-approval, and we usually have to go through this price-setting procedure for every purchase order we received. Pursuant to the distribution agreement, the system vendor may provide the quotation in the form of suggested price of its products, and we may set the selling price above or below the suggested price by reference to our target profit margin and any other restriction or covenant relating to pricing we may need to observe. Such restrictions or covenants include specified product discounts to standard selling price which we may offer to our customers under our distribution business and prohibition against price gouging. We may be able to fix a price with a higher profit margin if higher level of value-added services is involved, such as our engineering and technical support team being required to provide advice to customers on product selection, delivering product demonstrations or presentations, or engaging in other pre-sales activities. In a majority of the cases, our targeted profit margin and the identity of customers are also communicated to the system vendors as we, as their authorised distributors, are required to observe certain restrictions or covenants such as suggested selling price and specified product discounts as mentioned above, sales targets or quotas and/or other standards set by them, and the level of our observance with these restrictions is one of our key performance indictors in their assessment. In the case if our proposed selling price set by our sales personnel is below our targeted profit margin threshold, we may not proceed with the said order without prior management approval. In most of the cases, as we will be delivering the products to our customers or to the end-users, our prices generally are inclusive of the delivery or transportation fee. See "Logistics and Delivery Arrangement" in this section for further details.

Under our resale business, we charge our price on a cost-plus basis, which is based on the quotation we obtained from our suppliers and our targeted profit margin. In the case if our customers also require us to provide installation, set-up or deployment services for their ordered products, we would discuss and negotiate the price we may charge for such services on a case-by-case basis. There is no restriction or covenant on the price of our products sold under our resale business.

Credit assessment

Our finance and administration department is responsible for monitoring the credit risks of our customers. It follows up and reports on the monthly overdue status of our customers to the management team. Regular meetings and reviews are held with the management team to review the payment status and progress and discuss customer's credit terms and limits. When payments from customers are long overdue, our finance and administration department will follow up with the customers by e-mails and phone. In cases where the overdue situation persists, we may consider taking legal actions to recover the amount due. Any write-off of trade receivables is subject to the approval of our financial controller and chief executive officer. Our sales department also performs reviews of the credit status and financial performance of new customers by reviewing their financial statements and reports.

During the Track Record Period, our average trade receivables turnover days were 77 days, 75 days and 97 days, respectively. As at 31 December 2019, 2020 and 2021, provisions for individually impaired trade receivables were HK$2.3 million, HK$2.3 million and HK$3.5 million, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in collecting receivables from our major customers when they fall due.

AFTER-SALES SERVICES AND WARRANTY

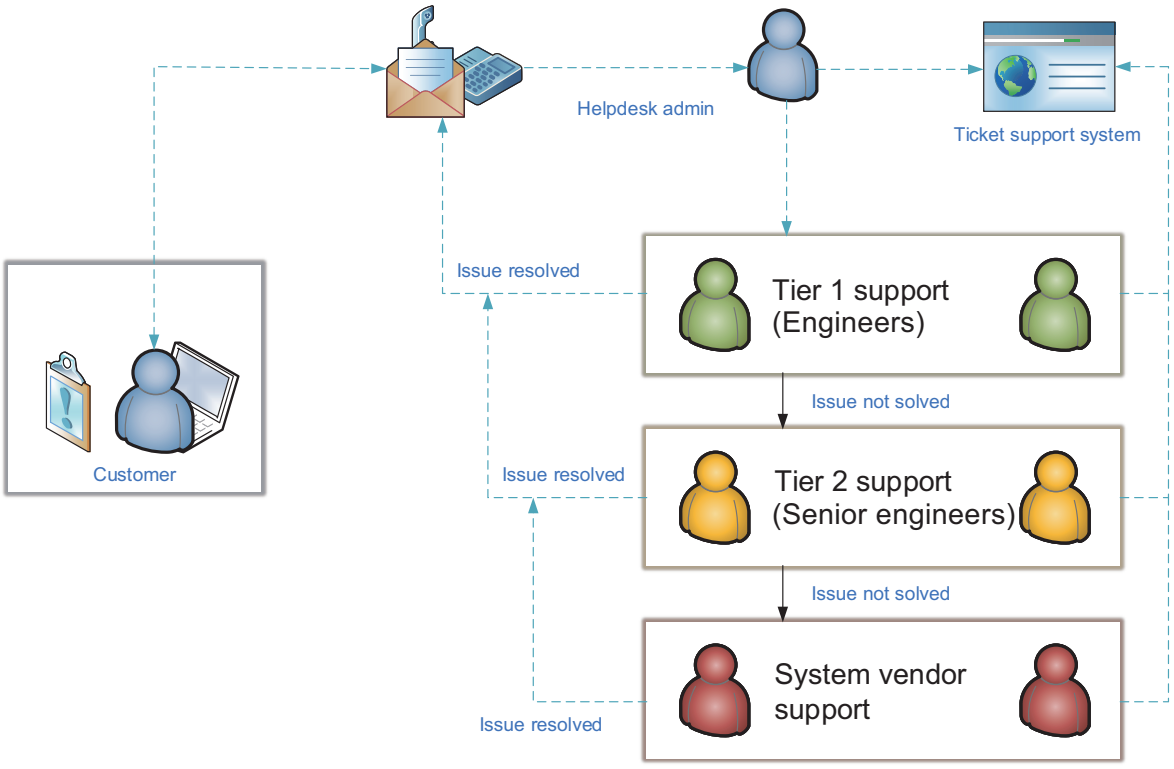
Enterprise IT solutions business

We generally include in the agreements with our customers the terms and conditions of post-sales maintenance and support, the service period of which ranges from 12 to 36 months and varies according to the nature of the services provided under this business. Such maintenance and support services are primarily provided by our maintenance and ongoing support team, which comprised of 21 personnel as at 31 December 2021.

We are required to maintain the installed systems in good order and ensure they function efficiently and effectively in accordance with the specifications and requirements. We provide our customers with 24/7 support, and they may contact us through our technical support hotline or by email if they encounter any issues when operating the installed systems. Depending on the customers' requirements and the usage of the installed systems, different levels or tiers of support services with different response time, committed resolution time and status update frequency will be provided. The reported incidents will be categorised and prioritised under our internal incident triage system based on their level of severity and relevant supportive engineer(s) will be assigned to tackle the incident accordingly. If an issue is not resolved within a prescribed time, it will be escalated to the next level of the supporting system where additional technical support will be sought. Our suppliers also provide us with technical backup and we may escalate and seek their advice, onsite support and assistance when needed. We continuously monitor and provide case updates to our customers throughout the entire incident resolution and recovery process. Apart from offering solutions for resolving the IT issues, we also investigate and provide system diagnosis such that similar incidents may be prevented from recurring. We also provide IT spare parts support as part of our maintenance and support services.

After the expiry of the above warranty period, our customers may subscribe and purchase extended maintenance services subject to payment of, in majority of the cases, an annual fee.

The following diagram illustrates our typical maintenance escalation and support flow:



Upon our helpdesk administrators receiving a request for support from our customers, all customer support interactions are collected and tracked through the ticket support system. Our helpdesk administrators, after undertaking the issue on hand, would relay the support request to our engineers, being our first tier of support, who will provide support for by diagnosing problems and solving usage difficulties. Unsolved issues would be escalated to our senior engineers, being our second tier of support, who would provide in-depth technical support such as troubleshooting. If the issues remain unsolved, we would further escalate and contact the relevant system vendor for specific technical support and bugfix.

Our maintenance and ongoing support team performs regular review of the quality of the services provided by us in our projects. Regular service review meetings are held and material quality incidents are discussed and reviewed during such meetings. Service calendars, service logs and service reports are also produced and discussed at such meetings to ensure our support services and rectification works are delivered within the required response time and progress updates are provided to customers in a timely and frequent manner. Apart from internal review meetings, we also have regular review meetings with our customers during which we will go through the cases handled by us, review their status, follow up on any outstanding issues and hear the feedbacks from our customers. Our ability to quickly respond to any system failure or emergencies and be accessible by our customers at all times is of utmost importance to minimise the impact of any system downtime on the operations of our customers.

Distribution and resale businesses

Under our distribution business, as we are the distributor of hardware and the associated systems, we are generally responsible for following up with the system vendors for any faulty or defective products. Our customers generally purchase products under the terms and conditions of the system vendors which include standard warranty provided by the system vendors. In case if any product is faulty or defective upon arrival, our customers will notify us and we will assist them in liaising with the relevant system vendors for product return and/or replacement by going through the standard return merchandise authorisation procedures provided by the relevant system vendors. In any case where we are ultimately responsible for the faulty or defective products to the customers during the warranty period, we consider ourselves being the primary obligor and therefore the principal to the transaction. No refund will be provided by the system vendors in general which we believe is in line with the industry norm and practice. Apart from following up on product quality issues, we may also be required by the system vendors to provide onsite support to our customers or to the end-users. Our customers may elect to purchase extended period of warranty and depending on the warranty purchased by our customers, we will purchase back-to-back warranty from the system vendors, ranging from one year to five years, to cover other quality issues that may arise subsequently during the use of the products. The cost we charge our customers on the warranty is subject to the same range of mark-up on the products.

Under our resale business, our customers generally purchase the hardware or software under the terms and conditions of the system vendors, which include standard warranty provided by the system vendors. We will assist our customers and follow up with the relevant authorised distributors or system vendors for arrangement of product return and/or replacement if any product is faulty or defective.

Given the back-to-back warranty from, and the product return or replacement arranged by, the system vendors, we do not incur product liabilities under our distribution and resale businesses.

During the Track Record Period and up to the Latest Practicable Date, we were not subject to any material product liability claim and we did not receive any material claims or complaints in relation to our products or services, which would have a material adverse effect on our business and results of operations. We did not incur any material warranty expenses or make any material provision for warranty expenses during the Track Record Period.

OUR MAJOR SUPPLIERS

Characteristics of our suppliers

Our suppliers comprise system vendors, authorised distributors and subcontractors. Under our enterprise IT solutions business, our suppliers are mainly the authorised distributors of the system vendors and we purchase the products from the authorised distributors of the system vendors for project application. Under our distribution business, our suppliers are mainly system vendors. Under our resale business, our suppliers are mainly the authorised distributors of the system vendors and we purchase the hardware and software from the authorised distributors of the system vendors for resale. Our major purchases during the Track Record Period included hardware, IT components, software and software licences. During the Track Record Period, we made procurement from over 180, 160 and 150 suppliers, respectively. We mainly source our supplies from suppliers located in Hong Kong.

Selection of suppliers

Due to our business nature, we generally make procurements in accordance with the requirements of the project or the order of our customers, and therefore, we generally do not need to maintain a significant quantity of inventory or enter into any long-term purchase agreements with our suppliers. When there is a purchase request, our account managers will identify suitable suppliers and obtain quotations from them by providing them with the details of the intended purchase, including specification and description of the products, the required quantity, price and delivery date, either through direct inquiry or the designated ordering platform. As the characteristics and requirements of the project to be undertaken, the nature of services to be rendered or products to be sold by us would to a large extent limit the choice of specific hardware and system to be used, and hence, the relevant supplier candidate, we may not have a lot of flexibility in choosing the supplier. Where we are able to select our supplier, our selection criterion includes the technical requirements of our customers, the quality of the supplier's products/services, their pricing delivery terms, and sales and after-sales support provided by them and their R&D capability to fulfill our customers' requirements. For projects of enterprise IT solutions, we may also make procurement recommendation, including suggestions as to selection of suppliers, to our customers. See "Our Principal Business — Operational flow of our professional IT services and managed services" in this section for further details.

System vendors

System vendors refer to the manufacturers or owners of the hardware, the associated system or software. They sell and market the products mainly through the distributors engaged by them. According to Frost & Sullivan, it is industry norm for IT solution providers not to make direct purchase with system vendors, but to enter into partnership agreements with them and place orders with the respective authorised distributors. While most of our suppliers of our enterprise IT solutions business were distributors during the Track Record Period, we entered into partnership agreements with some of the respective system vendors. As at 31 December 2021, we had entered into partnership agreement with over 10 system vendors. Such partnership agreements represent and formalise the business relationship and the collaboration between us and the system vendors and based on our experience, our customers may assess us and our qualification based on, among others, the number and level of partnerships we have with various system vendors. We have solid partnership with globally renowned system vendors and through years of business relationship developed with them, we have been recognised by a number of them, such as H3C, HPE, VMWare and Huawei, as their recognised partners. In order to be recognised as their partner, our engineering and technical team has to receive technical trainings, possess in-depth knowledge about their products and related applications, as well as obtain relevant industry certifications covering pre-sales, sales and post-sales aspects. Some system vendors would also require us to achieve annual purchase quota before we can be qualified as their premium service partner. By being the premium service partner, we are qualified to cooperate with or represent the system vendors to provide relevant product trainings, presentations and demonstrations to our customers, and to take part or assist in their proof-of-concept when new products are launched. Also, under our enterprise IT solutions business, despite normally we do not make direct purchase with system vendor, we may be able to enjoy purchase discounts based on our partnership level with the relevant system vendor when we place orders with its authorised distributors. In some cases, having considered the partnership level, the system vendor may also direct its authorised distributor to provide product and/or pre-sale support to us, where required. Accordingly, even though the partnership agreements with system vendors are not themselves the agreements for sales and purchases, the entering into of such agreements and the partnership levels we have attained signify the technical level and solid understanding of our engineering and technical team

in the products and related applications of the system vendors, as well as the business relationship established with them. We believe that such arrangement would also allow the relevant system vendor to retain some degree of control over the business dealing between the authorised distributors it appointed and some of their important downstream customers as well as to foster the extent of cooperation with such customers whom the system vendor would like to build a long-term business relationship. For further details of the partnership agreement, see "Our Major Suppliers — Key terms for the agreements with system vendors — Partnership agreement (in case they are not our suppliers)" in this section.

On the other hand, under our distribution business, we usually make direct purchase from system vendors which engage us as their authorised distributor in a designated geographical region(s). We were the authorised distributor of nine, 11 and 11 system vendors during the Track Record Period and had entered into distribution agreement with them to acknowledge our status as an authorised distributor and to govern the region and type of products that we were authorised to distribute and sell. For further details of the distribution agreement, see "Our Major Suppliers — Key terms for the agreements with system vendors — Distribution agreement" in this section.

The table below sets out a summary of our distributorship right granted by our five largest suppliers during the Track Record Period which were system vendors, which in aggregate accounted for 29.8%, 35.5% and 31.4% of our total purchases for the Track Record Period, respectively:

Name	Major type of hardware/software supplied to us	Business relationship and exclusivity of the distributorship	Ranking	Total purchase		
				FY2019	FY2020	FY2021
				(HK$'000)	*(HK$'000)*	*(HK$'000)*
Supplier A	Data networking hardware	Since 2006 *(Note)* (non-exclusive)	Largest supplier in FY2019 and FY2020 and the third largest supplier in FY2021	98,556	82,199	43,659
Supplier I	Cybersecurity hardware and software	Since 2018 (non-exclusive)	Second largest supplier in FY2021	16,258	27,714	55,639
Supplier H	Cybersecurity software	Since 2013 (non-exclusive)	Fifth largest supplier in FY2020	28,725	28,061	31,612

Note: This includes the period before the Acquisition of Synergy CCL.

The table below sets out the movement of distributorships we had obtained during the Track Record Period:

	FY2019	FY2020	FY2021
Number of distributorships obtained by us at the beginning of the relevant year.	8	9	11
Number of new distributorships obtained by us . .	3	2	—
Less: Number of distributorships ended, lapsed or otherwise terminated	2	—	—
Number of distributorships obtained by us at the end of the relevant year	**9**	**11**	**11**

Under our resale business, the terms of purchase are confirmed by way of issuing a purchase order and we do not enter into any other written agreement with our suppliers in general.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material dispute with our suppliers, and there were no significant quality issues, delays or shortages of supplies, which could materially and adversely affect our business operation.

Pricing and credit terms

We generally obtain quotations from our suppliers before we place order for any purchase. Prices are generally determined on an order-by-order basis. Given our cost-plus pricing approach, if there is an increase in purchase costs before we provide our quotation or bill of materials to customers, such increase would be taken into account in our quotation or bill of materials and we are generally able to pass the increase in purchase costs to our customers in such case. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material fluctuation in the costs of supplies that had material impact on our business or financial condition. Our major suppliers during the Track Record Period grant us credit terms ranging from 30 to 90 days and the invoices are generally settled by bank transfer.

Five largest suppliers

Our five largest suppliers during the Track Record Period have had business relationship with us from three to 15 years (including the period before the Acquisition of Synergy CCL). Purchase from (i) our five largest suppliers in each year during the Track Record Period in aggregate accounted for 57.2%, 52.1% and 54.4% of our total purchase during the relevant year, respectively; and (ii) our largest supplier in each year during the Track Record Period accounted for 20.5%, 21.1% and 14.4% of our total purchase during the relevant year, respectively.

The following tables set out the information about our five largest suppliers for the indicated periods:

FY2019

Supplier	Background	Major products/services provided by supplier	Business relationship since	Credit term	Cost incurred	Percentage of total purchases
					(HK$'000)	
Supplier A. . . .	See Note 1	Data networking hardware	2006 *(Note 10)*	30 days	98,556	20.5%
Supplier B. . . .	See Note 2	Professional IT services hardware and software and IT device	2010	45 days	60,591	12.6%
Supplier F. . . .	See Note 6	IT device	2010	30 days	39,454	8.2%
Supplier G . . .	See Note 7	Professional IT services hardware and software and IT device	2011	30 days	38,684	8.0%
Supplier C. . . .	See Note 3	Storage and back-up solution	2010	90 days	38,058	7.9%
					275,343	**57.2%**

FY2020

Supplier	Background	Major products/services provided by supplier	Business relationship since	Credit term	Cost incurred	Percentage of total purchases
					(HK$'000)	
Supplier A. . . .	See Note 1	Data networking hardware	2006 *(Note 10)*	30 days	82,199	21.1%
Supplier B. . . .	See Note 2	Professional IT services hardware and software and IT device	2010	45 days	34,036	8.8%
Supplier G . . .	See Note 6	Professional IT services hardware and software and IT device	2011	30 days/ 60 days	29,666	7.6%
Supplier E. . . .	See Note 4	Data networking and cybersecurity hardware	2011	90 days	28,838	7.4%
Supplier H . . .	See Note 7	Cybersecurity software	2017	30 days	28,061	7.2%
					202,800	**52.1%**

FY2021

Supplier	Background	Major products/services provided by supplier	Business relationship since	Credit term	Cost incurred	Percentage of total purchases
					(HK$'000)	
Supplier E . . .	See Note 4	Data networking and cybersecurity hardware	2011	90 days	60,139	14.4%
Supplier I	See Note 8	Cybersecurity hardware and software	2018	30 days	55,639	13.4%
Supplier A. . . .	See Note 1	Data networking hardware	2006 *(Note 10)*	30 days	43,659	10.5%
Supplier B. . . .	See Note 2	Professional IT services hardware and software and IT device	2010	45 days	34,494	8.3%
Supplier L. . . .	See Note 9	Data networking hardware	2015	45/90 days	32,321	7.8%
					226,252	**54.4%**

Notes:

1. Supplier A is a wholly-owned subsidiary of a company listed on the New York Stock Exchange. It engages in the business of wholesale distribution of IT hardware and software products.

2. Supplier B is a wholly-owned subsidiary of a US-incorporated company. Its holding company is one of the world's largest distributors of technology products, services, and solutions in more than 100 countries with over 15,000 employees worldwide.

3. Supplier C is a wholly-owned subsidiary of a company listed on the Taiwan Stock Exchange. It engages in the distribution of over 300 leading IT brands worldwide. Its holding company has operations in 38 countries/regions throughout 200 cities, with business territory covering Taiwan, Mainland China, Hong Kong, Indonesia, Thailand, Vietnam, India, Australia, the U.S., Canada, the Middle East, and Africa, with approximately 5,000 employees worldwide according to its annual report for 2021.

4. Supplier E is a group of companies whose parent company is a company listed on the Mainboard of the Singapore Exchange Securities Trading Limited. The group engages in the distribution and trading of electronic components and consumer electronic products, and the provision of IT solutions and services.

5. Supplier F is a wholly-owned subsidiary of a company listed on the Taiwan Stock Exchange. It engages in the distribution of IT hardware, software, and professional consultation services. Its parent company is a Taiwan-based IT services provider in the Asia-Pacific region with approximately 4,200 employees in Taiwan, the PRC, Hong Kong and Southeast Asia according to its annual report for 2021.

6. Supplier G is a company incorporated in Hong Kong. It engages in the distribution of IT solutions with over 300 active resellers.

7. Supplier H is a company incorporated in Hong Kong. It is a global leader in IT security software.

8. Supplier I is a wholly-owned subsidiary of a company listed on the NASDAQ. It engages in the provision of IT security solutions. With 75 offices, 59 international subsidiaries and over 5,400 employees worldwide, it is one of the largest cybersecurity vendors globally.

9. Supplier L is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange. It is one of the largest distributors of IT solutions across Asian countries.

10. This includes the period before the Acquisition of Synergy CCL.

To the best of our Directors' knowledge, none of our Directors, their respective close associates of any Shareholder (which to the best of our Directors' knowledge owns 5% or more of the issued Shares as at the Latest Practicable Date) held any interest in any of our five largest suppliers during the Track Record Period. All of our five largest suppliers during the Track Record Period were and are Independent Third Parties.

Key terms for the agreements with system vendors

Partnership agreement (in case they are not our suppliers)

Under our enterprise IT solutions business, while most of our suppliers were distributors during the Track Record Period, we enter into partnership agreements with certain system vendors (which appointed the relevant distributor(s)) to govern the business arrangements and framework of cooperation with us as their business partner. Under the partnership agreements, we are generally authorised by the system vendors to purchase and/or (in some cases) resell the products and services procured from their authorised distributors. The partnership agreements do not constitute a sale, purchase or distribution agreement between us and the system vendor, but they represent and formalise the business relationship and the collaboration between us and the system vendors. We procure the required hardware and the associated system for our enterprise IT solutions business by placing purchase orders with the authorised distributors. For further details regarding the reasons and commercial rationale for us to enter into partnership agreements under our enterprise IT solutions business, see "Our Major Suppliers — Characteristics of our suppliers — System vendors" in this section.

In case we enter into a partnership agreement with the system vendor, the salient terms of such agreement entered into by us with them during the Track Record Period are as follows:

Key terms		**Details**
Duration	:	From effective date of the agreement until termination or non-renewal; generally for an initial term of one year and subject to renewal

Pricing and adjustment mechanism (if any)	:	Prices are set out in the purchase order we placed to their authorised distributors and not in the partnership agreements. They are determined on an order-by-order basis and are generally not subject to further adjustment For further details of the pricing mechanism, see "Our Major Suppliers — Pricing and credit terms" under this section
Minimum purchase commitment	:	No minimum purchase commitment stipulated in such agreement
Purchase quota	:	Certain system vendors may, from time to time, communicate to us non-binding annual purchase quota of products expected to be placed by us with their authorised distributors, upon the meeting of which we may be awarded with financial incentives If we are able to meet such purchase quota, rebates in the form of cash payment or discount to the subsequent purchase, as may be determined by the system vendors at their discretion, would be received by us from our suppliers During the Track Record Period, we received rebates in the amounts of HK$3.6 million, HK$5.2 million and HK$5.2 million, respectively, from our suppliers and such amounts were net off with cost of sales for purchases. Apart from Supplier A, Supplier E and Supplier F, none of the relevant system vendors whom we received rebates from their authorised distributors were our major suppliers during the Track Record Period If we are not able to meet such purchase quota, we may not be able to maintain our partnership level with the system vendors
Value-added services	:	Certain system vendors would acknowledge in the partnership agreement the value-added component we would provide to our customers in addition to their products and which form part of the solution we offer to our customers. Examples of such value-added services include pre- and post-sales network design, configuration, trouble-shooting and the sale of complementary products and services
Quality assurance and return policy	:	If the products are defective upon arrival, the authorised distributors of the system vendor in general would unconditionally replace with new products within seven days of the delivery. In other cases, product repairs or returns depend on the warranty purchased by our customer, the period of which generally range from one year to three years. We provide back-to-back warranty to our customers accordingly

Intellectual property rights	:	The system vendors generally give us the licence to use the intellectual property rights in relation to their products
Other requirements	:	Certain system vendors may, in the partnership agreement, require us to achieve particular requirements, including certifications and training requirements, some of which may be ongoing, before allowing their authorised distributors to distribute and sell their products to us

Distribution agreement

As disclosed in "Our Major Suppliers — Characteristics of our suppliers" in this section, under our distribution business, we enter into distribution agreements with system vendors which mainly are our suppliers to acknowledge our status as its distributor. The distribution agreements govern the respective rights and obligations of the system vendor as supplier and us as its authorised distributor. Given that the subject matter of such agreements and our role as an authorised distributor under our distribution business are different from that of the partnership agreements with system vendors under our enterprise IT solutions business, the material terms of these agreements are different from each other. See "Partnership agreement (in case they are not our suppliers)" above for further details. The salient terms of such agreements entered into by us with our major suppliers of our distribution business during the Track Record Period are as follows:

Key terms		**Details**
Duration	:	From effective date of the agreement until termination; majority of them have no fixed contract term and they remain valid until terminated
Distribution region/territory	:	The distribution agreement will set out the specific region(s) to which we as the distributor may be authorised to distribute and sell the products
Distribution products	:	The distribution agreement will set out the specific products or types of products of the system vendor that we as the distributor may be authorised to distribute and sell
Price	:	The system vendor will provide a list of suggested price of its products to us. Different levels of discounts may be provided by us. Certain system vendors may, apart from the suggested price, also include specified product discounts which we may offer to our customers, and such discounts are generally determined based on the types of products to be distributed and sold and the identity and/or partnership level of the customers. If we are distributing products to a customer who is a high-level business partner with the respective system vendor, a larger price discount may be provided by us as agreed with the relevant system vendor and normally, back-to-back price discount will be sought by us from the relevant system vendor. This is to acknowledge the partnership ranking of the customer with the system vendor

Minimum purchase commitment	:	No minimum purchase commitment and purchases are made on an order-by-order basis We may be required by system vendors to fulfil or meet non-binding sales targets or quotas, and our fulfilment as to such target or quota is often one of the assessment criteria and performance indicators of our status as an authorised distributor. The annual sales targets from the relevant system vendors on the distribution business of our Group ranged from HK$3.9 million to HK$62.4 million during the Track Record Period. The revenue of our sales that were subject to sales target amounted to HK$169.8 million, HK$156.1 million and HK$148.7 million for FY2019, FY2020 and FY2021, respectively. During the Track Record Period, we were able to meet the sales targets set by the system vendors. As the sales target is non-binding and is only one of the assessment criteria of our status as an authorised distributor, our Directors are of the view that the imposition of any sales target or quota had been no material adverse impact on our Group's business and financial performance during the Track Record Period
Delivery and customs clearance	:	The ordered products are generally delivered by the system vendors to a third-party warehouse. See "Logistics and Delivery Arrangement" in this section for further details
Quality assurance and return policy	:	Detailed return merchandise authorisation procedures of the system vendor are set out. In case of any defective or faulty products, we will follow such standard procedures to assist our customers to follow up with the system vendor on product return and/or replacement, as appropriate
Payment and credit term	:	Payment by bank transfers and, in most cases, to be settled generally within 30 days from the date of the invoice
Form of purchase order	:	The distribution agreement may set out a standard form of purchase order to be used by us for placing orders
Responsibilities of the distributor	:	We as the distributor are required to (i) promote and solicit orders for the products; (ii) provide technical advice, presentations, training and demonstrations on the features and uses of the products to the customers; (iii) offer product briefing or training on behalf of the system vendors; and (iv) comply with good business practices and applicable laws and regulations. We are also required to attend product or industry trainings, and obtain relevant up-to-date certifications

Responsibilities of the system vendor	:	Apart from supplying us with the products or types of products to distribute and sell, the system vendor will provide marketing promotional or sales materials for use by us, and will ensure training is available to us in relation to the installation, use, operation and support of the products
Termination	:	Termination by giving prior written notice

During the Track Record Period and up to the Latest Practicable Date, we were in material compliance with the terms of the agreements with our major suppliers, and we had not experienced any circumstances leading to early termination of the agreement or any contractual disputes with or claims by our major suppliers.

SUBCONTRACTING ARRANGEMENT

We engage subcontractors in some of our projects mainly when they involve services beyond our service scope, such as cabling, hardware installing and Wi-Fi mounting services, and other manual works which are labour intensive in nature and do not require specialised skills or expertise. We believe that such subcontracting arrangement can allow us to better utilise our technical workforce such that we may focus on the technical and more complex workflows in a project and is for better time management and efficiency. We engage subcontractors on a project-by-project basis and we do not enter into long-term agreement with our subcontractors.

During the Track Record Period, we engaged 15, 16 and 22 subcontractors for each year for conducting the above works, respectively. The total amount paid to these subcontractors accounted for 1.3%, 3.1% and 2.2% of our cost of sales for the same period, respectively. We engage our subcontractors based on their qualifications, relevant experience, technical capability, quality of work, price, time of service delivery and their years of business relationship with us. We review the performance of our subcontractors to assess their service quality. Our subcontractors are mainly situated in Macau and Hong Kong and we maintained around one year to over 10 years of business relationships with our subcontractors.

The fee paid to our subcontractors is mainly determined by the scope of work, delivery time and manpower required. Credit terms granted by our subcontractors range from 30 to 45 days and payment is generally made by bank transfer. The table below sets out the salient terms of our engagement with our subcontractors during the Track Record Period:

Key terms		**Details**
Project information	:	Descriptions of the subcontracting work to be performed, including the service period, working hours and the expected completion time If any material is required to be supplied by the subcontractor for performing the required services, the same is also listed out in the contract with the price quoted
Payment terms	:	Fee is generally payable after completion of the required work by the subcontractor, or if the required work is to be completed over a period of time, to be paid on a monthly basis; and payment is made generally within 30 days from the date of invoice by bank transfer

Obligations of subcontractors	:	We are entitled to withhold payment of part of the subcontracting fee as damages if the subcontractors do not complete the required work to our satisfaction and fail to complete the required work within the specified period as a result of their fault, or if there is defect in the subcontracting work Subcontractors shall compensate our loss if we need to engage another third party and incur extra cost to complete the required work as a result of the subcontractors delay We require our subcontractors to comply with relevant employment laws in Macau, including but not limited to laws on occupational safety and insurance, during their course of delivering subcontracting services

During the Track Record Period and up to the Latest Practicable Date, (i) there was no material breach of the terms of the subcontracting arrangements by our subcontractors; (ii) we did not experience any material dispute with our subcontractors or situation where the subcontractors had failed to fulfil our requirements which caused material impacts on our operations; and (iii) we did not receive any material claims or complaints by our customers in respect of the quality of work undertaken by our subcontractors.

To the best of our Directors' knowledge, none of our Directors, their respective close associates or any Shareholder (which to the best of our Directors' knowledge owns 5% or more of the issued Shares as at the Latest Practicable Date) held any interest in any of our five largest subcontractors during the Track Record Period.

OVERLAPPING CUSTOMER AND SUPPLIER

During the Track Record Period, Customer A, Customer C and Customer T were also our suppliers; and Supplier G, Supplier H and Supplier L were also our customers (the "**Overlapping Customers and Suppliers**"). The following tables set out the total revenue and total purchase attributable to the respective Overlapping Customers and Suppliers and the gross profit derived from our sales to them for the years:

	FY2019		FY2020		FY2021	
	Revenue (HK$'000)	*% to total revenue*	*Revenue (HK$'000)*	*% to total revenue*	*Revenue (HK$'000)*	*% to total revenue*
Customer A	52,542	10.5	28,488	6.0	39,346	7.4
Customer C	74,413	14.8	39,029	8.2	10,037	1.9
Customer T	314	0.1	5,300	1.1	15,201	2.8
Supplier G	1,045	0.2	100	0.0	4	0.0
Supplier H	Nil	0.0	14	0.0	Nil	0.0
Supplier L	Nil	0.0	Nil	0.0	2	0.0
Total	128,314	25.6	72,931	15.3	64,590	12.1

	FY2019		FY2020		FY2021	
	Total purchase (HK$'000)	*% to total purchase*	*Total purchase (HK$'000)*	*% to total purchase*	*Total purchase (HK$'000)*	*% to total purchase*
Customer A	Nil	0.0	550	0.1	Nil	0.0
Customer C	2	0.0	1,799	0.5	131	0.0
Customer T	Nil	0.0	Nil	0.0	215	0.1
Supplier G	38,684	8.0	29,666	7.6	29,456	7.1
Supplier H	28,725	6.0	28,061	7.2	31,612	7.6
Supplier L	14,502	3.0	15,809	4.1	32,321	7.8
Total	81,913	17.0	75,885	19.5	93,735	22.6

	FY2019		FY2020		FY2021	
	Gross profit (HK$'000)	*Gross profit margin %*	*Gross profit (HK$'000)*	*Gross profit margin %*	*Gross profit (HK$'000)*	*Gross profit margin %*
Customer A	9,936	18.9	4,287	15.0	8,602	21.9
Customer C	9,063	12.2	9,519	24.4	1,291	12.9
Customer T	137	43.8	1,400	26.4	3,997	26.3
Supplier G	81	7.8	81	81.2	1	16.3
Supplier H	1	N/A	1	4.2	Nil	0.0
Supplier L	Nil	N/A	Nil	N/A	0	7.2
Total	19,218		15,288		13,891	

Customer A is a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange and the group engages in the provision of telecommunication, media, IT solutions, property development and investment, and other businesses. It was one of our five largest customers during the Track Record Period. During the Track Record Period, we provided total professional IT services solutions to Customer A. During FY2020, we subcontracted part of the supporting services to be provided by us to another customer to Customer A under the instruction of our customer. This was an one-off event during the Track Record Period.

Customer C a group of companies whose parent company is a company listed on the Main Board of the Stock Exchange and is a leading integrated telecommunication and technology solutions provider with operations spanning across Hong Kong, Singapore, Malaysia, the PRC and Macau. It was one of our five largest customers during FY2019 and FY2020. During the Track Record Period, we provided data networking and virtualisation services solutions to Customer C. We also distributed mobility and security related hardware and associated systems and sold network-related hardware and software (which were not the same as the products we purchased from Customer C) under our distribution and resale businesses to Customer C. At the same time, as Customer C is the regional maintenance service station of a system vendor, we purchased hardware maintenance services from Customer C for repairing the hardware components (such as printers) of that system vendor for customers of our resale business. During FY2021, we also purchased certain cybersecurity training and product installation services from Customer C in relation to the products of the said system vendor for customers of our resale business.

Customer T is a digital technology and managed service providers in Hong Kong. It was one of our five largest customers for FY2021. During the Track Record Period, we provided cybersecurity solution, data networking hardware and maintenance service to Customer T. At the same time, we purchased consultancy service from Customer T for our customer of enterprise IT solutions business as Customer T, being a managed service provider, was responsible for the

relevant system infrastructure and maintenance for our customer. We also purchased cybersecurity solution from Customer T for our customer of enterprise IT solutions business because Customer T, being a partner of the vendor of such product was able to offer a competitive price.

Supplier G is a company incorporated in Hong Kong and engages in the distribution of in IT solutions. It was one of our five largest suppliers for FY2019 and FY2020. During the Track Record Period, we purchased IT services hardware, software and IT devices, such as backup appliance, from Supplier G. At the same time, as Supplier G is a distributor, it purchased certain cybersecurity products (as we were the authorised distributor of such products) and technical supporting services from us for its end-users during the Track Record Period.

Supplier H is a company incorporated in Hong Kong and is the global leader in IT security software. It was one of our five largest suppliers for FY2020. During the Track Record Period, we purchased cybersecurity software from Supplier H and at the same time, Supplier H purchased certain networking hardware, such as switches, from us for its internal use.

Supplier L is a wholly-owned subsidiary of a company listed on the Main Board of the Stock Exchange and engages in the distribution of IT solutions. It was one of our five largest suppliers for FY2021. During the Track Record Period, we purchased data networking hardware from Supplier L for our enterprise IT solution business. At the same time, Supplier L purchased certain cybersecurity solutions from us (as we were the authorised distributor of such products) for its internal use.

Our Directors confirmed that the negotiation of the salient terms of our sales and purchase from the Overlapping Customers and suppliers were conducted separately, and they were not inter-conditional, inter-related or otherwise considered as one transaction. To the best knowledge, information and belief of our Directors, save as disclosed above, none of our five largest customers was also our supplier, or *vice versa*, during the Track Record Period.

LOGISTICS AND DELIVERY ARRANGEMENT

For our professional IT services, we order hardware, the associated system and components required for a particular project. Such ordered products and components are generally delivered to the site of our customers by us either directly or via third-party logistic service providers, and the relevant delivery and transportation costs have already been reflected in our quotation or bill of materials of the project. We adopt the same logistics and delivery arrangement for managed services in case any hardware components or associated system are required to be procured by us as part of the managed services. We have a storage area at our premises in Macau where we store certain spare parts for providing hardware maintenance services to our customers.

For our distribution business, we have leased storage spaces in a third-party warehouse located in Hong Kong for temporary storage of the ordered products. Our suppliers would provide us with a product delivery schedule upon the placing of orders and notify us when the requested products have been delivered to the third-party warehouse. Stock movement data is provided and updated by the third-party warehouse through our EPR system and we review and monitor the inventory level through the system. We then arrange delivery of the ordered items either directly to our customers or to location designated by our customers and we issue invoice to them at the same time. Our quoted price generally already takes into account the delivery or transportation fee.

For our resale business, depending on the arrangement with the relevant supplier, the ordered products may be delivered by our supplier directly to our customer, or firstly by our supplier to us, then we arrange third-party logistic service providers for onward delivery to our customer (and in such case, the transportation fee is generally reflected in our selling price).

INVENTORY

Given the nature of our business, we generally do not keep a significant quantity of inventory and generally make purchase orders to our suppliers upon receiving back-to-back orders from our customers. We may keep at our own storage area and the third-party warehouse certain level of spare IT parts for product replacement or swapping purpose. Our ERP system provides us with a real-time access to our inventory level kept at our storage area and the third-party warehouse, allowing us to timely monitor the delivery status of our ordered products and notify our customers for order collection. As at 31 December 2019, 2020 and 2021, our inventory amounted to HK$59.1 million, HK$39.1 million and HK$30.0 million, respectively.

We perform reviews on our inventory levels on a yearly basis to check if there has been any delay in our delivery of products and we made reference to the aged inventory analysis and management judgment to determine if any write-down of inventories is required. Write-downs of inventories to net realisable value amounted to HK$2.4 million, HK$0.6 million and HK$1.1 million for FY2019, FY2020 and FY2021, respectively.

QUALITY CONTROL

We believe that stringent quality control is critical to our success and reputation. We have put in place high-standard quality control measures at various stages of our work process, including project planning, procurement of hardware, the associated system and components, and project implementation to ensure the quality of our work adheres to the contractual requirements and customers' specifications.

For our enterprise IT solutions projects, after our ordered products have been delivered to us, we conduct physical checking for every critical component alongside with sample physical checking of other components. Regarding quality control over our projects, a quality assurance standard, which sets out detailed specifications of the deliverables and completion timelines, is set at the beginning of every project. Our project managers are responsible for managing the overall status of the projects, with a primary focus on project risks, deliverables and timeline, against such quality assurance standard. Our project managers are also assisted by our technical team, who is responsible for system inspections and test-running. Throughout the entire project implementation process, regular project meetings are held by the project team to review the project status and to evaluate the outcome of applicability tests of the systems. Our director of the Professional Services Department also directly reaches out to our customers from time to time to collect their feedbacks.

Towards the end of the project implementation phase, a user acceptance testing is prepared by the project team for customers to formally try and accept the developed system.

In projects where subcontractors are engaged, we also take steps to ensure that their work conform with our requirements, specifications and timeline. We monitor the performance of our subcontractors through conducting on-site reviews, and our subcontractors are required to submit progress reports to us on a regularly basis to record and report the work completed by them. Our

project managers and technical team are also responsible for monitoring the work of our subcontractors and if any quality issue arises, we will actively and closely follow up with our subcontractors.

During the Track Record Period, we were awarded various accreditations and awards in relation to our quality systems. See "Certifications, Awards and Recognition" in this section for further details.

We take pride in the quality of our services and reliability of our solutions and services, and to the best of our Directors' knowledge, we did not experience any material quality issues or receive any material complaint from our customers about the quality of our solutions or services during the Track Record Period.

SEASONALITY

We generally do not have any significant seasonal trend. Nevertheless, as our professional IT services, being our major business, are provided mainly on project basis and not recurring in nature, our revenue and profit for each year or period will, among others, depend on the number of new contracts we obtained for that year or period and the revenue and profit derived from such contracts. In addition, we historically recorded higher revenue under our enterprise IT solutions business in the second half of a year than the first half mainly due to the procurement cycle of our customers, as our customers tended to invite tender or seek quotation in the first half of a year and the potential contracts for the enterprise IT solutions projects are usually yet to be executed in the first half of the year.

COMPETITION

According to Frost & Sullivan, the IT solutions market in Macau is competitive, with approximately 200 market participants in 2021. The IT solutions market (comprising trading and distribution of IT products and provision of professional IT services) in Macau is relatively concentrated with the top five players contributing to 76.3% of the entire market in terms of revenue. Driven by the rising application of information technology and digitalisation among all industries in Macau, IT solutions market has increased from MOP1,636.6 million in 2016 to MOP1,950.8 million in 2019. The drop in 2020 was due to the slowdown of the economic activities during the COVID-19 outbreak. With rising government expenditure on information and communications technology, public sector has increased from MOP569.1 million in 2016 to MOP613.5 million in 2019. Private sector also shown a growth from MOP1,067.5 million in 2016 to MOP1,337.3 million in 2019. Trading and distribution of IT products took up a larger share of total IT solutions market in Macau and witnessed a growth from MOP883.8 million in 2016 to MOP1,043.7 million in 2019. Stimulated by various drivers, professional IT services including supply and installation, managed services and maintenance also grew from MOP752.8 million in 2016 to MOP907.1 million in 2019. Based on our aggregated revenue of HK$405.5 million derived from our business in Macau for FY2021, we took up a market share of 25.8% and ranked first in the IT solutions market in Macau in 2021.

Going forward, the IT solutions market in Macau will continue to be driven by the rising investment in digitalisation of enterprises and other favourable factors including the integration of smart technology (such as the use of surveillance cameras, facial recognition technology, digitally enabled poker chips and baccarat tables) into gaming and hospitality sector, increasing popularity of outsourcing of IT solution by enterprises to increase operational efficiency, the development of local telecommunication network which will lead to proliferation of IoT and cloud technologies,

the advancement and popularisation of data analysis and increased infrastructure requirements for emerging technology adoption as well as supportive governmental policies to build up smart urban management. In particular, with the geographical and economic integrations with the Greater Bay Area, IT solutions providers in Macau will benefit from and are well-placed to tap into the massive market in the Greater Bay Area. On the other hand, IT solution providers will face major challenges including rising labour wages due to the scarcity of local IT professional and increasing competition arising from rapid technological change. Our Directors believe that, with our competitive strengths as set out in "Our Strengths" in this section, we will continue to stand out in the IT solutions market and drive our growth through expanding our project portfolio and establishing our footprint in the Greater Bay Area.

CERTIFICATIONS, AWARDS AND RECOGNITION

The following table sets out the major certifications, awards and recognition received by us in recent years:

Year of issue	Certification/Award/Recognition	Awarding entity
2022	CMMI V2.0 for Development Maturity Level 3	Information Systems Audit and Control Association (ISACA)
2021	Partner of the Year Macau Award FY20	Aruba
	Excellent Technical & Service Partners	China Telecom
	Gold Partner 2021	Huawei
	Partner of the Year Macau Territory	NetApp
	FY22 Platinum Partner	Veritas
2020	2020 Macau Key Partner of the Year	Alibaba Cloud
	Best Country Reseller	Aruba
	Top Distributor of the Year	Aruba
	Top Partner of the Year	Aruba
	Best Performance Partner	H3C
	Macau Outstanding Contribution Partner	Huawei
	Principal Partner 2020	VMWare
2019	Top Distributor of the Year (Hong Kong)	Aruba
	Top Partner of the Year	Aruba
	Excellence Award for Small and Medium Enterprise	Business Awards of Macau
	Best Seller Macau	HPE
	NetApp Partner Award — Best Growth Sales Team	NetApp

Year of issue	Certification/Award/Recognition	Awarding entity
	Partner of the Year 2019 — Highest Growth (Hong Kong & Macau)	NetApp
	Partner of the Year — Software-Defined Data Centre	VMWare
	Partner of the Year — Solution Provider	VMWare
2018	Top Distributor of the Year (Hong Kong)	Aruba
	Top Reseller of the Year (Hong Kong)	Aruba
	Outstanding Partner	H3C
	Top Performing Aruba Partner	HPE
	The Excellent Partner	Huawei
	Partner Summit (ASEAN/Hong Kong/Taiwan) — Best Strategic Partner	NetApp
	Excellence in Managed Security Services	Palo Alto
	Network Virtualisation Solution — Partner Innovation Award Regional Winner	VMWare
	Partner of the Year — Software-Defined Data Centre	VMWare
2016	Certified Collaboration Support Provider	CheckPoint

PRODUCT DEVELOPMENT

Our market standing and track record in the IT solutions market in Macau are underpinned by our efforts in innovating and evolving our solution offering through renewing and improving the technologies and software application we adopted in our solutions. As at 31 December 2021, we had a team of 30 employees in our product development team and they have extensive relevant industry experience ranging from four to 16 years. We have set up a committee on product development, which is led by Mr. Chao, our chairman, chief executive officer and executive Directors, and comprising five other members, who are our senior management members, to oversee our product development projects and initiatives. During the Track Record Period, we focused on the secondary development and enhancement of systems and applications on the market with a view to improving their functionalities and rolling out integrated, customised solutions that could better address the requirements of our customers. We believe overall efficiency could be achieved in the long run by using such product development efforts in the design and implementation of our solutions as customers no longer need to rely on specific systems and applications offered by third party developers, which can be costly as we have limited control on the cost and pricing, and the need to purchase, optimise and localise multiple systems and applications for integration purpose would reduce.

During the Track Record Period, we undertook research and development work in relation to our managed services and SOC, and they are ongoing as at the Latest Practicable Date. Under such efforts, we have successfully enhanced the systems and application tools which are deployed by us in the provision of managed services, including the provision of detection and response services relating to SOC, managed services relating to the monitoring of network operation, as well as

managed services relating to helpdesk services. For example, we have developed our own ticket system which is utilised by us in providing the 24/7 managed helpdesk services and it records and keeps all logs of helpdesk tasks and incidents, their status, follow up actions taken and outstanding actions. Customers also have access to this ticket system and they may review and have an overall picture of all helpdesk tasks of their company in a given day or period. Apart from our own ticket system, we have also deployed the use of automation technology in our incident response workflow such that more context information in relation to the reported issue can be automatically retrieved and we are able to respond to and address the incident more efficiently.

In addition, we proactively research into and study the feasibility of developing new solutions or enhancing the features of the system applications in accordance with our anticipated market trends and our understanding of the industry-specific requirements of our customers or potential customers. Currently, we are working on a product development project with an aim to building a big data portal for enterprises in Macau and Nansha, Guangdong. Details of the project are set out below:

Product development project	Commencement year of the project	Project details
Cross-border data exchange portal (粵澳跨境工商企業信息平台建設計劃)	2021	To set up a cross-border data exchange portal for enterprises in Macau and the Greater Bay Area such that they may obtain information and policy updates relevant to their business operation and industry through a centralised location. The cross-border data exchange portal is expected to facilitate the collection and circulation of data and to promote and facilitate cross-border business set-ups and investments, recruitment of talents, and the exchange of data and business policies. Under the existing framework proposal and subject to the finalisation of the required technical specifications and approval by the relevant government department, the portal will contain the following features: (i) a centralised data platform to integrate the corporate and economic data as well as government policies in Macau and Nansha available from information providers and from the Nansha government and will be utilised by the relevant government departments for data exchange and future policy making purpose; (ii) a search engine to access updated policy information and related services of the local government for interested Macau investors in Nansha, in order to facilitate their understanding of the local business registration process and hence, the setting up of their business in Nansha; and (iii) an unified electronic platform for facilitating cross-border enterprise registration and tax filing processing and providing online operational support. As at the Latest Practicable Date and based on the latest discussion with the Nansha government, the consultation phase for this project has been completed; and we are currently conducting feasibility study on the technical details and overall system design of the project. No revenue had been generated from this product development initiative during the Track Record Period and up to the Latest Practicable Date.

Product development project	Commencement year of the project	Project details
		Under this project, we are the service provider and are responsible for designing, building and maintaining the technical platform to be used as the data exchange portal; and such portal (including the main content relating to Nansha) will be owned and operated by the Nansha government. As advised by our Macau Legal Advisers, given that we are in the capacity of an information processor under this project, we are not subject to any relevant Macau laws and regulations on transfer of personal data; and no specific licence is required to be obtained by us for this development project in Macau. Enterprises that make use of the portal in lodging business registrations, applications and filings are responsible for ensuring compliance with the relevant legal requirements in Macau relating to disclosure of personal data, including obtaining consents from concerned natural persons. As advised by our PRC Legal Advisers, on the basis that we will only act as the service provider for designing, building and maintaining the cross-border data exchange portal, and such portal will be owned and operated by Nansha government, under the current effective PRC laws and regulations, we are not required to obtain any licences that are subject to foreign ownership restrictions in the PRC. Furthermore, considering that (i) the information available on the cross-border data exchange portal will be either public available information or information voluntarily provided by enterprises, and is not expected to involve any state secret or personal information, (ii) we will not collect, use, process or store any information or data on the exchange portal, and (iii) the exchange portal will be owned and operated by Nansha government and all information and data will be stored in the PRC, our PRC Legal Advisers are of the view that in this regard, we are not subject to current effective PRC laws and regulations relating to cross-border data transfers in relation to state secrets, cyber and data security data. Our PRC Legal Advisers are also of the view that, based on the current effective PRC laws and regulations, it is unlikely that our Group shall be obliged to proactively apply for cybersecurity review for the **[REDACTED]** under the CAC Measures and the Draft CAC Regulations (if it were adopted in the current form) on the basis that (i) our Group will only act as the technical service provider for designing, building and maintaining of the data exchange portal, and will not involve in any use, storage, collect, process, transmission, provision, public disclosure or deletion of data and other data processing activities with respect to the data exchange portal; (ii) as at the Latest Practicable Date, the data exchange portal had not commenced operation; (iii) the CCRTCC confirmed that the **[REDACTED]** is not required to apply for the cybersecurity review under the CAC measures and the Draft Regulations during the Consultation; and (iv) as at the Latest Practicable Date, each of BoardWare ZH and BoardWare NS had not been identified as a "critical information infrastructure operator" or an "online platform operator" or a "data processor".

To enhance our in-house research capability and gain direct access to the resources of external research institutes which could help identify future technological trends and innovate our solution offering with the latest technologies, in February 2021, we entered into a framework cooperation agreement with the University of Macau (UM) to jointly establish a R&D laboratory to research into areas on Smart Cities, use of big data, AI and cloud management services. According to the F&S Report, in July 2018, the University of Macau (UM) received the approval of the Ministry of Science and Technology for the establishment of the nation's first state key laboratory in IoT for smart city. Under this cooperation agreement, the University of Macau (UM) and us will be pulling our respective resources together to collaborate, invest and research in the abovementioned areas and to cultivate expert talents in these areas. Working groups with representatives from the two ends will be set up to facilitate communication and sharing of resources throughout the collaboration term. By integrating our product development experience and the R&D strengths and resources of the University of Macau (UM), the laboratory will provide a platform for technological innovation and industry-academia collaboration, facilitate our future research and development and strengthen our capability in creating and enhancing our IT systems and applications, through which we will actively seek opportunities arising from the government's policies, explore new directions and continue to implement strategies for scientific research, technological innovation and promote economic diversification, smart city and sustainable development of Macau, which in turn will directly drive the demand for IT solutions in coming years. In addition, on 21 June 2022, we entered into a five-year framework agreement with the City University of Macau pursuant to which we agreed to provide cyber security range platform and internship opportunities in our SOC to facilitate academic exchange and cultivate talents.

As at the Latest Practicable Date, we were in active discussion with the University of Macau (UM) to evaluate the research scope and the technologies involved in relation to several projects including the research and development of (i) intelligent vehicle infrastructure cooperative systems; and (ii) IoT property management solutions and smart systems. Apart from the above two projects, we are also exploring other research projects with the University of Macau (UM), one of which involves the use of palm vein recognition technology and, as at the Latest Practicable Date, the Science and Technology Development Fund in Macau granted a subsidy of HK$0.2 million to us for funding this project. For further details, see "Our Business Strategies" in this section.

Our total expenditure on research and product development (comprising mainly staff cost) amounted to HK$3.1 million, HK$5.7 million and HK$6.0 million, respectively, during the Track Record Period.

OUR EMPLOYEES AND STAFF TRAINING

As at 31 December 2021, we had a total of 186 full-time employees, and 108, 43 and 35 of our employees were based in Macau, Hong Kong and the PRC, respectively. The table below sets out the breakdown of employees by function as at 31 December 2021, respectively:

Function	Number of employees by location			
	As at 31 December 2021			
	Macau	Hong Kong	The PRC	Total
Management *(Note 1)*	10	2	—	12
Engineering and technical support *(Notes 1 and 2)*	58	19	8	85
Business consultation	7	—	1	8
Procurement	—	6	—	6
Sales	10	11	4	25
Marketing	2	1	—	3
Product development	6	—	18	24
Finance	3	2	1	6
Administration	10	2	2	14
Human resources	2	—	1	3
Total	**108**	**43**	**35**	**186**

Notes:

1. As at 31 December 2021, six members of our management were also involved in product development initiatives.

2. As at 31 December 2021, 21 members of our engineering and technical support team were responsible for providing maintenance and ongoing support services.

We recruit our employees mainly through online recruitment platform, recruitment agent and by referral. Education, technical qualification, character, relevant industry experience and adoption to our corporate values are our key recruitment criterion. Our human resources team reviews our recruitment policy from time to time.

We provide tailored trainings for our employees such that they would always stay at the technological forefront of the industry and maintain the service quality of our Group by firmly grasping our customers' needs and the latest changes and developments in the market. We adopt a philosophy of continuous improvement and endeavour to keep our technical professionals abreast of the latest technology developments. The trainings include product training and other on-the-job trainings. We also encouraged our employees to receive ongoing external trainings and obtain industry certifications and accreditations relevant to their field of work by providing subsidies and allowances.

We offer competitive remuneration packages to our employees. Our remuneration package generally comprises basic salary and a discretionary performance-based bonus. We will review and evaluate the performance of our employees periodically and make any salary adjustments and promotions accordingly. We are required under relevant PRC laws and regulations to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. During FY2019 and FY2020, BoardWare ZH did not fully make social insurance and housing provident fund contributions according to PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Fund. For details, see "Compliance and Legal Proceedings — Legal compliance" in this section.

We consider that our employees are valuable assets of our Group and we have maintained good relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant turnover or labour disputes with our employees or any business disruption due to labour disputes. No labour union was established by our employees.

HEALTH AND WORK SAFETY

Due to our business nature, we are not subject to significant health and occupational safety risks. To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, (i) we did not experience any accident in our operations that would have a material impact on our business or results of operations; (ii) there had been no material violation of any health and work safety laws and regulations applicable to our operations; and (iii) there had been no claim or penalty imposed on our Group as a result of violation of heal and work safety laws and regulations. We have put in place a staff manual that sets down the safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws, regulations and requirements. Our human resources team is responsible for recording and keeping track of any workplace injuries and following up with relating insurance claims to protect our employees and us.

To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, we had not encountered any material claims or complaints from our employees, customers or the public in respect of health or work safety issues relating to our business operations. For further details regarding our employment policies, see "Our Employees and Staff Training" in this section.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

During the Track Record Period, due to the nature of our business and that we do not operate in a highly-polluting industry, we did not incur material costs in relation to the compliance of relevant environmental laws and regulations. During the course of our provision of services, as we operate in the IT solutions market, our businesses do not have a material impact on environment. However, our Group has generated pollutant through indirect emissions from the consumption of electricity and paper consumption. To the best of our Directors' knowledge, during the Track Record Period and up to the Latest Practicable Date, there was no administrative sanctions, penalties or punishment imposed upon us for the violation of environment laws and regulations which had materially and adversely affected our operations.

Nevertheless, we consider the protection of the environment to be important. We are committed to complying with all applicable environmental laws and regulations in our business operations, and endeavour to mitigate any negative effects of our operations on the environment. Under our environmental, social and governance ("**ESG**") policies, we proactively identify any major environmental and social sustainability risks related to our business, and formulate policies on emissions, use of energy, climate change, employees' welfare and safety and data protection. We are committed to minimise the environmental impact of our business through adopting green procurement practices and publicising environmental protection messages to our staff. We have set up metrics and targets for environmental and health and safety management, to review major environmental and social sustainability risk performance on a regular basis. For example, we have adopted comprehensive measures to promote effective use of resources and will set targets for

reduction of greenhouse gas emission and resources consumption. We also endeavour to embed an environmental-friendly mindset among our employees through bulletin boards, company newsletter and office memos.

We do not expect to incur environmental liabilities that could have any material impact on our financial condition or business operations upon **[REDACTED]**. Our Group will comply with the ESG reporting requirements after **[REDACTED]** and the responsibility to publish ESG report on an annual basis in accordance with Appendix 27 to the Listing Rules. We will focus on each of the areas as specified in Appendix 27 to the Listing Rules, particularly those environmental and social issues that could have a material impact on the sustainability of our operations and that are of interest to our Shareholders. In addition to the above, we also plan to launch various initiatives to promote eco-friendly practices such as reduction in energy and resources consumption at our workplace and roll out more initiatives and awareness trainings for our employees in the future.

Our Board has the overall responsibility for evaluating and determining our ESG-related risks including climate-related risks and establishing, adopting and reviewing our ESG vision, policy and target. Our Directors have the responsibility to ensure that the ESG policies established are duly implemented and comply with the latest standards. We intend to establish an ESG management sub-committee of the Board upon **[REDACTED]**, which will consist of Mr. Chao, Ms. Lei Sok Han and Mr. Ng Hong Kei to support the Board in formulating and implementing the ESG policies and overseeing relevant disclosure. Ms. Lei Sok Han will be appointed as the chairman of the ESG management sub-committee. Our ESG management sub-committee serves a supportive role to our Board in implementing the agreed ESG policy, targets and strategies, conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how we adapts our business in light of climate change, collecting ESG data from different parties while preparing for the ESG report, and continuous monitoring of the implementation of measures to address our ESG-related risks and responsibilities. Our ESG management sub-committee is also responsible for the investigation of deviation from targets and liaising with the responsible department to take prompt rectification actions. Our ESG management sub-committee reports to our Board on an annual basis via board meeting on our ESG performance and the effectiveness of these ESG systems. We also intend to set up an ESG team to coordinate and manage general ESG affairs, which will be comprised of personnel from departments such as human resources, administration and procurement. The ESG team will be responsible for guiding the development of ESG-related matters, communicating with stakeholders and assessing ESG related risks, including climate-related risks and opportunities.

Measures to identify, assess and manage ESG related risks

Under our ESG policies, we intend to adopt various strategies and measures to identify, assess and manage ESG risks, including but not limited to:

- reviewing and assessing ESG reports of similar companies in the IT industry to ensure relevant ESG related risks are identified on a timely basis;

- making reference to the local and international guidelines such as Sustainability Accounting Standards Boards for the industry-specific ESG risks;

- 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.

Through the above, we have identified the following material ESG issues relating to our Group and their potential impacts on our business, strategy and financial performance:

Material ESG issues	Potential Risks, Opportunities and Impacts	Mitigating Actions
Resources and energy management	Ineffective resources and energy management may potentially lead to excessive energy usage, which leads to increased operational cost	Promoting energy conservation and environmentally friendly procurement practices Reviewing and accounting for greenhouse gas emissions and resource consumptions Performing overall waste management in the office and warehouse
Opportunities for clean technology	Selecting clean technology such as energy efficiency equipment in our business operations may reduce long terms costs	Identifying and applying feasible clean technology in the business operations
Impact of climate change	Climate change may lead to risks of more frequent extreme weather conditions. Such risks may lead to potential injuries to employees and increase in insurance premiums in long term Regulators may require increasing disclosure on emission and tighten environmental regulations. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices	Providing work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees and increase in insurance premiums Monitoring the changes in ESG-related regulatory requirements and market trend Assessing the energy consumption proportion in our operation comprehensively and optimising the corresponding procedures

Material ESG issues	Potential Risks, Opportunities and Impacts	Mitigating Actions
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 in medium and long term. Strong human capital development and the provision of competitive remuneration packages may improve employee retention and dedication	Providing employees with competitive social benefits and career development opportunities
Privacy and data security	Ineffective privacy and data protection policies may put our Group at risk of data leakages and privacy breaches, leading to increased costs in addressing regulatory actions, involving litigations and potential fines, and also potentially tarnishing our reputation	Requiring employees to sign non-disclosure agreement to mitigate privacy and data security risks

Metric and Targets on Environmental, Social and Climate-related Risks

During the Track Record Period, we have assessed our environmental performance by understanding the environmental footprint. Our business primarily operates in office and the most significant resource consumption is the use of electricity and paper consumption. During the Track Record Period, our Group's expenses in relation to ESG matters material to our Group primarily comprised electricity expenses, which amounted to approximately HK$350,335, HK$328,107 and HK$360,263, respectively. The use of electricity accounted for the largest proportion of the greenhouse gas ("**GHG**") emission. The summary of our key environmental performance is presented below.

		As at 31 December		
Resource Consumption	Unit	2019	2020	2021
Energy Consumption *(Note 1)*	MWh	260.31	261.78	281.81
Energy Consumption Intensity	MWh per HK$'000 revenue	0.52	0.55	0.53
Paper Consumption	tonnes	1.93	2.51	2.68
Paper Consumption Intensity	tonnes per HK$'000 revenue	0.0038	0.0053	0.0050

		As at 31 December		
GHG Emission	Unit	2019	2020	2021
Total GHG Emission	Tonnes CO_2e	190.56	186.54	199.47
Scope 1 Emission *(Note 2)*	Tonnes CO_2e	—	—	—
Scope 2 Emission *(Note 3)*	Tonnes CO_2e	190.56	186.54	199.47
Total GHG Emission Intensity	Tonnes CO_2e per HK$'000 revenue	0.38	0.39	0.37

Notes:

(1) Includes electricity consumption in the offices of Hong Kong, Macau and Zhuhai. The energy consumption data of the Macau office are obtained by multiplying the average monthly consumption figure of the respective year by the number of months within the scope of that year.

(2) There is no stationary or mobile fuel consumption of the Group. Refrigerant usage has been replaced by the service providers which the consumption is not available during the Track Record Period. To enhance the estimation of the GHG emission, we will liaise with the service providers to maintain the record for disclosure after **[REDACTED]**.

(3) Scope 2 represents indirect GHG emissions generated by the use of purchased electricity from local power companies in Zhuhai, Macau and Hong Kong. The calculation has made reference to the emission factors listed in CLP Sustainability Report 2018-20, CEM Sustainability Report 2018-20, and the 2017 and 2019 Annual Emission Reduction Projects China Regional Power Grid Baseline Emission Factors.

After identifying and evaluating the emission and consumption trend, we will develop the reduction targets and formulate feasible action plans to enhance our performance after **[REDACTED]**.

INSURANCE

As at the Latest Practicable Date, we maintained customary insurance policies within our industry, including (i) general liability insurance; (ii) employees' compensation insurance; (iii) property all risks insurance policy for our offices; (iv) general medical and/or work related insurance for our employees; (v) contractor all risk insurance and (vi) IT insurance for the IT services and products we provide. We also maintain (i) group health and employees' compensation insurance policies for our employees in Macau; (ii) social insurance policies for our employees in the PRC; and (iii) medical and employees' compensation insurance policies for our employees in Hong Kong.

Our Directors consider that the above insurance plans and the amounts insured are sufficient and adequate to cover the operational risks and uncertainties and protect us from any potential loss or damage and are consistent with the customary industry norm based on their knowledge of the industry practice and their experience in operating our business.

During the Track Record Period and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims.

For the risks associated with the insurance of our Group, see "Risk Factors — Our insurance coverage may be inadequate to cover the risks related to our business and operations" in this document.

OUR PROPERTIES

Property owned by us

The table below sets out the details of our owned property as at the Latest Practicable Date:

Address	Approximate gross floor area	Usage
Room 1605, Office Building, China Huarong Mansion, No. 9 Xing'ao Road, Hengqin New District, Zhuhai	153.89 sq.m.	Office

Properties leased by us

As at the Latest Practicable Date, we leased a total of 16 properties in Macau, Hong Kong and the PRC for the operation of our business. The landlords of our leased properties are Independent Third Parties.

The table below sets out the details of our leased properties as at the Latest Practicable Date:

	Address	Lease term	Approximate gross floor area	Usage
Macau				
1.	Avenida do General Castelo Branco no.33, 5th Floor, Flat G, Macau	23 March 2019 to 22 March 2021; 23 March 2021 to 22 March 2022; 23 March 2022 to 22 March 2024	79.55 sq. m.	Staff accommodation
2.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", 15th Floor, Flat Q, Macau	1 December 2018 to 30 November 2020; 1 December 2020 to 31 July 2022 *(Note 1)*	39.39 sq. m.	Office
3.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 315-363, Building "HOT LINE", 15th Floor, Flat I, Macau	15 March 2019 to 14 March 2021; 1 June 2021 to 31 May 2023 *(Note 2)*	77.63 sq. m.	Office
4.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 315-363, Building "HOT LINE", 15th Floor, Flat J, K, L, M, N, O, P, Macau	1 August 2019 to 7 July 2022 *(Note 1)*	77.63 sq. m. 77.63 sq. m. 77.63 sq. m. 105.29 sq. m. 39.39 sq. m. 39.39 sq. m. 39.39 sq. m. 39.39 sq. m.	Office
5.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", 15th Floor, Flat X, Macau	7 August 2019 to 6 August 2021; 7 August 2021 to 6 August 2023	77.63 sq. m.	Office
6.	Jardim Dragão Precioso Building, Golden Dragon Building, 24th Floor, Flat G, Taipa, Macau	1 March 2019 to 28 February 2021; 1 March 2021 to 28 February 2022; 1 March 2022 to 29 February 2024	65.72 sq. m.	Staff accommodation
7.	Rua Dois da Cidade Nova de T'oi Sán, Jardim Cidade Building, Block IV, 18th Floor, Flat A	1 March 2020 to 28 February 2022; 1 March 2022 to 29 February 2024	46.70 sq. m.	Staff accommodation

	Address	Lease term	Approximate gross floor area	Usage
8.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", Macau, Carpark no. 58.	From 5 January 2021	12.0 sq. m.	Car park
9.	Avenida Sir Anders Ljungstedt no. 316-362, Rua Cidade De Santarém no. 396-506, Rua Francisco H. Fernandes no. 3-113, Alameda Dr. Carlos D' Assumpção no. 335-341, Building "HOT LINE", Macau, Carpark no. 57.	From 1 August 2016	12.0 sq. m.	Car park
Hong Kong				
10.	Office E, 8th Floor, MG Tower, No. 133 Hoi Bun Road, Kowloon, Hong Kong	15 April 2019 to 14 April 2022; 15 April 2022 to 14 April 2024	2,455 sq. ft	Office
11.	Unit 1201 & 1202, 12th Floor of Tower I, Enterprise Square, No. 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong	13 January 2020 to 12 January 2023	6,095 sq. ft	Office
PRC				
12.	No. K30, Unit 302A, No. 136, Tianhe Middle Road, Tianhe District, Guangzhou	12 April 2021 to 30 April 2023	5 sq.m.	Office
13.	Room 04-09, 17/F, South Tower, 1st Building, Hengqin International Commerce Centre Project, No. 3000 East Huandao Road, Hengqin New District, Zhuhai	1 April 2021 to 31 March 2024	723.49 sq.m.	Office
14.	Room 16-19, 17/F, South Tower, 1st Building, Hengqin International Commerce Centre Project, No. 3000 East Huandao Road, Hengqin New District, Zhuhai	15 April 2021 to 14 April 2024	412.54 sq.m.	Office
15.	Room 1602, 16/F, No. 31 Building (B), Caihui Centre, No. 1 Cuilou Street, Nansha District, Guangzhou.	1 March 2021 to 31 December 2023	381 sq.m.	Office
16.	No. A6001, Unit 302, No. 134 Jiaoxi Road, Nansha District, Guangzhou	1 May 2022 to 31 July 2022	85.5 sq.m.	Office

Notes:

1. We have commenced discussion with the respective landlord on the renewal of the lease as at the Latest Practicable Date.

2. During the period from 15 March 2021 to 31 May 2021, our Group was in discussion with the landlord on the renewal of the lease; and we were allowed by the landlord to use this leased property at an agreed monthly rental during this period.

The lease agreements for our leased properties may be terminated by one month's to three months' notice. During the Track Record Period, we did not experience any difficulty in renewing our leases. Save for property no. 15 above which is rent-free pursuant to the tenancy agreement with the Bureau of Commerce of Guangzhou Nansha Economic and Technological Development Zone, our Directors confirm that all of our current leases were negotiated on an arm's length basis with reference to the prevailing market rates. Our current lease liabilities amounted to HK$5.2 million, HK$6.2 million and HK$6.1 million, respectively, during the Track Record Period.

As at 31 December 2021, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets. Accordingly, pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which require a valuation report with respect to all of our Group's interests in land or buildings.

INTELLECTUAL PROPERTY

To protect our intellectual property, we have registered or made applications to register our patents, copyrights, trademarks and domain names in different jurisdictions. For further details relating to our intellectual property rights, see "Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights" in Appendix IV to this document.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim against our Group for infringement of any intellectual property right, nor were we aware of any pending or threatened claims in relation to any such infringement; and no material claim had been made by us against third parties in relation to the infringement of intellectual property rights owned by us.

COMPLIANCE AND LEGAL PROCEEDINGS

Licences and permits

To the best of our knowledge after making all reasonable enquiries, (i) during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licences, permits and approvals necessary for our business operations in the jurisdictions in which we carried on our business; and (ii) as at the Latest Practicable Date, such licences, permits and approvals are valid and remain in effect and had not been revoked, cancelled or otherwise expired; and (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been materially penalised by national or local authorities for violations of the terms or conditions of such licences, permits or approvals.

The following table sets forth a list of licences, permits and approvals that are necessary for our business operations:

No.	Jurisdiction	Holder of licence/permit	Licence/permit	Issuing authority	Date of issue	Date of expiry
1.	Macau	BoardWare Macau	Licence (no.1/2018) for services provision of database access and retrieval, web hosting, application hosting and database hosting	Macau Post	31 January 2018	30 January 2023
2.	Hong Kong . . .	Synergy CCL	Licence for Import and Export of Strategic Commodities	The government of the Hong Kong Special Administrative Region	30 May 2022	29 August 2022 *(Note)*
3.	The PRC	BoardWare ZH	Business Licence	Guangdong-Macao In-Depth Cooperation Zone Commercial Services Bureau in Hengqin	6 June 2022	N/A
4.	The PRC	BoardWare NS	Business Licence	Guangzhou Nansha Economic and Technological Development Zone Administrative Approval Bureau	10 December 2021	N/A
5.	The PRC	BoardWare ZH	Certificate for Qualification of Information Security Service Provider	China Cybersecurity Review Technology and Certification Centre	16 December 2021	15 December 2024

Note: We will apply for renewal of this licence upon its expiry.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulty in obtaining or applying for renewal of all necessary licences, permits and approvals. We do not expect any material impediment in renewing our material licences, permits and approvals as they expire in the future.

Legal compliance

Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, our Directors confirm that our business operations had complied with all applicable laws, rules and regulations in Macau, Hong Kong and the PRC (being the principal jurisdictions where we operate) in material aspects.

A summary of the historical non-compliance incidents of our Group during the Track Record Period is set out below:

	Details of the historical non-compliance	Reasons for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
1.	Late tax filing for the financial years ended 31 December 2011, 2013, 2014, 2015, 2016 , FY2017, FY2018 and FY2019 in respect of BoardWare Macau.	Such historical non-compliance occurred as and when the accounting procedures (on which the required financial information in the tax return was based) for the relevant financial year were still ongoing or otherwise yet to be completed at the time when the tax return for the respective financial year was due. In particular, for the tax filings with respect to FY2017, FY2018 and FY2019, as we were exploring the feasibility of applying for **[REDACTED]** on the Stock Exchange in 2018 and decided to prepare the consolidated accounts under IFRS and enhanced our internal accounting system in the same year, given the complexity and volume of work involved and the insufficient experience and subsequent departure of the then accounting staff, BoardWare Macau incurred substantial time for preparing the financial statements for FY2018 to FY2020 and BoardWare Macau was only able to file the tax returns for FY2017 to FY2020 altogether as soon as its financial information for the Track Record Period (which was used for preparing the historical financial information of our Group for the same periods) was ready in April 2021. The above non-compliance was primarily attributed to (i) the inadequate understanding of the relevant regulatory requirement by the accounting staff who also failed to advise the senior management with respect to the nature of the late tax filing; (ii) the mistaken belief or misconception of the then senior management that late tax filing was only procedural in nature and the key legal obligation on part of BoardWare Macau from tax compliance perspective was to settle its tax payments as they fall due; and that BoardWare Macau should have materially discharged its tax related obligation upon settlement of tax payments as required by the Macau Financial Services Bureau (the "**MFSB**"); (iii) the lack of technical knowledge on the tax filing work of the then senior management of BoardWare Macau to closely supervise the work of the accounting staff as they committed most of their time to the daily operations and management of BoardWare Macau and they were not trained in legal or accounting discipline or were made aware of the significance of financial reporting procedures which were critical to ensuring that the tax filing could be made on time; and (iv) the lack of proper system and control to keep track of our tax compliance status. As a result, the then senior management of BoardWare Macau overlooked the tax issue and failed to deploy sufficient manpower to accounting work and keep track on the status of the relevant accounting procedures in order to meet the statutory deadlines of tax filing and seek proper tax advice to timely and properly rectify the non-compliance at the material time.	Article 64 and Article 68 of the Complementary Income Tax Regulation ("**CITR**") provide that an administrative fine from MOP100 to MOP10,000 will be imposed for late tax filing or filing incorrect tax return. 50% of the fine will be waived if the taxpayers voluntarily report their tax or correct their errors. As advised by our Macau Legal Advisers, BoardWare Macau is subject to a total maximum fine of MOP10,000 in respect of each of the late tax filings for the relevant financial years.	For the late tax filings with respect to the financial years ended 31 December 2011, 2013, 2014, 2015 and 2016, BoardWare Macau had filed the respective tax return after the statutory deadline when the relevant accounting records were ready and had settled the tax payments as required by MFSB pursuant to the notices of assessment and demand notices for settlement of tax payment received from MFSB. For the late tax filings with respect to FY2017, FY2018 and FY2019, shortly after the finalisation of the historical financial information of our Group (comprising BoardWare Macau) for FY2017, FY2018, FY2019 and FY2020, on 14 April 2021, BoardWare Macau rectified the non-compliance by taking the initiative to submit the outstanding tax returns to MFSB for the relevant financial years. Based on the filed tax returns and the applicable tax rate, the amount of complementary tax to be payable by BoardWare Macau for FY2018 and FY2019 are estimated to be MOP1.1 million and MOP3.0 million, respectively. Tax provisions in the amount of MOP1.1 million and MOP3.0 million (equivalent to HK$1.1 million and HK$2.9 million, respectively) have been made for the relevant financial years, respectively. As at the Latest Practicable Date, MSFB had issued demand notices to BoardWare Macau for payment of complementary tax for FY2017, FY2018, FY2019 and FY2020; and BoardWare Macau had fully settled such tax payments as required by MFSB. As at the Latest Practicable Date, MFSB had imposed fines on BoardWare Macau for late tax filing in respect of the financial years ended 31 December 2015 (MOP3,000), 2017 (MOP5,000) and 2018 (MOP6,000) in July 2018, June 2020 and November 2021, respectively, and BoardWare Macau had fully settled the fines in July 2018, June 2020 and November 2021, respectively. Save for the above, up to the Latest Practicable Date, MFSB had not imposed any other fine on BoardWare Macau in relation to the late tax filing for the relevant financial years. In the case if a fine is imposed by MFSB on BoardWare Macau for the late filing, such amount of fine will be fully settled by BoardWare Macau. As advised by our Macau Legal Advisers, upon settlement of all fines (if any), it is very unlikely for BoardWare Macau or our Directors to be prosecuted for the late tax filing. Having considered the opinion of our Macau Legal Advisers, our Directors are of the view that the non-compliance incident would have no material adverse impact on our Group's operation or financial position.	Our Group has formulated and adopted an internal control manual which includes the procedures for tax filing and recording to prevent recurrence of non-compliance incidents. See "Internal control measures with respect to the historical non-compliance" in this section for details. In addition, on 8 September 2021, a training was arranged by the Macau Legal Advisers for the executive Directors and the existing accounting staff responsible for tax related matters on tax filing obligations.

	Details of the historical non-compliance	Reasons for the non-compliance	Legal consequences and potential maximum and other financial liabilities	Rectification actions taken and current status	Internal control measures
2.	During FY2018, FY2019 and FY2020, BoardWare ZH did not fully make social insurance and housing provident fund contributions according to the PRC Social Insurance Law《中華人民共和國社會保險法》and the Regulations on the Administration of Housing Provident Fund《住房公積金管理條例》. In particular, BoardWare ZH made the social insurance payment calculated with reference to the minimum wage instead of actual salary of its employees in the PRC; and no housing provident fund account was opened by BoardWare ZH before April 2021.	The non-compliances were due to inadvertent oversight and inadequate understanding of the relevant regulatory requirements of our administrative staff	With respect to the failure of fully paying the social insurance contributions in accordance with the PRC Social Insurance Law, the relevant government authority may demand BoardWare ZH to pay all outstanding social insurance contributions within a prescribed time limit, together with a 0.05% daily surcharge of such outstanding amount, accruing from the due date. If BoardWare ZH fails to make such payment within the specific period, the relevant government authority may impose an additional fine of one to three times of the outstanding amount. With respect to the failure of fully paying the housing provident fund contributions in accordance with the Regulations on the Administration of Housing Provident Fund, the relevant government authority has the power to order BoardWare ZH to pay the outstanding housing provident fund within a prescribed time limit, and if BoardWare ZH fails to make the supplementary payment with the specific period, an application of compulsory enforcement can be made to the People's Court of the PRC.	On 1 April 2021, we obtained a written confirmation from Zhuhai Hengqin New District Comprehensive Law Enforcement Bureau (珠海橫琴新區綜合執法局) confirming that during the period from 1 March 2018 to 28 February 2021, BoardWare ZH was in compliance with relevant labour security laws and regulations, and no violation of labour security laws of BoardWare ZH was found within the jurisdiction of Hengqin. On 16 April 2021, 26 November 2021, 30 November 2021, 17 March 2022, BoardWare ZH obtained a social insurance payment form from Zhuhai Social Insurance Fund Management Center Hengqin Office (珠海市社會保險基金管理中心橫琴辦事處) respectively confirming that during the period from April 2020 to February 2022, the relevant social insurance fees of BoardWare ZH had been fully paid. On 9 June 2021, 4 August 2021, 29 November 2021 and 15 March 2022, BoardWare ZH obtained a compliance certificate from Zhuhai Housing Provident Fund Management Centre (珠海市住房公積金管理中心) respectively confirming that during the period from 1 April 2020 to 28 February 2022, there was no administrative penalty record of BoardWare ZH. As at 31 December 2021, we had completed the registration and opening of the housing provident fund account, and had made payments in the aggregate amount of RMB298,164 (equivalent to HK$357,796) for settlement of the social insurance and housing provident fund as required by local governmental authorities. As at the Latest Practicable Date, our Group had not received any orders or demands from the relevant government authorities requesting our Group to pay the unpaid social insurance and housing provident fund amounts and was not subject to any investigation or penalty for failure to make full contribution of social insurance and housing provident fund. In the event where we are ordered by the relevant government authorities to rectify and make up the outstanding social insurance contributions and the outstanding housing provident fund within a prescribed time, we will rectify and make up such shortfall within the prescribed time. Based on the above, our PRC Legal Advisers are of the view that the risk that BoardWare ZH would be subject to material administrative penalties by relevant government authorities for failure to fully make social insurance contributions and housing provident fund is low. We have made provisions of RMB337,664 (equivalent to HK$405,197) in respect of the unpaid amount of social insurance contributions and housing provident fund as at 31 December 2020 and no further provisions had been made for FY2021.	We have implemented internal measures to prevent future non-compliance. See "Internal control measures with respect to the historical non-compliance" in this section for details.

Indemnity by our Controlling Shareholders

Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify our Group against any losses, liabilities or damages suffered by or falling on our Group in respect of and to the extent arising from or relation to the above non-compliance incidents. Please see "E. Other Information — 1. Tax and other indemnities" in Appendix IV to this document for further details.

Internal control measures with respect to the historical non-compliance

We believe that the non-compliance incidents are not crucial to our operation and would not materially affect our business and results of operations and our Directors are of the view that we have taken all reasonable steps to establish a proper internal control system to prevent future recurrence of the non-compliance incidents.

We have in place a set of internal control and risk management procedures to address various potential operational, financial and legal risks identified in relation to our operations. In particular, in order to prevent recurrence of the non-compliance incidents: -

(i) our finance department, which is responsible for tax filing and computation, will ensure the timeliness and completeness of auditing as well as tax filing processes of all entities in our Group and record any tax provision. Before the filing of any tax return, it will be duly reviewed and approved by our financial controller, Mr. Tsang Tik Man;

(ii) our finance department had adopted measures to ensure the correctness of the amounts of contributions to be made to social insurance and housing provident fund for each employee in the PRC before the payment due date in accordance with relevant PRC laws and rules and will arrange for payment before the due date. A register of payment of records has also been created;

(iii) we have increased the staffing with appropriate qualification and experience for handling tax-related matters and our management team will ensure our finance department is equipped with personnel having sufficient experience and knowledge on tax issue, tax filing and social insurance and housing provident fund contribution, to facilitate the efficiency of the handling of tax computation, tax return and the making of relevant contributions. As at the Latest Practicable Date, we had one staff in Macau, who is a certified public accountant in Australia with six years' relevant working experience in the accounting field in Macau; and two staff (one of which is our Company Secretary, and both are certified public accountants with over nine years' working experience in professional auditing and accounting in Hong Kong) in Hong Kong, responsible for tax filing and computation in Macau and in Hong Kong, respectively. We have also engaged an accounting firm, being certified public accountants in the PRC, to handle tax issues and tax filing for us in the PRC. Our Company Secretary is responsible for overseeing the tax filings of our Group as a whole;

(iv) our finance department will regularly report to our audit committee on our compliance with tax laws and regulations;

(v) our finance department will carry out procedures to review and double-check on a monthly basis with a view to ensuring that the register of payment records is updated properly and that all payments of contributions to the social insurance and housing provident fund for each employee in the PRC are made on a timely basis;

(vi) we will arrange ongoing training to increase the awareness of tax-related regulatory requirement and timeliness of finalising the financial statements within the prescribed deadlines;

(vii) 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; and

(viii) auditors will be engaged to ensure that our results give a true and fair view of the state of affairs of our Group.

Directors' and the Sole Sponsor's view

After due consideration, our Directors are of the view, and the Sole Sponsor concurs, that the various internal control measures adopted by our Group are adequate and effective to avoid recurrence of the non-compliance incidents set out in this sub-section.

Our Directors and the Sole Sponsor consider that the abovementioned non-compliance incidents do not have any material impact on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules. In arriving at their view, our Directors and the Sole Sponsor have taken into consideration the followings:

(i) the non-compliance incidents were unintentional and principally due to inadvertent oversight and insufficient knowledge of the relevant legal requirement of our Group's relevant staff at the material times;

(ii) our Directors have taken actions to ratify the non-compliance incidents to the extent practicable and strengthen our internal control system to prevent recurrence of the non-compliance incident immediately after being informed of the non-compliance; and

(iii) other than the non-compliance incidents, our Group had materially complied with other relevant laws and regulations during the Track Record Period.

As the non-compliance incidents did not and will not have any significant financial and operational impact on our Group, our Directors are of the view, and the Sole Sponsor concurs that the non-compliance incidents do not affect our suitability for **[REDACTED]** under Rule 8.04 of the Listing Rules.

Legal proceedings

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge after making all reasonable enquiries, there was no litigation, arbitration or administrative proceedings or claims pending or threatened against us or any of our Directors which would have a material adverse effect on our financial condition, results of operations or reputation.

INTERNAL CONTROL

Our Board is responsible for ensuring that our Company maintains sound and effective internal controls to safeguard our Shareholders' investment and our Group's assets at all times. We believe that our internal control systems and procedures are sufficient in terms of comprehensiveness, practicability and effectiveness. The following are some of the key internal control measures we have adopted:

- we have adopted and implemented comprehensive internal control policies in respect of various aspects of our business operations, including (i) anti-bribery policies; (ii) conflict of interest guidelines; and (iii) disclosures guidelines; and our employees are required to duly observe such policies;

- we have strict approval hierarchy with respect to the internal approval for signing contracts, issuing of cheques, grant of credit terms and material expenditures;

- our Directors and senior management have attended trainings conducted by our Company's legal advisers on the ongoing obligations, duties and responsibilities of directors of publicly **[REDACTED]** companies under the Companies Ordinance, the SFO, the Listing Rules and other relevant laws and regulations. We will continue to arrange various trainings to be provided to our Directors, senior management and employees from time to time to update their knowledge on the legal and regulatory requirements applicable to the business operations of our Group;

- induction training will be arranged for any newly appointed Directors or company secretary so as to familiarise themselves with the relevant regulatory requirements in relation to directors' responsibilities and duties under the relevant laws and regulations;

- all management and staff of our Group will be required to report to and/or notify our Directors promptly of any non-compliance or potential non-compliance events;

- we have appointed China Tonghai Capital Limited as our compliance adviser for a term as required under the Listing Rules to advise on compliance matters; and

- we have established an audit committee responsible for overseeing our financial records, audit process, internal control procedures, risk management systems, monitoring our Group's exposure to risks and the implementation of related internal control policies. See "Directors and Senior Management" in this document for further details of the responsibilities of our audit committee as well as the qualifications and experience of its members.

Internal control review

In preparation of the **[REDACTED]**, we have engaged an independent internal control consultant (the "**IC Consultant**") from 30 November 2020 to 22 January 2021 to review our internal control systems and procedures and to provide recommendations on findings identified so as to assist our Group in improving its internal control, risk management systems and corporate governance.

Based on the review approach and work procedures of the IC Consultant, the IC Consultant has identified, apart from certain deficiencies which related to the historical non-compliances as mentioned above, other key findings mainly include (i) the lack of formal written policies and procedures in relation to our internal reporting, management and daily operations, and staff performance and evaluation; and (ii) the failure to establish business continuity or disaster recovery plan in relation to information system management, and has made recommendations for our Group to establish the relevant written policies, procedures and plan in order to address these findings.

After the first review, we had established a set of policies and procedures and implemented the measures to improve our internal control systems with reference to the recommendations of the IC Consultant. From 1 February 2021 to 19 February 2021, the IC Consultant has performed a follow-up review on our enhanced internal control system, and according to such review, internal control measures have been adopted and implemented in accordance with the recommendations of the IC Consultant and there was no further material finding identified.

Risk management

Our audit committee is responsible for formulating and implementing our risk management policies and monitoring our Group's exposure to risks. We integrate risk management into our daily decision-making processes as well as the planning processes of our different department. Regular reviews will be performed by our audit committee on the effectiveness of our risk management strategies.

We do not adopt any hedging policy. For details regarding the risks involved in our operations, see "Risk Factors" in this document.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the **[REDACTED]** and the **[REDACTED]**, and 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, Mr. Chao and Tai Wah will become a group of Controlling Shareholders for the purpose of the Listing Rules and are expected to control the exercise of **[REDACTED]**% of the voting rights in the general meeting of our Company.

Tai Wah is an investment holding company, which issued share capital is owned as to 100% by Mr. Chao. Mr. Chao is an executive Director and chairman of the Board. For the background of Mr. Chao, see "Directors and Senior Management — Directors" in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after **[REDACTED]**.

Management Independence

Our management and operational decisions are made by our Board and our senior management personnel. Our Board comprises four executive Directors, one non-executive Director and three independent non-executive Directors. Notwithstanding that Mr. Chao, being our Controlling Shareholder, is also one of our executive Directors, all material and important corporate acts of our Group are considered and determined by our Board as a whole. Our Board acts collectively by majority decisions in accordance with the Articles of Association and applicable laws, and any single Director would not be able to represent our Company unless otherwise approved by our Board.

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 best interest of our Group and not to allow any conflict between his/her duties as a Director and his/her personal interest. 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 in respect of such transaction, and shall not be counted in forming quorum.

Our independent non-executive Directors have extensive experience in different professions and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Group has established (i) an audit committee; (ii) a remuneration committee and (iii) a nomination committee. Each committee includes independent non-executive Directors so as to monitor our operation. Further, we believe that our independent non-executive Directors will be able to exercise their independent judgment and will be able to provide impartial opinion and professional advice in the decision-making process of our Board to protect the interests of our Shareholders.

We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources and business management on a standalone basis through the various departments of our Group.

In view of the aforesaid, our Directors are of the view that our Board and senior management will function independently from our Controlling Shareholders and their respective close associates.

Operational independence

Our Group has established its own business independent of that of our Controlling Shareholders and/or their respective close associates. Our Directors consider that our operations do not depend on our Controlling Shareholders or their close associates for the following reasons:

(i) we have full rights and hold all relevant licences necessary to carry on our business and we have sufficient resources, equipment, employees and intellectual properties to operate independently;

(ii) we do not rely on our Controlling Shareholders for any significant amount of our revenue or access to customers, suppliers and subcontractors;

(iii) we have established our own organisation structure comprising individual departments, each with specific areas of responsibilities. We do not share our operational resources with our Controlling Shareholders and/or their respective close associates;

(iv) we have established and implemented various internal control procedures to ensure that our business operations are being run effectively and efficiently; and

(v) as at the Latest Practicable Date, there was no ongoing business transaction between us and any of our Controlling Shareholders and/or their respective close associates. It is expected that there will not be any continuing connected transaction of our Company upon **[REDACTED]**.

Financial independence

Our Group has an independent financial system, independent treasury function for cash receipts and payment and makes financial decisions according to our business needs. Our Group has sufficient capital to operate our business independently, and has adequate internal resources to support our daily operations. To meet our working capital requirements, we had bank loans of HK$15.3 million, HK$15.4 million and HK$31.5 million as at 31 December 2019, 2020 and 2021, respectively. Certain of our loans were secured by (i) bank deposits of our Group; or (ii) guarantees provided by Mr. Chao and his associates and/or pledge of properties owned by them. See "Financial Information — Indebtedness" in this document for details. The relevant banks have given its consent in principle to release such guarantees and pledges provided by these related parties upon **[REDACTED]**.

Amounts due to shareholders and related party of our Group, which were non-trade nature, amounted to HK$17.5 million, HK$16.7 million and nil as at 31 December 2019, 2020 and 2021, respectively, and, save as disclosed below, were unsecured, interest free and repayable upon demand. Such balance of any outstanding amounts due to the shareholders and related party had been settled in full as at the Latest Practicable Date.

As at 31 December 2019, we had a borrowing amounted to HK$3.0 million from a related party at an interest rate of 1% per annum. The interest expenses for FY2019 and FY2020 were HK$1,000 and HK$30,000 respectively. We had repaid such borrowing during FY2020. For further details, see Note 32 to our consolidated financial statements included in the Accountant's Report in Appendix I to this document.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had not provided any loans to, nor given any guarantee, security or pledge for, our Controlling Shareholders, our Directors or their respective associates, and none of our Directors or any of their respective associates had provided any personal guarantee, security or pledge for any of our banking facilities and other borrowings.

Having considered that our future operations are not expected to be financed by our Controlling Shareholders or their respective close associates and we are capable of obtaining financing from external source without reliance on our Controlling Shareholders or their respective close associates, we believe we are financially independent of our Controlling Shareholders and their respective close associates.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, Directors and their respective close associates do not have any interest in a business apart from our business which competes or is likely to compete, directly or indirectly, with our business which would require disclosure pursuant to Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(i) we have established internal control mechanisms to identify connected transactions. Upon the **[REDACTED]**, if we enter into connected transactions with our Controlling Shareholders or any of their respective close associates, our Company will comply with the applicable Listing Rules;

(ii) our Company has appointed three independent non-executive Directors to ensure the effective exercise of independent judgments on the decision-making process of our Board and provide independent advice to our Shareholders;

(iii) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders ("**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(v) we will disclose decisions on matters reviewed by the independent non-executive Directors either in our annual reports or by way of announcements as required by the Listing Rules;

(vi) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our expenses; and

(vii) we have appointed China Tonghai Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between us and our Controlling Shareholders, and to protect our minority Shareholders' interests after **[REDACTED]**.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company immediately following completion of the **[REDACTED]** and the **[REDACTED]**.

Authorised share capital

Number of Shares		Aggregate nominal value of Shares
		(HK$)
[10,000,000,000]	Shares of HK$0.01 each	[100,000,000.00]

Issued share capital

Assuming that the **[REDACTED]** is not exercised at all, the issued share capital of our Company immediately following the completion of the **[REDACTED]** and the **[REDACTED]** will be as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares
		(HK$)
11,142	Shares in issue before the **[REDACTED]**	111.42
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]** (excluding any Shares which may be issued under the **[REDACTED]** and any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme)	**[REDACTED]**
[REDACTED]	Total	**[REDACTED]**

Assuming that the **[REDACTED]** is exercised in full, the issued share capital of our Company immediately following the completion of the **[REDACTED]** and the **[REDACTED]** will be as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares
		(HK$)
11,142	Shares in issue before the **[REDACTED]**	111.42
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be issued pursuant to the **[REDACTED]** and the **[REDACTED]** (excluding any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme)	**[REDACTED]**
[REDACTED]	Total	**[REDACTED]**

ASSUMPTIONS

The above tables assume that the **[REDACTED]** becomes unconditional and the issue of Shares pursuant to the **[REDACTED]** and the **[REDACTED]** are made. The tables take no account of any Shares (i) which may be allotted and issued upon the exercise of the options which may be granted under the Share Option Scheme; (ii) which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors for the allotment and issue of Shares and the repurchase of Shares as described below or otherwise.

RANKING

The **[REDACTED]** and Shares to the issued pursuant to the **[REDACTED]** and Shares that may be issued pursuant to exercise of the **[REDACTED]** will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all other existing Shares in issue or Shares to be issued as mentioned in this document, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on our Shares in respect of a record date which falls after the date of this document save for entitlements under the **[REDACTED]**.

[REDACTED]

Pursuant to the written resolutions of our Shareholders dated 20 June 2022, conditional on the share premium account of our Company being credited as a result of the issue of the **[REDACTED]** by our Company under the **[REDACTED]**, our Directors were authorised to allot and issue a total of **[REDACTED]** Shares, credited as fully paid, to our Shareholders whose names appear on the register of members of our Company at close of business on 14 July 2022 (or such other time as our Directors may direct) by way of **[REDACTED]** of a sum of HK$**[REDACTED]** standing to the credit of the share premium account of our Company, and that our Shares to be allotted and issued shall, as nearly as possible, not involve fractions and shall rank *pari passu* in all respects with the then existing issued Shares.

SHARE OPTION SCHEME

Pursuant to the written resolutions of our Shareholders dated 20 June 2022, we conditionally adopted the Share Option Scheme. For summaries of the principal terms of the Share Option Scheme, see "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with the number of Shares not exceeding:

(a) 20% of the total number of Shares in issue immediately following completion of the **[REDACTED]** and the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the **[REDACTED]** and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme); and

(b) the total number of Shares repurchased by our Company, if any, under the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement.

This general mandate to issue Shares will remain in effect until the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, see "Statutory and General Information — A. Further information about our Company — 4. Written resolutions of our Shareholders dated 20 June 2022" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10% of the total number of the Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (but excluding any Shares which may be issued pursuant to the **[REDACTED]** and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme).

The mandate only relates to repurchases made on the Stock Exchange, or any other exchange on which our Shares are **[REDACTED]** (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the Listing Rules. For further information required by the Stock Exchange to be included in this document regarding the repurchase of Shares, see "Statutory and General Information — A. Further information about our Company — 6. Repurchase of Shares by our Company" in Appendix IV to this document.

This general mandate to repurchase Shares will remain in effect until the earliest of:

(a) the conclusion of our Company's next annual general meeting; or

(b) the expiration of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

See "Statutory and General Information — A. Further information about our Company — 4. Written resolutions of our Shareholders dated 20 June 2022" in Appendix IV to this document for further details of this general mandate.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

For further details of the circumstances under which general meeting and class meeting are required, please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document.

SUBSTANTIAL SHAREHOLDERS

As at the date of this document, Mr. Chao (through Tai Wah) held, indirectly, 9,252 Shares, representing 83.04% of the total issued share capital of our Company.

So far as is known to our Directors, immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Share which may be allotted and issued upon the exercise of the **[REDACTED]** and any Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in our Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange 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 voting power at general meetings of any member of our Group:

		Shares held immediately after the [REDACTED] and [REDACTED] (assuming the [REDACTED] and options which may be granted under the Share Option Scheme are not exercised)	
Name of Shareholder	**Nature of interest and capacity**	**Number of Shares held or interested (L)** *(Note 1)*	**Approximate percentage of the total issued Shares**
Tai Wah	Beneficial owner	**[REDACTED]**	**[REDACTED]**%
Mr. Chao	Interest in controlled corporation*(Note 2)*	**[REDACTED]**	**[REDACTED]**%
Ms. Wong Pui Fan *(Note 3)* .	Interest of a spouse	**[REDACTED]**	**[REDACTED]**%

Notes:

1. The letter "L" denotes the person's and/or entities' long position in the Shares.

2. These **[REDACTED]** Shares are held by Tai Wah. Tai Wah is wholly-owned by Mr. Chao. By virtue of the SFO, Mr. Chao is deemed to be interested in the Shares held by Tai Wah.

3. Ms. Wong Pui Fan is the spouse of Mr. Chao and is therefore deemed to be interested in the **[REDACTED]** Shares held by Tai Wah in which Mr. Chao is deemed to be interested by virtue of Part XV of the SFO.

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following 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 Shares which may be issued pursuant to exercise of the options which may be granted under the Share Option Scheme), have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange 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 voting power at general meetings of any member of our Group.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Our Board currently consists of eight Directors, comprising four executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets forth certain information regarding our Directors.

Name	Age	Date of joining our Group	Date of appointment as a Director	Existing position in our Company	Main roles and responsibilities	Relationship amongst Directors and senior management
Executive Directors						
Chao Ka Chon (周家俊)	46	21 April 2003	18 February 2021	Chairman, chief executive officer and executive Director	Overall management, strategic development and leading the business development of our Group	Cohabiting with Ms. Chiu Koon Chi as a spouse
Chiu Koon Chi (趙冠芝)	43	11 January 2011	18 February 2021	Executive Director	Overall administration, operations and human resources and marketing of our Group	Cohabiting with Mr. Chao Ka Chon as a spouse
Lei Sok Han (李淑嫻)	45	3 June 2013	18 February 2021	Executive Director	Overall development of product solutions and marketing strategies of our Group	None
Ng Hong Kei (吳鴻祺)	34	1 July 2014	18 February 2021	Executive Director	Overall business development and business consultation of our Group	Elder brother of Mr. Ng Hong Seng, a member of our senior management team
Non-executive Director						
Li Haodong (李浩東)	45	1 April 2021	1 April 2021	Non-executive Director	Providing strategic and development advice to our Board	None
Independent Non-executive Directors						
Man Wing Pong (文永邦)	51	20 June 2022	20 June 2022	Independent non-executive Director	Supervising and providing independent advice to our Board	None
U Seng Pan (余成斌)	51	20 June 2022	20 June 2022	Independent non-executive Director	Supervising and providing independent advice to our Board	None
Suen Chi Wai (孫志偉)	57	20 June 2022	20 June 2022	Independent non-executive Director	Supervising and providing independent advice to our Board	None

Executive Directors

Mr. Chao Ka Chon (周家俊), aged 46, is the founder of our Group and our chairman, chief executive officer and executive Director who is primarily responsible for the overall management, strategic development and leading the business development of our Group. Mr. Chao was appointed as our Director on 18 February 2021 and was re-designated as our chairman, chief executive officer and executive Director on 20 April 2021. Mr. Chao is our Controlling Shareholder and a director of each of BoardWare Macau, BoardWare HK, BoardWare ZH, BoardWare NS and Synergy CCL. Mr. Chao is cohabiting with Ms. Chiu as a spouse.

Mr. Chao has over 18 years of experience in the IT industry. Prior to first commencing the business operation of our Group in 2010, Mr. Chao worked at HKBN JOS (Macau) Limited (formerly known as Jardine OneSolution (Macau) Limited) which principally engages in the provision of enterprise systems in Macau and is a subsidiary of HKBN Ltd., a company listed on the Stock Exchange (stock code: 1310), as a senior account manager from March 2006 to May 2009. From June 2002 to June 2005, Mr. Chao worked as a senior system engineer and a senior system analyst at Noveland Textiles Limited (formerly known as Novetex Spinners Limited).

Mr. Chao was elected as a member of 中國人民政治協商會議第十四屆廣州市委員會委員 (the 14th Guangzhou District Committee of the Chinese People's Political Consultative Conference)* on 22 January 2022 and is currently a member and a standing committee member of 中國人民政治協商會議廣州市白雲委員會 (Guangzhou Baiyun District Committee of the Chinese People's Political Consultative Conference)* since October 2021. Mr. Chao is currently a member of the 經濟發展委員會 (Economic Development Council*) since August 2021 and has been the vice chairman of 粵港澳大灣區互聯網聯盟 (the Guangdong-Hong Kong-Macao Greater Bay Area Internet Alliance*) since December 2020. Mr. Chao has been the executive vice chairman of the board of supervisors of the Macau International Industrial Technology Development Association since October 2018. Mr. Chao has also been the vice chairman of the board of supervisors of the Guangdong and Macao Federation of Industry and Commerce since July 2018.

Since launching our scholarship and internship awards programme (in collaboration with the Institute of Data Science of the City University of Macau) in May 2019, a programme that aims to support and cultivate talents in Macau, Mr. Chao has been the chairman of our scholarship committee and has been leading the overall co-ordination and candidates' selection process of the programme.

Mr. Chao obtained a degree of bachelor of science and a postgraduate diploma in science from The University of Auckland in New Zealand in October 2000 and June 2002, respectively. Mr. Chao was awarded "Excellence Award in Entrepreneur" by the Business Awards of Macau in November 2019.

Ms. Chiu Koon Chi (趙冠芝), aged 43, is an executive Director who is primarily responsible for the overall administration, operations and human resources and marketing of our Group. Ms. Chiu was appointed as our Director on 18 February 2021 and was re-designated as our executive Director on 20 April 2021. Ms. Chiu first joined our Group as a director of BoardWare Macau in January 2011. Ms. Chiu is a director of each of BoardWare Macau, BoardWare HK and Synergy CCL. Ms. Chiu is cohabiting with Mr. Chao as a spouse.

Ms. Chiu has over 15 years of experience in marketing. Prior to joining our Group, Ms. Chiu worked at IDT Telecom Asia Pacific Limited, a subsidiary of IDT Corporation, a company listed on The New York Stock Exchange (stock code: NYSE:IDT), from May 2005 to July 2007 where

her last position was a senior marketing officer. From June 2002 to March 2005, Ms. Chiu worked as a sales and marketing assistant at Noveland Textiles Limited (formerly known as Novetex Spinners Limited).

Ms. Chiu obtained a degree of bachelor of social sciences from Lingnan University, Hong Kong in December 2001. In July 2006, Ms. Chiu obtained a diploma in marketing from The University of Hong Kong School of Professional and Continuing Education in association with the Chartered Institute of Marketing.

Ms. Lei Sok Han (李淑嫻), aged 45, is an executive Director who is primarily responsible for the overall development of product solutions and marketing strategies of our Group. Ms. Lei was appointed as our Director on 18 February 2021 and was re-designated as our executive Director on 20 April 2021. Ms. Lei first joined our Group as a manager of the product and marketing department of BoardWare Macau on 3 June 2013 and has been a director of the aforementioned department of BoardWare Macau since April 2016. Ms. Lei is a director of BoardWare Macau and BoardWare HK.

Ms. Lei has over 19 years of experience in the IT industry. Prior to joining our Group, Ms. Lei worked at CSA Automated (Macau) Limited, a subsidiary of Automated Systems Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 771), which principally engages in the provision of IT services, from September 2010 to May 2013 with her last position as an account manager in the sales & marketing department. From February 2008 to February 2009, Ms. Lei worked at Certis Security (Macau) Ltd., which principally engages in the provision of security services. Ms. Lei worked as a senior account manager at Mega Tecnologia Informatica Lda., a Macau IT services provider, from May 2001 to January 2008.

Ms. Lei obtained a degree of bachelor of business administration in marketing from the University of Macau in January 2001. In June 2007, Ms. Lei obtained a degree of master of business administration from CapStone University, the United States through distance learning.

Mr. Ng Hong Kei (吳鴻祺), aged 34, is an executive Director who is primarily responsible for the overall business development and business consultation of our Group. Mr. Ng was appointed as our Director on 18 February 2021 and was re-designated as our executive Director on 20 April 2021. Mr. Ng first joined our Group as a manager of the presales and consultant department of BoardWare Macau in July 2014 and was promoted to be a director of the business consultation department of BoardWare Macau in October 2018.

Mr. Ng has over 11 years of experience in the IT industry. Prior to joining our Group, Mr. Ng worked at NetCraft Information Technology (Macau) Co., Ltd., an IT solution provider in Macau, from August 2008 to October 2010 and January 2012 to May 2014 with his last position as an assistant manager of the pre-sales team.

Mr. Ng obtained a degree of bachelor of business administration in business information system from the University of Macau in March 2009. Mr. Ng was recognised as a Cisco certified design associate from May 2009 to October 2017, a Cisco advanced wireless design specialist from June 2009 to June 2011 and a Cisco security solutions and design specialist from August 2010 to August 2012 and from October 2014 to October 2016, by Cisco Systems, Inc.

Mr. Ng has been serving as a member of 離島區社區服務諮詢委員會 (the Islands District Community Service Advisory Committee*) of Macau since January 2019 and was appointed as the Deputy Coordinator in February 2022 for a term up to 29 January 2023.

Non-executive Director

Mr. Li Haodong (李浩東), aged 45, was appointed as our Director on 1 April 2021 and re-designated as our non-executive Director on 20 April 2021. Mr. Li is primarily responsible for providing strategic and development advice to our Board.

Mr. Li has over eight years of experience in industrial and infrastructure development and recruitment consultancy services in the PRC. Mr. Li has been a director and the general manager of DHQ, which principally engages in the provision of industrial development, project investment and management services, since December 2019. Mr. Li has been an assistant general manager of 珠海大橫琴集團有限公司 (Zhuhai Da Hengqin Group Limited*), which principally engages in the provision of infrastructure project investment, construction and industrial development, property management and consultancy services, since March 2019. Mr. Li worked at 珠海市橫琴新區英才人力資源服務有限公司 (Zhuhai Hengqin New Area Elites Human Resources Services Co., Ltd*), which principally engages in the provision of recruitment and consultancy services, from March 2016 to April 2020 as a general manager. Mr. Li worked at 珠海大橫琴建材科技發展有限公司 (Zhuhai Da Hengqin Building Material Technology Development Co. Ltd*), which principally engages in the provision of research and development of building and urban green technology development services, from June 2012 to February 2016 as a deputy general manager.

Mr. Li obtained a degree of bachelor of science in industrial automation from Guangdong University of Technology, the PRC in July 1998. Mr. Li also obtained a master of business administration degree from Beijing University of Posts and Telecommunications, the PRC in December 2008.

Independent non-executive Directors

Mr. Man Wing Pong (文永邦), aged 51, was appointed as our independent non-executive Director on 20 June 2022. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Man has over 17 years of experience in corporate finance and investment banking. Mr. Man has been working at League Capital Limited as a managing director since April 2020. Mr. Man worked at Mason Global Capital Limited from January 2019 to February 2020 with his last position as a corporate finance senior vice president. Mr. Man worked at ABCI Capital Limited from September 2014 to April 2018 with his last position as a senior vice president of the investment banking department. Mr. Man worked at RHB OSK Capital Hong Kong Limited from June 2011 to September 2014 with his last position as a senior vice president of the corporate finance department. Mr. Man worked at China Merchants Securities (HK) Co., Ltd from October 2007 to June 2011 with his last position as a manager. Mr. Man worked at Deloitte & Touche Corporate Finance Ltd from December 2004 to September 2007 with his last position as a manager.

Mr. Man obtained a degree of bachelor of social science from The Chinese University of Hong Kong in December 1993. Mr. Man obtained his master of financial management from Rotterdam School of Management, Erasmus University in August 2004. Mr. Man obtained his postgraduate diploma in professional accountancy from The Chinese University of Hong Kong in November 2018. Mr. Man is currently a member of CPA Australia. Since June 2021, Mr. Man is licensed under the SFO as a responsible officer of Silverstone Investments Limited to carry out Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities.

Mr. U Seng Pan (余成斌), aged 51, was appointed as our independent non-executive Director on 20 June 2022. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. U has over 27 years of experience in the IT industry. Mr. U has been the co-chief executive officer and a managing director of Macau of Akrostar Technology Co., Ltd, a high-tech company which principally engages in the provision of chip design and system applications with advanced semiconductor intellectual property development and services, since March 2021. Mr. U worked at 新諾普思澳門有限公司 (Synopsys Macau Limited*), a high-tech company principally engages in the provision of chip design, verification, IP integration and software security services, from May 2001 to February 2021 with his last position as the research and development director. Mr. U worked at the University of Macau from September 1994 to February 2021 with his last position as a deputy director of the State Key Laboratory of Analog and Mixed Signal VSLI of the PRC and a visiting lecturer of the faculty of science and technology.

Mr. U is currently a member of the 經濟發展委員會 (Economic Development Council*) since August 2021 and a member of the Macao Committee for Guangdong-Hong Kong-Macao Great Bay Area Development of the Boao Forum for Asia (BFA) with his appointment valid until November 2025. Mr. U has been a committee member of 澳門特別行政區政府科技委員會 (The Technology Committee of the Government of Macau*) and 澳門特別行政區政府人才發展委員會 (The Talent Development Committee of the Government of Macau*), since August 2016 and March 2020, respectively. Mr. U has been the vice chairman of the China Semiconductor Industry Association IC Design Branch of the PRC since November 2019. Mr. U has a been a committee member of the Science and Technology Commission of Ministry of Education of the People's Republic of China since March 2016.

Mr. U obtained a bachelor of science in electronics and information system from Jinan University in Guangzhou, the PRC in June 1991. Mr. U obtained a master of electrical and electronic engineering from the University of Macau in July 1997. Mr. U obtained a doctorate degree in electrical and electronic engineering from the University of Macau in July 2002. Mr. U obtained a doctorate degree in electrical and computer engineering from the Instituto Superior Técnico of the University of Lisbon, Portugal in April 2004. Mr. U has been a fellow of The Institute of Electrical and Electronics Engineers since January 2016.

Mr. Suen Chi Wai (孫志偉), aged 57, was appointed as our independent non-executive Director on 20 June 2022. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Suen has over 20 years of experience in corporate finance and with area of practice principally in initial public offerings on the Stock Exchange, mergers and acquisitions, corporate reorganisations and Listing Rules compliance matters. Mr. Suen has been a partner of Withers since February 2018. Mr. Suen worked at DLA Piper in Hong Kong from June 2007 to February 2018 with his last position as a partner. Mr. Suen served as a manager in the investment products department of the SFC from October 2005 to July 2006, responsible for reviewing applications of collective investment schemes and monitoring continuing compliance of authorised schemes. Mr. Suen worked as an assistant solicitor at Woo Kwan Lee & Lo in Hong Kong from September 2000 to March 2005.

Mr. Suen has been serving as an independent non-executive director of (i) Xin Yuan Enterprises Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1748) since September 2018; (ii) Venus Medtech (Hangzhou) Inc., a company listed on the Main Board of the Stock Exchange (stock code: 2500) since July 2019; and (iii) Da Yu Financial Holdings Limited, a company listed on the Main board of the Stock Exchange (stock code: 1073) since July 2019.

Mr. Suen obtained a degree of bachelor of science from University of East Anglia, the United Kingdom in July 1987 and a postgraduate certificate in laws from the University of Hong Kong in June 1998. Mr. Suen has been admitted as a solicitor in Hong Kong since October 2000 and in England and Wales since December 2003. Mr. Suen has also been a fellow member of the Association of Chartered Certified Accountants since May 1998 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 1993.

Save as disclosed above and in the section headed "Substantial Shareholders" in this document, each of our Directors:

(i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) had no other relationship with any Directors, senior management or substantial Shareholders of our Company as at the Latest Practicable Date;

(iii) did not have any other directorships in public companies the securities of which are listed on any securities markets in Hong Kong or overseas in the three years prior to the Latest Practicable Date; and

(iv) confirmed, to the best of his or her knowledge, information and belief having made all reasonable enquiries, there were no other matters that need to be brought to the attention of our Shareholders in connection with his or her appointment, and there was no information relating to him or her required to be disclosed under Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

As at the Latest Practicable Date, save as the interests of Mr. Chao in the Shares which are disclosed in the section headed "C. Further Information about the Substantial Shareholders, Directors and Experts — 1. Disclosure of interests" in Appendix IV to this document, each of our Directors did not have any interests in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Other than our Directors, our senior management team consists of seven members, who, together with our executive Directors, are responsible for the day-to-day management and operation of our Group. The table below sets out information in respect of our senior management personnel.

Name	Age	Date of joining our Group	Date of appointment as a member of senior management	Existing position in our Group	Roles and responsibilities
Tsang Tik Man (曾廸文)	33	2 May 2019	2 May 2019	Financial controller and company secretary	Overall financial management and company secretarial matters of our Group
Leong Wai Meng (梁偉明)	36	23 June 2014	1 August 2019	Assistant director of the sales department of BoardWare Macau	Overall supervision and management of the sales matters of our Group
Chan Kuong Kit (陳光傑)	35	2 January 2020	2 January 2020	Assistant director of the application development department of BoardWare Macau	Overall management and development of the software application business of our Group
Hoi Ut Sim (許月嬋)	39	1 November 2017	1 June 2019	Assistant managed services director of BoardWare Macau	Overall business development and the supervision of managed services matters of our Group
Ho Io Keong (何耀強)	53	23 September 2013	23 September 2013	Director of professional service department of BoardWare Macau	Overall daily operations of the service team and overseeing the delivery of service functions of our Group
Ng Hong Seng (吳鴻盛)	32	2 January 2014	1 June 2019	Assistant director of professional service department of BoardWare Macau	Overall supervision of the engineering and project management teams of our Group
Chan Hon Fan (陳瀚勳)	45	2 May 2000	April 2018	General manager of Synergy CCL	Overall management of the daily operations and talent development programmes of our Group

Mr. Tsang Tik Man (曾廸文), aged 33, joined our Group as a financial manager on 2 May 2019 and was promoted to be the financial controller of our Group on 1 January 2021. Mr. Tsang was appointed as the company secretary of our Company on 20 April 2021. Mr. Tsang is primarily responsible for the overall financial management and company secretarial matters of our Group.

Mr. Tsang has over nine years of experience in professional auditing, accounting and financial management. Prior to joining our Group, Mr. Tsang worked at Nexion Technologies Limited, a company listed on GEM of the Stock Exchange (stock code: 8420) which principally engages in the provision of information and communications technology solution, from July 2017 to January 2019 with his last position as a finance manager. Mr. Tsang worked at Deloitte Touche Tohmatsu from September 2011 and July 2017 with his last position as a manager.

Mr. Tsang obtained a degree of bachelor of business administration in accounting from Hong Kong Baptist University in November 2011. Mr. Tsang completed the Chartered Governance Qualifying Programme launched by The Hong Kong Institute of Chartered Secretaries in February 2021. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 2015 and is a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants.

Mr. Leong Wai Meng (梁偉明) (formerly known as Li Jing Hong (李敬鴻)), aged 36, first joined our Group as a manager of the sales department of BoardWare Macau on 23 June 2014. He has been an assistant director of the aforementioned department since 1 August 2019. Mr. Leong is primarily responsible for the overall supervision and management of the sales matters of our Group.

Mr. Leong has over 11 years of experience in the IT industry. Prior to joining our Group, Mr. Leong worked at Netcraft Information Technology (Macau) Co., Ltd., a solution provider in Macau, from July 2009 to June 2014 where his last position was a sales manager of the sales department.

Mr. Leong obtained a degree of bachelor of engineering from Northeastern University, the PRC in July 2009.

Mr. Chan Kuong Kit (陳光傑), aged 35, joined our Group as an assistant director of the application development department of BoardWare Macau on 2 January 2020. Mr. Chan is primarily responsible for the overall management and development of the software application business of our Group.

Mr. Chan has over seven years of experience in the IT industry. Prior to joining our Group, Mr. Chan worked at EasyTone Network Technology Limited, an online payment platform company focusing on system development and research, from November 2013 to December 2019 with his last position as a general manager.

Mr. Chan obtained a degree of bachelor of business administration (business information system) from the University of Macau in July 2008.

Ms. Hoi Ut Sim (許月嬋), aged 39, first joined our Group as a business engagement manager of the presales team of the business consultation department of BoardWare Macau in November 2017. She has been an assistant managed services director of BoardWare Macau since 1 June 2019. Ms. Hoi is primarily responsible for the overall business development and the supervision of managed services matters of our Group.

Ms. Hoi has over 21 years of experience in the IT industry. Prior to joining our Group, Ms. Hoi worked at Microsoft Hong Kong Limited, a subsidiary of Microsoft Corporation which is a company listed on Nasdaq (stock code: MSFT), from December 2014 to April 2017 as a services account executive. From September 2012 to December 2014, she worked as a services sales supervisor for Microsoft Macau Limited, a subsidiary of Microsoft Corporation. From September 2007 to September 2012, Ms. Hoi worked as an assistant product marketing manager at Mega Tecnologia Informatica Lda., a Macau IT services provider. From May 1999 to August 2007, Ms. Hoi worked at Detection Security Systems (Macau) Co., Ltd. with her last position as a senior clerk.

Ms. Hoi obtained a degree of bachelor of management from Macao Polytechnic Institute in August 2008.

Mr. Ho Io Keong (何耀強), aged 53, joined our Group as a director of the professional service department of BoardWare Macau on 23 September 2013. Mr. Ho is primarily responsible for the overall daily operations of the service team and overseeing the delivery of service functions of our Group.

Mr. Ho has over 26 years of experience in the IT industry. Prior to joining our Group, Mr. Ho worked at CSA Automated (Macau) Limited, a subsidiary of Automated Systems Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 771) which principally engages in the provision of IT services, from July 1994 to July 2013 with his last position as a technical services manager.

Mr. Ho obtained a degree of master of business administration with a major in international business from the European University, Montreux Campus, Switzerland in March 2016 which was a long distance learning course.

Mr. Ng Hong Seng (吳鴻盛), aged 32, joined our Group as a solution architect of the professional service department of BoardWare Macau on 2 January 2014 and was promoted to be a technical manager on 1 January 2017. Mr. Ng has been an assistant director of the professional service department of BoardWare Macau since 1 June 2019 where Mr. Ng is primarily responsible for the overall supervision of the engineering and project management teams of our Group.

Mr. Ng has over eight years of experience in the IT industry. Prior to joining our Group, Mr. Ng worked at CSA Automated (Macau) Limited, a subsidiary of Automated Systems Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 771), which principally engages in the provision of IT services, from December 2011 to February 2013 with his last position as a network engineer in the engineering department.

Mr. Ng obtained a degree of bachelor of management from Shanghai Jiao Tong University, the PRC in July 2011. Mr. Ng was awarded as a certified information systems security professional by the International Information System Security Certification Consortium in September 2020 and was recognised as having completed the relevant certification test requirements in relation to routing and switching by Cisco Systems, Inc. in July 2013.

Mr. Chan Hon Fan (陳瀚勳), aged 45, joined our Group as a field service engineer of Synergy CCL on 2 May 2000. Mr. Chan has been the general manager of Synergy CCL since April 2018 and is primarily responsible for the overall management of the daily operations and talent development programmes of our Group.

Mr. Chan has over 21 years of experience in the IT industry. Prior to joining our Group, Mr. Chan worked at Chat Horn Engineering Ltd. as an assistant radio frequency maintenance technician from June 1999 to May 2000.

Mr. Chan obtained a degree of bachelor of science from Oxford Brookes University, the United Kingdom in June 2007 through distance learning. He also obtained a degree of master of science in electronic and information engineering and a degree of master of business administration from The Hong Kong Polytechnic University in October 2011 and September 2016, respectively.

COMPANY SECRETARY

Mr. Tsang Tik Man (曾廸文) was appointed as the company secretary of our Company on 20 April 2021. For details of his background, see the paragraph headed "Senior Management" in this section.

BOARD COMMITTEES

Our Group delegates certain responsibilities to various committees. In accordance with the Articles of Association and the Listing Rules, we have established the audit committee, the remuneration committee and the nomination committee.

Audit Committee

Our Company has established the audit committee on 20 June 2022 in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Man Wing Pong, Mr. U Seng Pan and Mr. Suen Chi Wai. Mr. Man Wing Pong has been appointed as the chairman of the audit committee and he possesses the appropriate professional qualifications as required under Rule 3.10(2) of the Listing Rules. The primary duties of the audit committee are, among others, to review and supervise the financial reporting process and internal control procedures of our Group, and to develop and review the policies and procedures for corporate governance and make recommendations to our Board.

Remuneration Committee

Our Company has established the remuneration committee on 20 June 2022 in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of one executive Director, namely Mr. Chao Ka Chon and two independent non-executive Directors, namely Mr. U Seng Pan and Mr. Suen Chi Wai. Mr. U Seng Pan has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are, among others, to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination committee

Our Company has established the nomination committee on 20 June 2022 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The nomination committee consists of one executive Director, namely Mr. Chao Ka Chon and two independent non-executive Directors, namely Mr. Man Wing Pong and Mr. Suen Chi Wai. Mr. Suen Chi Wai has been appointed as the chairman of the nomination committee. The primary duties of the nomination committee are, among others, to review the structure, size, composition and diversity of our Board, assess the independence of our independent non-executive Directors and make recommendations to our Board on matters relating to the appointment and re-appointment of Directors.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain an appropriate balance of skills, experience and diversity of perspectives of our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate skills, expertise and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, selection of candidates for Directors will be based on a range of perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board and the business needs of our Company from time to time. Our Board believes that such merit-based appointments will best enable our Company to serve our Shareholders and other stakeholders going forward. Our Board comprises of eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including management and strategic development, corporate finance, investment banking, legal and professional accounting in addition to experiences in the IT industry. Furthermore, our Board has a wide range of age, ranging from 34 years old to 57 years old, and comprises of two female Directors and six male Directors. We also have a good mix of new and experienced Directors, who have valuable knowledge and insights of our business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to our Group. Our nomination committee will (i) report annually, in the corporate governance report contained in our annual report, on our Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy; and (ii) review the Board Diversity Policy, as appropriate, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required, and recommend any such revisions to our Board for consideration and approval.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability. Our Company has adopted the code provisions stated in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

Except for the deviation from provision C.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the Corporate Governance Code as at the Latest Practicable Date. Under code provisions C.2.1 of Appendix 14 to the Listing Rules, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Chao is the chairman of our Board and the chief executive officer of our Company. In view of the fact that Mr. Chao has been responsible for the day-to-day management of our Group since 2010 and the steady development of our Group, our Board believes that with the support of Mr. Chao's extensive experience and knowledge in the business of our Group, vesting the roles of both chairman and chief executive officer in Mr. Chao strengthens the consistent and solid leadership of our Group, and thereby allows for efficient business planning and decision which is in the best interest of our Group as a whole.

Our Directors consider that the deviation from provision C.2.1 of the Corporate Governance Code is appropriate in such circumstances. Notwithstanding the above, our Board is also of the view that the current management structure is effective for our operations, and sufficient checks and balances are in place. Our Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of our Board and chief executive officer is necessary.

Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and comply with the "comply or explain" principle in our corporate governance report, which will be included in our annual reports upon the **[REDACTED]**.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive remuneration in the form of director fees, salaries, discretionary bonus, contributions to pension schemes and other benefits in kind subject to applicable laws and regulations. The aggregate amount of remuneration (including director fees, salaries, discretionary bonuses, contributions to pension schemes and other benefits in kind) paid to our Directors for each of FY2019, FY2020 and FY2021 were HK$5.5 million, HK$5.4 million and HK$6.2 million, respectively.

The aggregate amount of remuneration (including director fees, salaries, discretionary bonuses, contributions to pension schemes and other benefits in kind) paid to the five highest paid individuals of our Group for each of FY2019, FY2020 and FY2021 were HK$8.2 million, HK$8.7 million and HK$9.3 million, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation 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.

Save as disclosed above, no payments have been paid or are payable by any members of our Group to our Directors or the five highest paid individuals during the Track Record Period.

Under the arrangements currently in force, the aggregate remuneration and benefits in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 December 2022 is estimated to be approximately HK$5 million.

REMUNERATION POLICY

Our executive Directors, independent non-executive Directors and senior management receive remuneration in the form of director fees, salaries, benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and responsibilities of respective Directors and senior management and the performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. We regularly review and determine the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective experience and qualifications as well as responsibilities of our Directors and senior management and the performance of our Group.

COMPLIANCE ADVISER

Our Company has appointed China Tonghai Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Company must consult with, and if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to us in respect of unusual movements in the **[REDACTED]** or **[REDACTED]** or other issues under Rule 13.10 of the Listing Rules.

The term of this appointment 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]**.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme under which employees of our Group including executive Directors and other eligible participants may be granted options to subscribe for Shares. The principal terms of the Share Option Scheme are summarised in "D. Share Option Scheme" in Appendix IV to this document.

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in "Appendix I — Accountant's Report" to this document. The consolidated financial information has been prepared in accordance with IFRSs.

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 we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are the leading company in the Macau IT solutions market. We provide reliable, end-to-end and high quality enterprise IT solutions. According to Frost & Sullivan, we ranked first in the IT solutions market in Macau in terms of revenue, with a market share of 25.8% in 2021, and during the Track Record Period, we were one of the few IT services providers in Macau with the technical ability and resources to provide comprehensive, end-to-end solutions to customers in Macau.

During the Track Record Period, we achieved satisfactory business and financial performance. Our total revenue for FY2019, FY2020 and FY2021 were HK$502.7 million, HK$475.3 million and HK$534.3 million, respectively, while our net profit were HK$25.2 million, HK$29.9 million and HK$24.0 million, respectively, for the same periods. The provision of enterprise IT solutions is our major business, which accounted for 65.6%, 69.1%, and 73.9% of our total revenue, respectively, and 63.6%, 78.2% and 80.0% of our gross profit, respectively, during the Track Record Period.

BASIS OF PRESENTATION

Our Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Act on 18 February 2021. Our Company is an investment holding company and its subsidiaries are principally engaged in professional IT services, managed services and leasing of IT equipment, IT maintenance and consultancy services and distribution and resale of hardware and software in Hong Kong and Macau.

Immediately prior to and after the Reorganisation, our business is held by Mr. Chao. Our business is mainly conducted through BoardWare Macau and Synergy CCL. Pursuant to the Reorganisation, BoardWare Macau and Synergy CCL are transferred to and held by our Company. Our Company and those companies newly incorporated during the Reorganisation have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of our business with no change in management of such business and the ultimate owner of our business remain the same. Accordingly, our Group resulting from the Reorganisation is regarded as a continuation of our business under the ultimate controlling Shareholder, (i.e. Mr. Chao) and, for the purpose of the Accountant's Report, our historical financial information has been prepared and presented as a

continuation of our business conducted through BoardWare Macau and Synergy CCL, with the assets and liabilities of our Group recognised and measured at the carrying amounts of our business for all periods presented.

The historical financial information represents the consolidated results and financial position of our Group as if the current group structure had been in existence throughout the Track Record Period and as if our business was transferred to our Group at the beginning of the earliest period presented or when such business were established, whichever is the shorter period.

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated on consolidation.

The financial information has been prepared by our Directors based on accounting policies which conform to IFRS which includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**"), amendments and interpretations issued by the International Accounting Standards Board ("**IASB**"), on the basis of preparation and presentation as set out in Note 2 to the Accountant's Report contained in Appendix I to this document, and no adjustments have been made in preparing the financial information.

Further details on the basis of presentation are set out in the Note 1 to the Accountant's Report.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

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

Our contracts are mainly on project by project basis and our future business depends on our ability in securing new projects

The provision of enterprise IT solutions is our major business. Our professional IT services, which accounted for 58.5%, 52.4%, and 54.1%, respectively, of our total revenue for FY2019, FY2020 and FY2021, are provided mainly on project basis, the contracts of which are not recurring in nature and the solutions provided by us may be used for a certain period of time. In this regard, our revenue and financial performance may fluctuate from year to year depending on factors including (i) the number of contracts on hand; (ii) the awarded contract value; and (iii) progress of our projects during the relevant financial year. Our ability in securing new projects depends on a number of factors, including but not limited to, demand for enterprise IT solutions, economic conditions, our technical expertise, our experience, financial capability and the competitive landscape.

For contracts awarded by customers such as gaming and hotel brands, governmental bodies and education institutions, in case where the contract value is significant, these customers may award the contract to the service providers by way of tender. Our overall tender success rates with awarded contract value of HK$1 million or above were 54.2%, 37.1% and 37.2% for FY2019, FY2020 and FY2021, respectively. For details, see "Business — Our Principal Business — Operational flow of our professional IT services and managed services — Tendering/quotation" in this document. There is no assurance that we will be evaluated favourably by our customers during the tendering process. If we fail to secure new projects from our existing and/or new customers, our business, results of operations and financial conditions may be adversely affected.

Our ability to manage fluctuation of prices of components of our cost of sales

For FY2019, FY2020 and FY2021, our cost of materials and services which comprises procurement cost of hardware and software and subcontracting fees are the major components of our cost of sales, which accounted for 94.2%, 92.5% and 90.9% of our total cost of sales, respectively. Any fluctuations in the cost of materials and services and our ability to pass such cost increase to our customers may affect our profitability.

The price and availability of hardware and software from our suppliers and the subcontracting fees charged by our subcontractors may vary from period to period due to factors such as our customers' demand and market conditions. As a result, we are exposed to the market risk of price fluctuation, and fluctuation in such prices may cause fluctuation in our cost of sales. Any increase in the price of our cost of software and hardware and subcontracting fees and our ability to pass such cost increase to our customers would negatively impact our gross profit margin if we are unable to transfer the same through increasing the selling price of our products or charging a higher price for the solutions and services under our enterprise IT solutions.

For illustrative purpose only, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of materials and services and our cost of labours on our profit before tax during the Track Record Period, assuming all other variables remain constant. For prudence sake and taking into account the historical fluctuation on the same during the Track Record Period for our Group, we adopted a hypothetical fluctuations of 5% and 10% for cost of materials and services and 5% and 10% for cost of labours in performing the below sensitivity analysis. Our Directors confirm that the below hypothetical fluctuations in our cost of materials and services and our cost of labours commensurate with the historical fluctuations during the Track Record Period.

Hypothetical fluctuations of cost of materials and services

	Impact on profit before tax	
	+/- 5%	**+/- 10%**
	HK$'000	*HK$'000*
Increase/decrease in cost of materials and services		
FY2019	-/+19,646	-/+39,292
FY2020	-/+17,651	-/+35,302
FY2021	-/+19,181	-/+38,362

Hypothetical fluctuations of cost of labours

	Impact on profit before tax	
	+/- 5%	**+/- 10%**
	HK$'000	*HK$'000*
Increase/decrease in cost of labours		
FY2019	-/+976	-/+1,951
FY2020	-/+1,280	-/+2,559
FY2021	-/+1,735	-/+3,469

Prospective **[REDACTED]** 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.

Our ability to maintain business relationships with system vendors

As an integral part of our enterprise IT solutions, to ensure that the hardware, system and components used or to be used in the project will best suit our customer's operational environment and business requirements, we maintain a close contact with our suppliers or the system vendors as a way to equip ourselves with the latest information on their product offering and technical development which are relevant to the customisation and localisation of our customer's IT infrastructure and system, work with them on product demonstration, share our and our customer's feedback on the performance of their products, and follow-up with them on the post-sales maintenance and support. Apart from enterprise IT solutions business, during the Track Record Period, we had been engaging in the distribution and sale of mobility and security related hardware and the associated system of over eight brands mainly in Macau and Hong Kong customers. Our business relationship with our five largest suppliers during the Track Record Period ranged from three to 15 years (including the period before the Acquisition of Synergy CCL). Our close collaboration and relationships with our suppliers have enabled us to procure and source suitable IT products to cater for our customers' needs and acquire advanced and extensive skills and knowledge in the latest IT technologies and as a result of which, we are capable of delivering more client-specific, end-to-end and reliable IT solutions to meet the ever-changing requirements of our customers in a timely and cost-efficient manner, thereby allowing us to strengthen our relationships with existing customers and attract business from new customers. As our business relies on our ability to provide high quality and customised IT solutions services that suits the specific needs of our customers, failure to maintain our relationship with our suppliers may reduce our overall control over the supply chain and our competitiveness, increase our purchase costs and hence decrease our gross profit margin and affect our profitability.

Our ability to keep up with changes in technology

The IT solutions industry are characterised by rapid technological improvements, evolving industry standards, changing customer's preferences and frequent introduction of new solutions, services and products. Our ability to develop innovative solutions, services and applications to meet our customers' evolving needs is critical to our competitiveness and reputation. If we are unable to adapt to evolving market demand and the continuing development and progress of the prevailing technologies, our ability to innovate and meet client needs would suffer and our profitability and financial performance may be adversely affected.

Our ability to recruit and retain eligible employees

Our business and success depend heavily on the services provided by our staff, particularly our pre-sales, sales and technical staff. We incurred significant amount of expenses on salaries paid to our employees. We also rely on our management and key personnel for their extensive knowledge of and experience in IT solutions design and development, software and hardware procurement, system integration and marketing. Hence, our ability to recruit, train and retain our capable and experienced staff is of great importance to our business operation.

During the Track Record Period, our employee benefit expense amounted to HK$54.3 million, HK$64.0 million and HK$72.7 million, respectively, representing 10.8%, 13.5% and 13.6%, respectively, of our revenue for FY2019, FY2020 and FY2021. The employee benefit expenses represented salaries, wages, bonuses, sales commission, pension costs and other social security costs. If our staff request for an increase in the sales commission or an increase in the salaries payable, it may lead to a substantial increase in our costs which may materially and adversely affect our financial performance and results of operations.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENT

We have identified certain accounting policies that are significant to the preparation of our Group's consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our consolidated financial statements, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 4 to our consolidated financial statements included in the Accountant's Report in Appendix I to this document.

Contract assets and liabilities

Upon entering into contracts with our customers, our Group obtains rights to receive consideration from our customers and assumes performance obligations to transfer goods or provide services to our customers. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. Contracts are assets and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, contracts are liabilities and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets

Our management determines the estimated useful lives, residual values and related depreciation and amortisation charges for its property, plant and equipment, right-of-use assets and intangible assets respectively. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment, right-of-use assets and intangible assets of similar nature and functions. Our management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation and amortisation charge in future periods.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relates to inventory impairment provision, trade receivables impairment provision and tax loss, depends on our management's expectation of future taxable profit that will be available against which the tax losses and temporary differences can be utilised. The outcome of their actual utilisation may be different.

Impairment of trade and other receivables, contract assets and lease receivables

The loss allowances for trade and other receivables, contract assets and lease receivables are based on assumptions about risk of default and expected loss rates. Our Directors use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the previous credit history, aging analysis, probability of default and current market condition. In assessing the recoverability of receivables, it requires the use of judgements and estimates based on past history, existing market conditions as well as forward looking factors. A provision for impairment of trade and other receivables, contract assets and lease receivables will be made.

Net realisable value of inventories

Our Directors review the aging analysis at each reporting date and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. Our management estimates the net realisable value for these inventories based primarily on the latest invoice prices, current market conditions and historical experience of using in production and sales. Our management carries out an inventory review on a product-by-product basis at each reporting date and makes allowance for obsolete items.

For the change in accounting estimates, the net effect of the changes had decreased the impairment loss of inventories for FY2019 by HK$0.9 million.

Revenue recognition from Professional IT services

Our revenue from our professional IT services is recognised according to the progress towards completion of individual contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract costs. The recognition of contract revenue requires significant management judgement and involves estimation uncertainty. Estimated contract costs mainly comprise material costs, subcontracting charges and project staff costs. In order to ensure the total estimated costs are accurate and up to date such that contract revenue can be measured reliably, our management reviews the contract budgets, costs incurred to date and costs to completion regularly, and revises the estimated contract costs where necessary. Notwithstanding that our management regularly reviews and revises contract budgets, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the financial statements.

RESULTS OF OPERATIONS

The following table summarises the consolidated statement of comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountant's Report in Appendix I to this document.

	FY2019		FY2020		FY2021	
	Amount	Percentage of total revenue	Amount	Percentage of total revenue	Amount	Percentage of total revenue
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Revenue	502,742	100.0	475,308	100.0	534.302	100.0
Cost of sales	(417,085)	(83.0)	(381,795)	(80.3)	(422,192)	(79.0)
Gross profit	85,657	17.0	93,513	19.7	112,110	21.0
Selling and distribution expenses	(15,298)	(3.0)	(16,378)	(3.4)	(18,687)	(3.5)
General and administrative expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other income and other net gains	191	0.0	3,684	0.8	1,234	0.2
Reversal of/(provision for) impairment losses on financial assets and contract assets	(1,485)	(0.3)	(569)	(0.1)	(1,278)	(0.2)
Operating profit	29,685	5.9	35,004	7.4	31,728	5.9
Finance income	363	0.1	262	0.1	765	0.1
Finance costs	(978)	(0.2)	(1,116)	(0.2)	(2,491)	(0.5)
Finance costs, net	(615)	(0.1)	(854)	(0.2)	(1,726)	(0.3)
Profit before income tax	29,070	5.8	34,150	7.2	30,002	5.6
Income tax expense	(3,851)	(0.8)	(4,292)	(0.9)	(5,999)	(1.1)
Profit for the year	25,219	5.0	29,858	6.3	24,003	4.5

NON-IFRS MEASURES: ADJUSTED NET PROFIT

To supplement our consolidated financial statements of comprehensive income from the financial statements which are presented in accordance with IFRS, we also use adjusted net profit (defined below) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this measure provides useful information to **[REDACTED]** in understanding and evaluating our Group's consolidated results of operations in the same manner as they help our management. However, the use of non-IFRS measure has limitations as an analytical tool, and **[REDACTED]** should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measure may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

The following table sets forth the adjusted net profit and its reconciliations for FY2019, FY2020 and FY2021 to the nearest measures prepared in accordance with IFRS:

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	25,219	29,858	24,003
Add:			
[REDACTED] [(1)]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Interest expenses on financial liability for redeemable rights [(2)]	—	—	1,502
Adjusted net profit for the year	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net profit margin (non-IFRS measures) [(3)]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) **[REDACTED]** relate to the **[REDACTED]**.

(2) The interest expense on financial liability for redeemable rights relates to the **[REDACTED]**.

(3) We define "adjusted net profit" as profit for the year by adding back **[REDACTED]** and interest expenses on financial liability for redeemable rights. Adjusted net profit margin (non-IFRS measures) is calculated based on the adjusted net profit divided by the revenue for the respective year.

Our adjusted net profit for FY2020 amounted to HK$**[REDACTED]**, which was mainly due to the **[REDACTED]**. Our adjusted net profit for FY2021 amounted to HK$**[REDACTED]**, which was mainly due to the **[REDACTED]** and the interest expense on financial liability for redeemable rights relating to the **[REDACTED]**.

DESCRIPTION OF SELECTED ITEMS IN STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue is primarily derived from (i) the provision of enterprise IT solutions including professional IT services, managed services and lease income, and IT maintenance and consultancy services; and (ii) our distribution and resale businesses during the Track Record Period.

During the Track Record Period, our revenue decreased from HK$502.7 million for FY2019 to HK$475.3 million for FY2020. Our revenue increased from HK$475.3 million for FY2020 to HK$534.3 million for FY2021.

Revenue by business line and nature

The following table sets forth, for the indicated periods, the breakdown of our revenue by business line and nature during the Track Record Period:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Enterprise IT solutions						
— Professional IT services	294,068	58.5	248,932	52.4	289,223	54.1
— Managed services and lease income	1,826	0.4	29,568	6.2	35,353	6.6
— IT maintenance and consultancy services	33,734	6.7	50,113	10.5	70,388	13.2
Sub-total	329,628	65.6	328,613	69.1	394,964	73.9
Distribution and resale						
— Distribution	113,351	22.5	108,800	22.9	99,860	18.7
— Resale	59,763	11.9	37,895	8.0	39,478	7.4
Sub-total	173,114	34.4	146,695	30.9	139,338	26.1
Total	502,742	100.0	475,308	100.0	534,302	100.0

Enterprise IT solutions

During the Track Record Period, our enterprise IT solutions business amounted to HK$329.6 million, HK$328.6 million and HK$395.0 million for FY2019, FY2020 and FY2021, representing 65.6%, 69.1% and 73.9% of our total revenue during the relevant year, respectively.

Majority of our revenue in the enterprise IT solutions business was generated from the provision of professional IT services during the Track Record Period, which amounted to HK$294.1 million, HK$248.9 million and HK$289.2 million for FY2019, FY2020 and FY2021, respectively, while our revenue from the provision of managed services and lease income amounted to HK$1.8 million, HK$29.6 million and HK$35.4 million for FY2019, FY2020 and FY2021, respectively. The provision of IT maintenance and consultancy services amounted to HK$33.7 million, HK$50.1 million and HK$70.4 million for FY2019, FY2020 and FY2021, respectively.

Distribution and resale

In addition to enterprise IT solutions, we, as a distributor and reseller, have been engaging in the distribution and resale of hardware and software. During the Track Record Period, (i) revenue from our distribution business amounted to HK$113.4 million, HK$108.8 million and HK$99.9 million for FY2019, FY2020 and FY2021, respectively, representing 22.5%, 22.9% and 18.7% of our total revenue during the relevant year; and (ii) revenue from our resale business amounted to HK$59.8 million, HK$37.9 million and HK$39.5 million for FY2019, FY2020 and FY2021, respectively, representing 11.9%, 8.0% and 7.4% of our total revenue during the relevant year.

Revenue by industry sectors

The following table sets out a breakdown of our revenue by industry sector of our customers during the Track Record Period:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Banks and Financial Institution	26,852	5.3	45,693	9.6	35,931	6.7
Gaming and Hospitality	183,507	36.5	159,413	33.5	222,037	41.6
Education	17,255	3.4	12,481	2.6	12,172	2.3
Government	36,111	7.2	49,761	10.5	67,441	12.6
TMT *(Note 1)*	219,148	43.6	187,539	39.5	175,753	32.9
Others *(Note 2)*	19,869	4.0	20,421	4.3	20,968	3.9
Total	502,742	100.0	475,308	100.0	534,302	100.0

Notes:

1. "TMT" refers to (i) solution companies which outsource the relevant work to us under our enterprise IT solutions business; (ii) the solution providers and resellers under our distribution business; and (iii) telecommunication and media companies which are end-users of our services or products.

2. "Others" mainly comprise companies in utility, transportation, retail, aviation, construction, and other industries.

During the Track Record Period, the top three industry sectors which contributed the highest amount of our revenue were gaming and hospitality, government and TMT sectors which in aggregate accounted for 87.3%, 83.5% and 87.1% for FY2019, FY2020 and FY2021 respectively.

Revenue by location

The table below sets out a breakdown of our revenue by the geographical location as determined by the place of domicile which our Group operates during the Track Record Period:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Macau	396,021	78.8	349,856	73.6	405,459	75.9
The PRC	—	—	51	0.0	241	0.0
Hong Kong	106,721	21.2	125,401	26.4	128,602	24.1
Total	502,742	100.0	475,308	100.0	534,302	100.0

Our businesses in Macau and the PRC mainly comprise the provision of enterprise IT solutions services while our business in Hong Kong mainly comprises distribution business and resale of hardware and software. During the Track Record Period, a substantial portion of our revenue was generated and derived in Macau and Hong Kong. Revenue from Macau accounted for 78.8%, 73.6% and 75.9% of our total revenue for FY2019, FY2020 and FY2021, respectively. Revenue from Hong Kong accounted for 21.2%, 26.4% and 24.1% of our total revenue for FY2019, FY2020 and FY2021, respectively.

Cost of sales

The following table sets forth, for the indicated periods, a breakdown of our cost of sales by nature:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Cost of materials and services	392,916	94.1	353,022	92.4	383,620	90.9
Cost of labours	19,514	4.7	25,593	6.7	34,692	8.2
Provision for inventory	2,354	0.6	574	0.2	1,147	0.3
Depreciation	1,050	0.3	1,217	0.3	1,147	0.3
Network security licence costs	1,251	0.3	1,389	0.4	1,586	0.3
Total	417,085	100.0	381,795	100.0	422,192	100.0

Cost of materials and services

Cost of materials and services primarily represents the procurement cost of hardware and software and subcontracting fee. Our cost of materials and services is our major component in cost of sales, which amounted to HK$392.9 million, HK$353.0 million and HK$383.6 million, accounted for 94.1%, 92.4% and 90.9% of our total cost of sales for FY2019, FY2020 and FY2021, respectively.

Cost of labours

Cost of labours represents (i) the salaries of our staff who are directly involved in the provision of our enterprise IT solutions services; and (ii) the commission paid to our sales personnel for projects completed under our enterprise IT solutions business and resale business. For FY2019, FY2020 and FY2021, our cost of labours amounted to HK$19.5 million, HK$25.6 million and HK$34.7 million, accounting for 4.7%, 6.7% and 8.2% of our total cost of sales for FY2019, FY2020 and FY2021, respectively.

Provision for inventory

Provision for inventory represents the adjustment of net realisable value of inventory. For FY2019, FY2020 and FY2021, our costs of provision for inventory amounted to HK$2.4 million, HK$0.6 million and HK$1.1 million, accounting for 0.6%, 0.2% and 0.3% of our total cost of sales for FY2019, FY2020 and FY2021, respectively.

Depreciation

Depreciation in our cost of sales mainly represents the depreciation of our property, plant and equipment directly used for the operation of our offices and SOC. For FY2019, FY2020 and FY2021, our cost of depreciation amounted to HK$1.1 million, HK$1.2 million and HK$1.1 million, accounting for 0.3%, 0.3% and 0.3% of our total cost of sales for FY2019, FY2020 and FY2021, respectively.

Network security licence costs

Network security licence costs represent the cost for subscription of network security licences required for the operation of our SOC. We began to provide cybersecurity services through our SOC in 2019. For FY2019, FY2020 and FY2021, our network security licence cost amounted to HK$1.3 million, HK$1.4 million and HK$1.6 million, accounting for 0.3%, 0.4% and 0.3% of our total cost of sales for FY2019, FY2020 and FY2021, respectively.

The following table sets out the breakdown of our cost of sales by business line and nature during the Track Record Period:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Enterprise IT solutions						
— Professional IT services	245,846	58.9	197,157	51.6	227,272	53.8
— Managed services and lease income	4,910	1.2	23,705	6.2	25,693	6.1
— IT maintenance and consultancy service	24,361	5.8	34,590	9.1	52,300	12.4
Sub-total	275,117	65.9	255,452	66.9	305,265	72.3
Distribution and resale						
— Distribution	91,249	21.9	92,900	24.3	84,078	19.9
— Resale	50,719	12.2	33,443	8.8	32,849	7.8
Sub-total	141,968	34.1	126,343	33.1	116,927	27.7
Total	417,085	100.0	381,795	100.0	422,192	100.0

Gross profit and gross profit margin

For each of FY2019, FY2020 and FY2021, our gross profit amounted to HK$85.7 million, HK$93.5 million and HK$112.1 million, and the gross profit margin was 17.0%, 19.7% and 21.0%, respectively.

The following table sets forth a breakdown of gross profit/(loss) and gross profit/(loss) margin by business line and nature for the indicated periods:

	FY2019		FY2020		FY2021	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Enterprise IT solutions						
— Professional IT services	48,222	16.4	51,775	20.8	61,951	21.4
— Managed services and lease income	(3,084)	(168.9)	5,863	19.8	9,660	27.3
— IT maintenance and consultancy service	9,373	27.8	15,523	31.0	18,088	25.7
Sub-total	54,511	16.5	73,161	22.3	89,699	22.7
Distribution and resale						
— Distribution	22,102	19.5	15,900	14.6	15,782	15.8
— Resale	9,044	15.1	4,452	11.7	6,629	16.8
Sub-total	31,146	18.0	20,352	13.9	22,411	16.1
Total	85,657	17.0	93,513	19.7	112,110	21.0

During the Track Record Period, (i) our gross profit margins from our enterprise IT solutions business were 16.5%, 22.3% and 22.7% for FY2019, FY2020 and FY2021, respectively; and (ii) our gross profit margins from our distribution and resale business were 18.0%, 13.9% and 16.1% for FY2019, FY2020 and FY2021, respectively.

Our gross loss for our managed services and lease income which amounted to HK$3.1 million for FY2019 was relating to the provision of cybersecurity services through our SOC in FY2019, in which we secured four contracts in the total contract value of HK$2.8 million awarded from governmental bodies in Macau, and due to the relatively limited value of the contracts secured by us and limited number of customers at the start up stage of our SOC, our income recognised during the same period from such services was not large enough to cover our costs of labour, depreciation and network security licence costs incurred for the operation of the SOC. Our gross profit for our managed services and lease income amounted to HK$5.9 million for FY2020 due to (i) the lease income for a service project with Customer E; and (ii) the increase in number of contracts for our managed security services with governmental bodies in Macau from four with the total contract value of HK$2.8 million for FY2019 to 14 with the total contract value of HK$7.4 million for FY2020, while the cost of labour, depreciation and network security licence costs for operating our SOC were relatively stable during FY2020 compared to FY2019. Our gross profit for our managed services and lease income amounted to HK$9.7 million for FY2021, which was primarily due to (i) the income from the provision of the private cloud as a service project for Customer E (which involved the provision of response service, the monitoring of private cloud infrastructure and the leasing of IT equipment); and (ii) contracts of managed services and lease income in progress mainly with governmental bodies in Macau, Customer E and Customer F, while the cost of labour, depreciation and network security licence costs were relatively stable.

Other income and other net gains

Our other income and other net gains mainly represent income from government grants, incentives from system vendors for marketing events, loss on disposal of property, plant and equipment and net foreign exchange gains and losses and others.

The following table sets forth a breakdown of our other income and other net gains for the indicated periods:

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
Government grants	—	2,138	141
Incentives from system vendors for marketing events	634	900	898
Loss on disposal of property, plant and equipment	—	(113)	—
Net foreign exchange (losses)/gains	(556)	539	26
Others	113	220	169
Total	191	3,684	1,234

Other income and other net gains amounted to HK$0.2 million, HK$3.7 million and HK$1.2 million, for FY2019, FY2020 and FY2021, respectively.

Our government grants represent one-off non-recurring subsidies provided by local government authorities to our Group mainly for the purpose of providing financial support due to the prolonged unexpected impact of COVID-19.

Incentives from system vendors for marketing events represent the sponsorship income awarded by our suppliers for holding events such as annual dinners or marketing events to promote business activities and opportunities in relation to the brands of the relevant sponsors.

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

Selling and distribution expenses

Selling and distribution expenses primarily comprise (i) employee benefit expense, being base salaries for our sales personnel as well as commission paid to them under our distribution business and IT maintenance and consultancy businesses; (ii) sponsorship expense for marketing events organised by other IT companies in which our Group participated to promote our businesses and increase our market presence; (iii) donation to non-governmental organisations and educational institution; and (iv) advertising expenses for promoting our products in Hong Kong and Macau.

The following table sets forth a breakdown of our selling and distribution expenses for the indicated periods:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expense	14,470	94.6	14,613	89.2	15,588	83.4
Sponsorship expense	240	1.6	277	1.7	407	2.2
Donation	200	1.3	202	1.2	476	2.5
Advertising expense	388	2.5	1,286	7.9	2,216	11.9
Total	15,298	100.0	16,378	100.0	18,687	100.0

Selling and distribution expenses amounted to HK$15.3 million, HK$16.4 million and HK$18.7 million for FY2019, FY2020 and FY2021, respectively, which accounted for 3.0%, 3.4% and 3.5% of total revenue for FY2019, FY2020 and FY2021, respectively.

General and administrative expenses

General and administrative expenses primarily comprise (i) employee benefit expense, being salaries paid to our administration staff; (ii) entertaining and travelling expenses for business development; (iii) depreciation of property, plant and equipment and right of use assets; (iv) operating lease expenses for short term lease; (v) legal and professional fee; (vi) professional expenses in relation to **[REDACTED]**; and (vii) consultant expenses.

The following table sets forth a breakdown of our administrative expenses for the indicated periods:

	FY2019		FY2020		FY2021	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
Employee benefit expenses	20,309	51.6	23,754	52.5	22,417	36.4
Entertaining and travelling expense	3,880	9.9	1,898	4.2	2,592	4.2
Depreciation and amortisation	5,880	14.9	8,655	19.1	10,333	16.8
Operating lease expenses	410	1.0	355	0.8	460	0.7
Legal and professional fee	232	0.6	223	0.5	319	0.5
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Consultant expenses	2,602	6.6	467	1.0	718	1.2
Others *(Note)*	6,067	15.4	7,080	15.7	7,276	11.8
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: "Others" mainly comprise network security maintenance expenses, recruitment costs and other expenses.

General and administrative expenses amounted to HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]** for FY2019, FY2020 and FY2021, respectively. As a percentage of total revenue, our administrative expenses accounted for **[REDACTED]**%, **[REDACTED]**% and **[REDACTED]**% for FY2019, FY2020 and FY2021, respectively. **[REDACTED]** comprise professional expenses in relation to our **[REDACTED]**, amounted to HK$**[REDACTED]** and HK$**[REDACTED]** for FY2020 and FY2021.

Legal and professional fee comprises mainly the legal fee paid to law firms for advising our business related matters, commission paid to a property agent for procuring leases, service fee for reviewing financial statements and fee paid to an accounting firm for tax filing service. Legal and professional fee amounted to HK$0.2 million, HK$0.2 million and HK$0.3 million for FY2019, FY2020 and FY2021, respectively.

Consultant expenses comprises mainly the fee paid to IT consultants, sales consultant, project consultant, and advisory firm. Consultant expenses amounted to HK$2.6 million, HK$0.5 million and HK$0.7 million for FY2019, FY2020 and FY2021, respectively. Of such consultant expenses, for FY2019, FY2020 and FY2021, HK$1.7 million, nil and nil were related to the fees paid to one sales consultant (the "**Sales Consultant**"), an Independent Third Party. The Sales Consultant was an employee of Synergy CCL from September 2014 to December 2017, and held the position of the general manager of Synergy CCL immediately before his departure in December 2017. In light of the fact that the Sales Consultant had developed a deep understanding of the operation and business of Synergy CCL during his tenure with Synergy CCL, we intended to leverage the experience and knowledge of the Sales Consultant to ensure smooth transition of the business and management of Synergy CCL for an interim period after the Acquisition of Synergy CCL. Pursuant to the consultancy agreements executed with the Sales Consultant, he was responsible for assisting our Company in expanding new business opportunities, and during the period the Sales Consultant was with Synergy CCL, apart from providing the general and directional advice on Synergy CCL, his duty also included the promotion of the products of Supplier J. The amount of HK$1.7 million we paid to the Sales Consultant for FY2019 comprised mainly the monthly fixed fee and commission. We did not record any consultant expenses in respect of the Sales Consultant for FY2020 and FY2021 due to the intention of the Sales Consultant to devote more time to his position held in other company. During FY2020, the Sales Consultant was appointed as the regional director of Supplier K. After around two years of assistance offered by the Sales Consultant, Mr. Chan Hon Fan, who had become the general manager of Synergy CCL since April 2018, had gained sufficient experience in managing the entire operation of Synergy CCL. As such, we no longer required the services previously rendered by the Sales Consultant after his departure in FY2019. Save as disclosed in this paragraph, there was no other past or present business, financial, employment or family relationship between the Sales Consultant and our Group, the Shareholders, Directors, senior management of our Group and their respective associates.

Finance costs, net

Finance costs, net, comprise mainly interest charges on our lease liabilities, interest-bearing bank borrowings and other borrowings. Finance costs, net, amounted to HK$0.6 million, HK$0.9 million and HK$1.7 million for FY2019, FY2020 and FY2021, respectively.

Income tax expense

Our Group is 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 Island/BVI profits tax

Our Group has not been subject to any taxation in the Cayman Island/BVI.

(ii) Hong Kong profits tax

In March 2018, Hong Kong Government introduced a two-tiered profits tax rate regime under the Inland revenue (Amendment) (No. 3) Ordinance 2018 effective from the year of assessment 2018/19. Under the two-tiered profits tax rate regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The entities of our Group have elected to adopt two-tiered profit tax regime from the year of assessment 2019/20. Accordingly, the provisions for Hong Kong Profits Tax for FY2019 and FY2020 are calculated in accordance with the two-tiered profits tax regime.

(iii) PRC enterprise income tax

PRC enterprise income tax has been generally provided at the applicable enterprise income tax rate of 25% on the estimated assessable profits of the companies in our Group during the Track Record Period.

(iv) PRC withholding income tax

Dividends declared by the PRC subsidiaries to parent companies incorporated outside PRC are subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies. No withholding tax has been provided by our Group during the Track Record Period.

(v) Macau profits tax

The entities within our Group incorporated in Macau are subject to Macau profits tax at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate of 12%. In addition, a special tax incentive has been provided to the effect that tax free income threshold amounts to MOP600,000 for FY2019 and FY2020. In addition, in response to the economic downturn as a result of the COVID-19 outbreak, the Macau government imposes an one-off measure to deduct MOP300,000 (equivalent to HK$291,000) from the complementary tax payments in Macau for FY2019.

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

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
Current income tax			
— Macau complementary tax	2,866	3,074	5,059
— Hong Kong profits tax	1,175	1,258	916
— Adjustments for current income tax of prior years	—	58	357
Deferred income tax			
— Increase in deferred tax assets	(197)	(121)	(520)
— Increase in deferred tax liabilities	7	23	187
	(190)	(98)	(333)
Income tax expense	3,851	4,292	5,999

Our income tax expenses were HK$3.9 million, HK$4.3 million and HK$6.0 million for FY2019, FY2020 and FY2021, respectively. Our effective tax rates, calculated as the income tax expenses divided by the profit before income tax, were 13.2%, 12.6% and 20.0% for FY2019, FY2020 and FY2021, respectively. Our effective tax rate decreased to 12.6% for FY2020 from 13.2% for FY2019 due to the government grant provided by local government authorities to our Group. Our effective tax rate increased to 20.0% for FY2021 from 12.6% for FY2020 due to the increase in the **[REDACTED]**, which is a non-deductible item for computing the assessable profits.

During the Track Record Period, BoardWare Macau committed late filing of the tax returns for FY2019 contrary to the requirement under the Complementary Income Tax Regulation. As advised by our Macau Legal Advisers, BoardWare Macau is subject to a total maximum fine of MOP20,000 in respect of the aforesaid late tax filings. On 14 April 2021, BoardWare Macau took the initiative to submit the relevant tax returns to the Macau Financial Services Bureau. We had made provision in the amount of MOP3.0 million (equivalent to HK$2.9 million, respectively), for the estimated complementary tax to be payable for FY2019, respectively. For details, see "Business — Compliance and Legal Proceedings — Legal compliance" in this document. Our Directors have confirmed that, save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our business operations had complied with all applicable tax laws, rules and regulations in Macau, Hong Kong and the PRC (being the principal jurisdictions where we operate) in material respects.

OUR PROJECTS

Reconciliation of contract movements and backlog

The following table sets out the reconciliation of the closing backlog with the unsatisfied performance obligations during the Track Record Period:

	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Backlog as at 31 December	208,896	260,804	270,477
Less: Contracts which the Group has a right to consideration from customers in an amount corresponding directly to the value of the Group's performance completed to date *(Note)*	(28,976)	(66,202)	(41,385)
Less: Contracts with terms of one year or less *(Note)*	(93,839)	(83,957)	(90.958)
Less: Contracts with leasing components *(Note)*	—	(20,016)	(6,816)
Unsatisfied performance obligations as at 31 December	86,081	90,629	131,318

Note: Contracts which are excluded from the calculation of unsatisfied performance obligations according to IFRS 15 are included in the amount of closing backlog.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2021 compared to FY2020

Revenue

Our total revenue increased by HK$59.0 million or 12.4% to HK$534.3 million for FY2021 from HK$475.3 million for FY2020. The increase was primarily attributable to the increase in revenue generated from our (i) professional IT services by HK$40.3 million; (ii) managed services and lease income by HK$5.8 million; (iii) IT maintenance and consultancy services by HK$20.3 million; and (iv) resale business by HK$1.6 million. Such increase was partially offset by the decrease in revenue from our distribution business by HK$8.9 million.

Enterprise IT solutions

Under our enterprise IT solution business, there was an increase in revenue by HK$66.4 million or 20.2% to HK$395.0 million for FY2021 from HK$328.6 million for FY2020. Set forth below are the discussions of the performance of different business lines under our enterprise IT solutions business:

I. Professional IT services

Revenue increased by HK$40.3 million or 16.2% to HK$289.2 million for FY2021 from HK$248.9 million for FY2020. Such increase was primarily attributable to the extended work and services rendered for the Cotai Casino Expansion Project with Customer D in Cotai which involved the data network infrastructure and the system storage caused by the modification of the IT infrastructure design for such project, in which additional contracts were entered into with Customer D for such project during FY2021.

II. Managed services and lease income

Revenue increased by HK$5.8 million or 19.6% to HK$35.4 million for FY2021 from HK$29.6 million for FY2020. We recorded an increase in revenue from our managed service business by HK$10.2 million or 120.3% from HK$8.5 million for FY2020 to HK$18.7 million to FY2021 due to the provision of the private cloud as a service project for Customer E (with revenue generated amounting to HK$6.2 million) which involved the provision of response service and monitoring of private cloud infrastructure for such customer for FY2021. We recorded a decrease in revenue from our leased income by HK$4.4 million or 20.9% from HK$21.1 million for FY2020 to HK$16.7 million for FY2021 attributable to the decrease in IT equipment being leased to Customer E, which involved the provision of the private cloud service for such customer, during FY2021.

III. IT maintenance and consultancy services

Revenue increased by HK$20.3 million or 40.5% to HK$70.4 million for FY2021 from HK$50.1 million for FY2020. Such increase was primary attributable to (i) the travel restrictions implemented in response to COVID-19, which in turn stimulated the demand of maintenance services provided by local service providers in Macau from local enterprises in Macau in order to minimise the disruption caused by travel restrictions on the maintenance of their IT system, according to Frost & Sullivan; and (ii) webinars and online promotions targeting the small and

medium enterprises market in relation to the products of Supplier H and Supplier I during FY2021. With such market development and our marketing efforts, we recorded an increase in the number of our customers for maintenance services for the same period.

Distribution and resale

Under our distribution business, revenue decreased by HK$8.9 million or 8.2% to HK$99.9 million for FY2021 from HK$108.8 million for FY2020, which was primarily attributable to the worldwide semiconductor shortage for the wireless LAN products of Aruba, according to Frost & Sullivan and as communicated with the manufacturer of Aruba, which in turn adversely affected the product lead-time in general for such product. Revenue from our resale business increased by HK$1.6 million or 4.2% to HK$39.5 million for FY2021 from HK$37.9 million for FY2020, which was primarily attributable to the increase in the number of orders (which involved software products) during FY2021.

Cost of sales

Cost of sales increased by HK$40.4 million or 10.6% to HK$422.2 million for FY2021 from HK$381.8 million for FY2020, which was generally in line with the increase in our revenue during the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by HK$18.6 million or 19.9% to HK$112.1 million for FY2021 from HK$93.5 million for FY2020. Our gross profit margin increased to 21.0% for FY2021 from 19.7% for FY2020, which was mainly due to the combined effect of the increase in gross profit contribution from (i) our professional IT services in the amount of HK$10.2 million with gross profit margin of 21.4% attributable to a complex scope according to additional contracts with Customer D for Cotai Casino Expansion Project; (ii) our IT maintenance and consultancy service in the amount of HK$2.6 million with gross profit margin of 25.9%; and (iii) our managed services and lease income in the amount of HK$3.8 million with gross profit margin of 27.3%. The relatively higher gross profit margin for managed services is mainly due to the costs incurred for the provision of such services are relatively fixed in nature, which mostly comprise the cost of labour, depreciation and network security licence costs.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$2.3 million or 14.1% to HK$18.7 million for FY2021 from HK$16.4 million for FY2020. The increase was primarily due to a increase in employee benefit expenses of HK$1.0 million and the increase in advertising expenses of HK$0.9 million.

General and administrative expenses

General and administrative expenses increased by HK$16.4 million or 36.3% to HK$ **[REDACTED]** for FY2021 from HK$**[REDACTED]** for FY2020. The increase was primarily due to the increase in **[REDACTED]** of HK$**[REDACTED]**.

Other income and other net gains

Other income and other net gains decreased by HK$2.5 million or 66.5% to HK$1.2 million for FY2021 from HK$3.7 million for FY2020. The decrease was primarily due to a decrease in government grant by HK$2.0 million attributable to the employment support scheme policy in Hong Kong and Macau for the purpose of providing financial support to employees after the COVID-19 outbreak in FY2020. No similar events were recognised during FY2021.

Finance costs, net

Finance costs, net, increased by HK$0.9 million or 102.1% to HK$1.7 million for FY2021 from HK$0.9 million for FY2020 due to the interest expense on financial liability for redeemable rights.

Income tax expense

Income tax expense increased by HK$1.7 million or 39.8% to HK$6.0 million for FY2021 from HK$4.3 million for FY2020. The increase in the income tax expense was mainly attributable to (i) the increase in our revenue from HK$475.3 million for FY2020 to HK$534.3 million for FY2021; and (ii) the one-off measure being imposed by the Macau government to deduct MOP300,000 (equivalent to HK$291,000) from the complementary tax payments in Macau for FY2019 in FY2020. Our effective tax rate increased from 12.6% for FY2020 to 20.0% for FY2021. The increase in the effective tax rate was mainly attributable to the increase in the **[REDACTED]**, which is a non-deductible item for computing the assessable profits.

Profit for the year

As a result of the foregoing, profit for the year decreased by HK$5.9 million or 19.6% to HK$24.0 million for FY2021 from HK$29.9 million for FY2020. Our net profit margin decreased to 4.5% for FY2021 from 6.3% for FY2020 mainly due to the increase in **[REDACTED]**, partially offset by the increase in gross profit as discussed in the paragraph headed "Gross profit and gross profit margin" above.

FY2020 compared to FY2019

Revenue

Our total revenue decreased by HK$27.4 million or 5.5% to HK$475.3 million for FY2020 from HK$502.7 million for FY2019. The decrease was primarily attributable to the decrease in revenue from our (i) professional IT services by HK$45.1 million; (ii) distribution business by HK$4.6 million; and (iii) resale business by HK$21.9 million. Such decrease was partially offset by the increase in revenue derived from our (a) managed services and lease income by HK$27.7 million; and (b) IT maintenance and consultancy services business by HK$16.4 million.

Enterprise IT solutions

Under our enterprise IT solutions business, there was a slight decrease in revenue by HK$1.0 million or 0.3% to HK$328.6 million for FY2020 from HK$329.6 million for FY2019. Such decrease was due to (i) a decrease in the total contract value of our newly awarded enterprise IT solution contracts from HK$417.9 million for FY2019 to HK$380.5 million for FY2020 despite an increase in the total number of contracts for our enterprise IT solution services from 823 for

FY2019 to 1,622 for FY2020; such decrease in the contract value was mainly due to fewer contracts with contract value of HK$50 million or above secured by us in FY2020 as compared to FY2019; (ii) a decrease in our income recognised from the newly awarded enterprise IT solution contracts with contract value of HK$1 million or above for FY2020 due to the outbreak of COVID-19, which led to the delay in the progress of our projects with Customer D, Customer E and Customer G.

I. Professional IT services

Revenue from our professional IT services decreased by HK$45.1 million or 15.3% to HK$248.9 million for FY2020 from HK$294.1 million for FY2019 due to the adverse impact of COVID-19 outbreak which delayed budget allocations for building or upgrading the IT infrastructure by the operators in the gaming and hospitality sector, according to Frost & Sullivan, with fewer sizable projects commencing in FY2020 as compared to FY2019 due to the unexpected prolonged effect of COVID-19. In particular, there was a decrease in revenue contribution from our three major projects, namely (i) the New Property SI Project with awarded contract value of HK$82.4 million, (ii) the Resort Complex Project with awarded contract value of HK$74.9 million, and (iii) the Surveillance Network Project with awarded contract value of HK$21.7 million, which were commenced and substantially completed in FY2019. For FY2020, HK$30.3 million was generated from the abovementioned projects, which accounted for 6.4% of the total revenue during the year compared to HK$118.2 million or 23.5% for FY2019. Such decrease was partially offset by an increase in revenue from (i) completion of part of the Cotai Casino Expansion Project with awarded contract value of HK$40.9 million which contributed HK$20.1 million and 4.2% of our total revenue for FY2020; and (ii) our project with Customer D in respect of the design, supply and installation or networking hardware with awarded contract value of HK$14.0 million which contributed HK$10.5 million and 2.2% of our total revenue for FY2020.

II. Managed services and lease income

Revenue increased by HK$27.7 million or 1,519.3% to HK$29.6 million for FY2020 from HK$1.8 million for FY2019. For FY2020, we recorded an increase in revenue from our managed services business by HK$7.4 million or 663.7% to HK$8.5 million from HK$1.1 million for FY2019, primarily attributable to the increase in the number of managed security services contracts newly awarded by governmental bodies in Macau from four for FY2019 to 14 for FY2020. As a result of the introduction of a new cybersecurity law in Macau in 2019 which required all enterprises in Macau including governmental bodies in Macau to enhance and tighten their in-house cybersecurity monitoring measures and policies, we received an increased number of contracts for our managed security services with governmental bodies in Macau which generally outsource cybersecurity and IT monitoring related work to IT solutions providers in the market, according to Frost & Sullivan. In addition, revenue from lease income, which comprised payments from our customers for the use of hardware and software such as servers and printers and the associated software systems, increased by HK$20.4 million to HK$21.1 million for FY2020 from HK$0.7 million for FY2019 primarily attributable to the revenue contribution from our managed printing services provided for Customer F and private cloud as a service project provided for Customer E for FY2020.

III. IT maintenance and consultancy services

Revenue increased by HK$16.4 million or 48.6% to HK$50.1 million for FY2020 from HK$33.7 million for FY2019. Such increase was mainly attributable to the increase in the number of newly awarded contracts for our IT maintenance and consultancy services from 542 for FY2019

to 1,332 for FY2020 due to our business initiatives in relation to the product sales of Supplier H and Supplier I since FY2019, which stimulated the demand for our maintenance service in relation to the products of the relevant brands in FY2020.

Distribution and resale

Under our distribution business, revenue decreased by HK$4.6 million or 4.0% to HK$108.8 million for FY2020 from HK$113.4 million for FY2019 primarily attributable to (i) the COVID-19 outbreak; and (ii) the shortage of raw materials for the wireless LAN products of a particular brand, according to Frost & Sullivan, which in turn, adversely affecting the demand in general for such product. Revenue from our resale business decreased by HK$21.9 million or 36.6% to HK$37.9 million for FY2020 from HK$59.8 million for FY2019 primarily attributable to the decrease in sales order for various IT products in Macau due to the COVID-19 outbreak.

Cost of sales

Cost of sales decreased by HK$35.3 million or 8.5% to HK$381.8 million for FY2020 from HK$417.1 million for FY2019, which was generally in line with the decrease in our revenue during the same period. Such decrease was mainly due to a decrease in our cost of materials and services by HK$39.9 million or 10.2% as a result of the combined effect of (i) a decrease in the total contract value of our newly awarded enterprise IT solutions contracts; (ii) a drop in the sales orders received under our resale business, resulting in a decrease in our cost of materials and services for FY2020; and (iii) the decrease in provision for inventory due to a decrease in the amount of inventories held by our Group in FY2020.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit rose by HK$7.9 million or 9.2% to HK$93.5 million for FY2020 from HK$85.7 million for FY2019. Our gross profit margin increased to 19.7% for FY2020 from 17.0% for FY2019, which was mainly due to the combined effect of (i) an increase in revenue generated from the provision of our managed services resulting from an increase in the number of contracts awarded from governmental bodies for our managed security services from four for FY2019 to 14 for FY2020, while our cost for operating our SOC was relatively stable; (ii) an increase in the revenue contribution from the provision of our IT maintenance and consultancy services mainly due to the increase in the revenue for our maintenance services in relation to the IT products under our distribution business; and (iii) an increase in gross profit margin for our IT maintenance and consultancy services from 27.8% for FY2019 to 31.0% for FY2020. The relatively higher gross profit margin for our IT maintenance and consultancy services is mainly due to the costs incurred in the provision of such services are relatively fixed in nature, which mostly comprised staff cost of engineers in our service team.

Selling and distribution expenses

Our selling and distribution expenses increased by HK$1.1 million or 7.1% to HK$16.4 million for FY2020 from HK$15.3 million for FY2019. The increase was primarily due to (i) a slight increase in salaries for our sales personnel of HK$0.1 million; and (ii) an increase in the advertising expenses resulting from the promotion of the products under our distribution business by HK$0.9 million for FY2020.

General and administrative expenses

General and administrative expenses increased by HK$5.9 million or 14.9% to HK$ **[REDACTED]** for FY2020 from HK$**[REDACTED]** for FY2019. The increase was primarily due to (i) an increase in salaries paid to our staff of HK$3.4 million attributable to the increase in headcount for our business operation in the PRC in FY2020; (ii) an increase in the depreciation in relation to right of use assets due to tenancy renewal for the office in Macau in FY2020 and office relocation in Hong Kong in FY2020; and (iii) professional expenses of HK$2.8 million in relation to the **[REDACTED]** incurred in FY2020, partially offset by a decrease in the amount of entertaining and travelling expenses due to the outbreak of COVID-19.

Other income and other net gains

Other income and other net gains increased by HK$3.5 million or 1,828.8% to HK$3.7 million for FY2020 from HK$0.2 million for FY2019. The increase was mainly due to (i) the receipt of an one-off government grants in the amount of HK$2.1 million related to the employment support scheme policy in Hong Kong and Macau for the purpose of providing financial support to employers after the COVID-19 outbreak in FY2020; and (ii) a net foreign exchange gain of HK$0.5 million in FY2020 compared to a foreign exchange loss of HK$0.6 million in FY2019.

Finance costs, net

Finance costs, net, increased by HK$0.2 million to HK$0.9 million for FY2020 from HK$0.6 million for FY2019. The increase was mainly due to (i) the increase in finance costs on lease liabilities of our offices and staff quarters; and (ii) finance costs on the borrowings during the year.

Income tax expense

Income tax expense increased by HK$0.4 million or 11.5% to HK$4.3 million for FY2020 from HK$3.9 million for FY2019. The increase was mainly due to the increase in the assessable profit contributed from Hong Kong which was chargeable at 8.25% for the first HK$2 million of our assessable profits and at 16.5% for the remaining assessable profits. Our effective tax rate decreased by 5.1% from 13.2% for FY2019 compared to 12.6% for FY2020, mainly attributable to the exclusion of government subsidy of HK$2.1 million from assessable income in both Macau and Hong Kong.

Profit for the year

As a result of the foregoing, profit for the year increased by HK$4.6 million or 18.4% to HK$29.9 million for FY2020 from HK$25.2 million for FY2019. Our net profit margin increased to 6.3% for FY2020 from 5.0% for FY2019 which was mainly due to the increase in gross profit as discussed in the paragraph headed "Gross profit and gross profit margin" above, partially offset by the combined effect of (i) the increase in finance costs, net, in FY2020 as compared to FY2019 as discussed in the paragraph headed "Finance costs, net" above; (ii) the increase in income tax expense as discussed in the paragraph headed "Income tax expense" above; and (iii) the increase in selling and distribution expenses and general and administrative expenses as discussed in the paragraphs headed "Selling and distribution expenses" and "General and administrative expenses" above, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

Our primary uses of cash are for the payment of procurement of inventories from suppliers, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated from our operations, bank borrowings and advance from directors. Upon completion of the **[REDACTED]**, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional funds from the **[REDACTED]** of the **[REDACTED]** for implementing our future plans as detailed under "Future Plans and Use of **[REDACTED]**" in this document.

The following table summarises, for the indicated periods, our consolidated statements of cash flows:

	FY2019	FY2020	FY2021
	HK$'000	*HK$'000*	*HK$'000*
Operating cash flows before movements in working capital	40,489	45,957	45,694
Changes in working capital	(6,959)	(23,108)	(82,297)
Income tax paid	(463)	(2,742)	(13,863)
Income tax refunded	—	134	—
Interest received	—	—	736
Net cash generated from/(used in) operating activities	33,067	20,241	(49,730)
Net cash used in investing activities	(2,916)	(5,061)	(5,095)
Net cash (used in)/generated from financing activities	(18,801)	(14,007)	39,371
Net (decrease)/increase in cash and cash equivalents	11,350	1,173	(15,454)
Effect on exchange difference	(6)	216	40
Cash and cash equivalents at the beginning of year	17,166	28,510	29,899
Cash and cash equivalents at end of year	28,510	29,899	14,485

We will endeavour to monitor our cash outflow and enhance our liquidity position for the year ending 31 December 2022 with the following measures:

(i) our account managers will align the cash collection cycle of our customers and payment cycle of suppliers to achieve that the expected operating cash inflow will not exceed the expected operating cash outflow;

(ii) for projects which will require significant procurement of raw materials or projects of a longer project duration, we will carefully review and negotiate the payment terms with our customer with reference to our then cash position and projected capital commitment, and may require prepayments or deposits from customers, make procurement orders only after the customer providing the required payments, and request payment of installments at shorter intervals, to manage our exposure;

(iii) without compromising the quality of the supplies, we will expand our list of suppliers and negotiate with our suppliers for an extended credit period with reference to the agreed project milestones and payment terms of our customers in order to minimise the occurrence of any cash flow mismatch arising from the time lag between our payment to suppliers and receipt of payment from customers; and

(iv) we will further enhance our effort in monitoring outstanding trade receivables and managing our exposure arising therefrom. See "Description of Certain Items of Consolidated Statements of Financial Position — Trade Receivables" in this section for further details.

In addition, as at 30 April 2022, we had unutilised available credit facilities of HK$23.8 million. We will continue to carefully assess and ensure that we will have sufficient financial resources (including our cash and cash equivalents, working capital and operating cash flow forecasts) to support our operations. Where necessary, we can further strengthen our cash position by utilising our available credit facilities.

Operating activities

Net cash generated from operating activities comprises profit before income tax adjusted for non-cash items and change in working capital. During our Track Record Period, our cash inflow from operating activities was principally from profit before income tax. Our cash outflow used in operating activities was principally for procurement of materials and services and operating expense.

For FY2021, our Group had net cash used in operating activities of HK$49.7 million. Our net cash outflow was primarily attributable to cash used in operations of HK$36.6 million and income tax paid of HK$13.9 million, adjusted by reconciliation of certain non-cash items of HK$15.7 million and negative changes in working capital, which mainly included (a) an increase in contract assets of HK$32.8 million due to the provision of the professional IT service with Customer E involving the data networking, in which our Group had performed obligation but was yet to issue invoice to such customer; and (b) an increase in trade receivables of HK$94.8 million due to the unsettled invoices for the Cotai Casino Expansion Project with Customer D relating to the data network infrastructure and the system storage; partially offset by (i) an increase in contract liabilities of HK$14.9 million due to the provision of our IT maintenance and consultancy services with Customer D and Customer N; and (ii) an increase in trade and other payables of HK$36.9 million due to the procurement of inventories from Supplier E in relation to hardware and software products.

For FY2020, our Group had net cash generated from operating activities of HK$20.2 million. Our net cash inflow was mainly attributable to cash generated from operations of HK$22.8 million and partially offset by the income tax paid of HK$2.7 million. Our cash generated from operations primarily consisted of profit before income tax of HK$34.2 million, adjusted by reconciliation of certain non-cash items of HK$11.8 million and negative changes in working capital, which mainly included (a) an increase in contract liabilities of HK$10.7 million due to the contracts in progress, in which we had received deposit from our customers ahead of the provision of our enterprise IT solutions; (b) a decrease in inventories of HK$19.4 million due to the delivery of our inventories to our customers under various projects in Macau; and (c) a decrease in trade receivables of HK$5.5 million due to the improved debt collectability of our Group, partially offset by (i) an increase in contract assets of HK$14.1 million due to our services having been provided but we were yet to issue invoices to the relevant customer; (ii) an increase in finance lease receivables of

HK$20.4 million due to the finance lease arrangement for the private cloud as a service project provided for Customer E; and (iii) a decrease in trade and other payables of HK$19.9 million due to (a) the decline of our revenue during FY2020 and (b) the decrease in the salaries payable which was mainly due to the decrease in the amount of the discretionary bonus and salaries for December 2020 paid to our employees.

For FY2019, our Group had net cash generated from operating activities of HK$33.1 million. Our net cash inflow was mainly attributable to cash generated from operations of HK$33.5 million and partially offset by the income tax paid of HK$0.5 million. Our cash flow generated from operations primarily consisted of profit before income tax of HK$29.1 million, adjusted by reconciliation of certain non-cash items of HK$11.4 million and negative changes in working capital, which mainly included (a) an increase in trade and other payables of HK$41.9 million, which was mainly due to the increase in the amount for procuring inventories in the fourth quarter of FY2019, and an increase in the salaries payables being the discretionary bonus and salaries for December 2019 paid to our employees; and (b) an increase in contract liabilities of HK$2.7 million due to the contracts in progress, in which we had received deposit from our customers ahead of the provision of our enterprise IT solutions, partially offset by (i) a decrease in inventories of HK$29.0 million due to stock up of software products for satisfying the expected use of such products stipulated in the relevant contracts with customers for our enterprise IT solutions services business for FY2019; and (ii) an increase in prepayments and contract costs of HK$23.8 million due to the increase in our prepayments to suppliers resulting from the increase in the newly awarded enterprise IT solutions contracts.

Investing activities

During the Track Record Period, our cash inflow from investing activities was principally from proceeds from redemption of investment in an insurance contract. Our cash outflow used in investing activities was principally for purchases of property, plant and equipment.

For FY2021, our Group had net cash used in investing activities of HK$5.1 million primarily attributable to purchases of property, plant and equipment.

For FY2020, our Group had net cash used in investing activities of HK$5.1 million primarily attributable to (a) the leasehold improvement in relation to the relocation of new office in Hong Kong of HK$1.9 million; (b) the acquisition of computer equipment of HK$1.9 million for expanding our operations in Hong Kong and Macau; and (c) the acquisition of intangible asset in relation to the new operation system used in our offices in Hong Kong and Macau.

For FY2019, our Group had net cash used in investing activities of HK$2.9 million primarily attributable to (a) the leasehold improvement in relation to our office in Macau and Hong Kong of HK$0.6 million; (b) the acquisition of computer equipment of HK$2.0 million for expanding our operations in Hong Kong and Macau; and (c) the prepayment of acquisition of intangible asset in relation to the new operation system used in our office in Hong Kong and Macau, partially offset by the proceeds from redemption of investment in an insurance contract.

Financing activities

During the Track Record Period, our cash inflow from financing activities was principally from proceeds from bank borrowings and advance from shareholders. Our cash outflow used in financing activities was principally for the repayment of borrowings, capital element of lease rentals paid and repayment of amounts due to shareholders.

For FY2021, our Group had net cash generated from financing activities of HK$39.4 million primarily attributable to the issuance of ordinary shares by the Company to DHQ and Kallo of HK$48.1 million pursuant to the **[REDACTED]**, partially offset by (i) the repayment of borrowings of HK$8.9 million; and (ii) the repayment of the amounts due to shareholders of HK$17.4 million.

For FY2020, our Group had net cash used in financing activities of HK$14.0 million primarily attributable to (a) repayment of amounts due to shareholders of HK$10.0 million; and (b) capital element of lease rentals paid of HK$5.1 million.

For FY2019, our Group had net cash used in financing activities of HK$18.8 million primarily attributable to (a) repayment of borrowings of HK$12.0 million; (b) repayment of amounts due to shareholders of HK$7.1 million: and (c) capital element of lease rentals paid of HK$3.9 million, partially offset by (i) the drawdown of borrowings of HK$3.0 million; and (ii) advances from shareholders of HK$2.2 million.

Net current assets and liabilities

We recorded net current assets of HK$85.9 million, HK$91.3 million, HK$165.3 million and HK$172.5 million as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. The table below sets out selected information for our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current assets				
Inventories	59,082	39,102	29,994	31,505
Deposits and other receivables	1,251	4,767	6,999	6,279
Prepayments and contract costs	27,889	26,544	42,564	56,519
Finance lease receivables	577	9,100	14,326	14,904
Contract assets	37,636	48,540	78,656	80,133
Trade receivables	100,765	95,225	188,803	177,549
Income tax recoverable	—	—	357	118
Restricted cash	5,917	5,920	2,925	2,925
Cash and cash equivalents	28,510	29,899	14,485	15,665
	261,627	259,097	379,109	385,597
Current liabilities				
Trade and other payables	112,185	92,735	129,634	123,001
Amounts due to shareholders	17,533	16,722	—	—
Contract liabilities	21,232	29,386	45,324	58,093
Lease liabilities	5,209	6,214	6,093	5,961
Income tax payable	12,658	14,440	7,267	8,678
Borrowings	6,914	8,317	25,522	17,364
	175,731	167,814	213,840	213,097
Net current assets	85,896	91,283	165,269	172,500

Our Group's net current assets increased to HK$91.3 million as at 31 December 2020 from HK$85.9 million as at 31 December 2019, which was primarily attributable to the decrease in current liabilities of HK$7.9 million. Such decrease in current liabilities was primarily due to the decrease in trade and other payables of HK$19.5 million which was generally in line with the decline of our revenue during FY2020. The effect was partially offset by (i) the increase in contract liabilities of HK$8.2 million attributable to an increase in our number of contracts in progress; and (ii) the decrease in current assets of HK$2.5 million. Such decrease in current assets was primarily due to the decrease in inventories of HK$20.0 million attributable to the delivery of our inventories for the New Property SI Project, the Resort Complex Project, the Surveillance Network Project and the hospitality campus Wi-Fi project in Macau peninsula and Cotai, partially offset by the increase in contract assets of HK$10.9 million attributable to the Cotai Casino Expansion Project in which our Group had performed obligation but we were yet to issue invoices to Customer D.

Our Group's net current assets further increased to HK$165.3 million as at 31 December 2021, which was primarily attributable to the increase in current assets of HK$120.0 million. Such increase was primarily due to (i) the increase in prepayments and contract costs of HK$16.0 million attributable to the increase in the prepayment to suppliers in relation to our inventories; and (ii) the increase in contract assets of HK$30.1 million attributable to the provision of the professional IT service with Customer E involving the data networking, in which our Group had performed obligation but was yet to issue invoice to such customer; and (iii) the increase in trade receivables of HK$93.6 million due to the unsettled invoices which involved the Cotai Casino Expansion Project with Customer D in Cotai relating to the data network infrastructure and the system storage, partially offset by the decrease in inventories of HK$9.1 million attributable to the delivery of our inventories for the Cotai Casino Expansion Project with Customer D and the increase in current liabilities of HK$46.0 million. Such increase in current liabilities was primarily due to (i) the increase of trade and other payables of HK$36.9 million due to the procurement of inventories from Supplier E in relation to hardware and software products; (ii) the increase in contract liabilities of HK$15.9 million due to the provision of our IT maintenance and consultancy services with Customer D and Customer N; and (iii) the increase of borrowings of HK$17.2 million, partially offset by the decrease in amounts due to shareholders of HK$16.7 million.

Our Group's net current assets slightly increased to HK$172.5 million as at 30 April 2022, primarily due to the increase in current assets of HK$6.5 million. Such increase in current assets was primarily due to the increase in prepayments and contract costs of HK$14.0 million mainly attributable to the prepayment to suppliers, partially offset by the decrease in trade receivables of HK$11.3 million mainly due to the settlement from Customer D, Customer E and Customer M. The effect was further enhanced by the decrease in current liabilities of HK$0.7 million, which was primarily due to (i) the decrease in trade and other payables of HK$6.6 million due to the settlement to suppliers in relation to our inventories; and (ii) the decrease in borrowings of HK$8.2 million, partially offset by the increase of contract liabilities of HK$12.8 million due to the provision of professional IT service and IT maintenance and consultancy services.

Working capital

Our Directors confirm that, taking into consideration the financial resources presently available to us, including banking facilities and other internal resources, and the estimated **[REDACTED]** from the **[REDACTED]**, we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document.

Our Directors are not aware of any other factors that would have a material impact on our Group's liquidity. Details of the funds necessary to meet our existing operations and to fund our future plans are set out in "Future Plans and Use of **[REDACTED]**" in this document.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

The following table sets out the carrying values of our property, plant and equipment as at 31 December 2019, 2020 and 2021:

	Computer Equipment	Furniture and Fixture	Office Equipment	Leasehold Improvement	Buildings	Motor Vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2019	3,979	508	393	1,704	5,322	—	11,906
As at 31 December 2020	3,981	394	411	2,444	5,278	—	12,508
As at 31 December 2021	3,397	259	454	1,107	5,128	513	10,858

Our Group's property, plant and equipment are computer equipment, furniture and fixture, office equipment, leasehold improvement and buildings. A majority of the property, plant and equipment are computer equipment, leasehold improvement and buildings, which accounted for 92.4%, 93.6% and 88.7% of the total property, plant and equipment as at 31 December 2019, 2020 and 2021, respectively.

For details of our property, plant and equipment, see Note 12 in Appendix I to this document.

Right-of-use assets

Our right-of-use assets decreased from HK$8.6 million as at 31 December 2019 to HK$7.7 million as at 31 December 2020 primarily due to the increase in our right to use various buildings of HK$4.7 million, partially offset by a depreciation of HK$5.6 million.

Our right-of-use assets increased from HK$7.7 million as at 31 December 2020 to HK$9.1 million as at 31 December 2021 primarily due to the increase in our right to use various buildings of HK$8.1 million, partially offset by a depreciation of HK$6.6 million.

Trade receivables

Our trade receivables primarily represent value of work completed and billed to our customers, net of provision for impairment.

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

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Due from third parties	103,021	97,476	192,273
Less: loss allowance	(2,256)	(2,251)	(3,470)
Total trade receivables, net of allowance	100,765	95,225	188,803

Our trade receivables decreased from HK$100.8 million as at 31 December 2019 to HK$95.2 million as at 31 December 2020, which was due to the improved debt collectability of our Group. Our trade receivables increased to HK$188.8 million as at 31 December 2021 from HK$95.2 million as at 31 December 2020 due to the unsettled invoices which involved the Cotai Casino Expansion Project with Customer D in Cotai relating to the data network infrastructure and the system storage.

Our Group's trading terms with our customers are mainly on credit, except for new customers. Before accepting any new customers, our Group will apply an internal credit assessment policy to assess the potential customer's credit quality and define credit limit by customer. Under our enterprise IT solutions and distribution and resale businesses, we generally offer our customers a credit period of up to 30 days from the date of issuance of our invoice. Our Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Our finance and administration department is responsible for monitoring the credit risks of our customers. It follows up on and report the monthly overdue status of our customers to the management team. Regular meetings and reviews are held with the management team to review the payment status and progress and discuss customer's credit terms and limits. When payments from customers are long overdue, our finance and administration department will follow up with our customers by e-mails and phone. In cases where the overdue situation persists, we may consider taking legal actions to recover the amount due. Any write-off of trade receivables is subject to the approval of our financial controller and chief executive officer. Our sales department also performs reviews of the credit status and financial performance of new customers by reviewing their financial statements and reports.

Our policy for impairment on trade receivables is based on previous credit history, aging analysis, probability of default and current market condition. Provisions would apply to the receivables when where are events or changes in circumstances which indicate that the balances may not be collectible. Our management closely reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the collectability of overdue balances. After fully considering the nature of trade receivables and their collectability on a case-by-case basis, we have made provisions for the impairment of trade receivables in order to ensure the quality of our assets. As at 31 December 2019, 2020 and 2021, provisions for individually impaired trade receivables were HK$2.3 million, HK$2.3 million and HK$3.5 million, respectively.

The following table sets forth the aging analysis of our gross trade receivables which are past due but not impaired, as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Up to 60 days	77,829	71,515	163,598
Over 60 days and within 180 days	17,460	19,821	13,522
Over 180 days and within 365 days	4,034	3,459	12,898
Over 365 days	3,698	2,681	2,255
Total	103,021	97,476	192,273

As at 31 May 2022, HK$103.4 million or 53.8% of our trade receivables outstanding as at 31 December 2021 were settled. Subsequent to the Track Record Period and up to 31 May 2022, we had not experienced any material recoverability issue for trade receivables. To properly manage and effectively mitigate our exposure arising from our outstanding trade receivables, we have internal policy in place pursuant to which our management and finance personnel shall periodically review the repayment schedules of our customers, prepare the aging analysis on a monthly basis as well as assess the credit worthiness of the relevant customers. For customer who has significantly delayed the settlement of our invoices, we will contact the relevant customer to understand the reason of the delay, perform individual credit evaluations on such customer, focusing on the customer's past settlement history of our invoice when due, its current ability to pay and the years of its business relationship with us, and where practicable, require the relevant customer to provide a repayment plan. In such a case, we may also slow down the progress or suspend the execution of our work until payment. In addition, we will assign designated personnel to contact and chase the outstanding payments and report to the management on the customer's repayment plan. We reserve our right to and, as our last resort we will, take appropriate legal actions to recover the outstanding payment from such customer.

Based on our current assessment of the aging of the trade receivables as at 31 December 2021 which remained outstanding as at 31 May 2022, their settlement status and the relevant customer's profile with reference to our policy for impairment on trade receivables as mentioned in the preceding paragraph in this sub-section, as at 31 May 2022, no further provision of impairment had been made by us for such outstanding trade receivables. Our Directors assess the expected credit loss and make provision for trade receivables by using a provision matrix grouped by shared credit risk characteristics and the days past due, and trade receivables from customers with long-aged or significant outstanding balances are assessed individually. In addition, to properly manage and effectively mitigate the exposure arising from the outstanding trade receivables, our Group has internal policy in place as discussed in the preceding paragraph in this sub-section. In light of the above and the low historical default rate of our Group, our Directors consider that sufficient credit loss allowances have been made and no additional credit loss allowances are required, and there has been no material recoverability issue for our trade receivables.

The table below sets forth a summary of average turnover days of trade receivables as at the dates indicated:

	FY2019	FY2020	FY2021
Average turnover days of trade receivables[(1)]	77	75	97

(1) Average turnover days of trade receivables for FY2019, FY2020 and FY2021 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables for the relevant period by revenue and multiplying by 365 days.

Our average turnover days of trade receivables for FY2020 remained stable as compared to that of FY2019, in which there was no material change in the collectability of our customers between FY2019 and FY2020. Our average turnover days of trade receivables increased to 97 days for FY2021 from 75 days for FY2020 due to the unsettled invoices for the Cotai Casino Expansion Project with Customer D in Cotai relating to the data network infrastructure and the system storage. As at the Latest Practicable Date, HK$27.6 million or 31.1% of our trade receivables due from Customer D as at 31 December 2021 were settled; and the outstanding amount due from Customer D as at 31 December 2021 amounted to HK$60.9 million. Our Company and Customer D discussed and reached a consensus with respect to the settlement schedule of HK$43.3 million, being part of the outstanding amount due from Customer D as at 31 December 2021, and our Directors expect that such HK$43.3 million will be settled by Customer D by end of July 2022.

Contract assets

The following table sets forth our current contract assets as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Professional IT services	33,836	43,904	75,463
IT Maintenance and consultancy services	3,627	2,954	3,241
Managed services	309	2,273	474
Less: loss allowance	(136)	(591)	(522)
Total	37,636	48,540	78,656

Our contract assets represents our services being provided ahead of project milestones. Payments are generally made by stages according to project milestones, and the payment for each milestone may be different for each project, subject to negotiation with our customers. For large-scale projects with customers in the gaming and hospitality sector, up to 60% to 80% of the total awarded contract value may only be payable after the user acceptance testing. The period after the project completion and before the user acceptance testing during the Track Record Period generally ranged from seven weeks to 35 weeks. For large-scale projects with a longer project cycle, up to 10% of the total awarded contract value may be retained by customers until the end of the defects liability period, which may last for one years after project completion. For details, see "Business — Our Major Customers — Key terms and conditions of the agreements entered into with our major customers — Enterprise IT solutions business — Professional IT Services" in this document. Our Group also recognised a loss allowance for our contract assets in accordance with IFRS 9. Our loss allowance for our current contract assets amounted to HK$0.1 million, HK$0.6 million and HK$0.5 million as at 31 December 2019, 2020 and 2021, respectively.

Our total current contract assets increased to HK$48.5 million as at 31 December 2020 from HK$37.6 million as at 31 December 2019, which was primarily due to the Cotai Casino Expansion Project in which our Group had performed obligation but we were yet to issue invoices to Customer D. Our total current contract assets further increased to HK$78.7 million as at 31 December 2021, which was primarily due to the provision of the professional IT service with Customer E involving the data networking, in which our Group had performed obligation but was yet to issue invoice to such customer.

As at 31 May 2022, we had billed HK$42.8 million or 54.4% of the outstanding balance of our current contract assets as at 31 December 2021. Our Directors consider the expected credit loss and make provision for our contract assets in the same manner as our trade receivables by using a provision matrix grouped by shared risk characteristic and the days past due, and contract assets from customers with long-aged or significant outstanding balances are assessed individually. We have performed periodic reviews to ensure invoices are issued within the terms mutually agreed with our customers. Subsequent to the Track Record Period and up to 31 May 2022, we had not experienced any material billing issue for such outstanding contract assets. Based on our assessment in accordance with our provisioning policy on the billing status of the outstanding current contract assets as at 31 December 2021 as well as our discussion with the relevant major customers on the billing schedule, as at 31 May 2022, no further loss allowance had been made by us for such outstanding current contract assets.

The following table sets forth the aging analysis of our gross current and non-current contract assets by date of revenue recognition, as at the dates indicated:

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Up to 3 months	23,602	30,820	68,685
Over 3 months and within 6 months	6,019	8,652	10,867
Over 6 months and within 1 year	2,175	10,031	2,274
Over 1 year	6,853	3,267	3,726
	38,649	52,770	85,552

The table below sets forth a summary of average turnover days of trade receivables and contract assets as at the dates indicated:

	FY2019	FY2020	FY2021
Average turnover days of trade receivables and contract assets [(1)]	103	110	144

(1) Average turnover days of trade receivables and contract assets for FY2019, FY2020 and FY2021 is derived by dividing the arithmetic mean of the opening and closing balances of trade receivables and contract assets for the relevant period by revenue and multiplying by 365 days.

Our average turnover days of trade receivables and contract assets for FY2020 remained stable as compared to that of FY2019. Our average turnover days of trade receivables and contract assets increased to 144 days for FY2021 from 110 days for FY2020, due to (i) the outstanding payment under invoices for the Cotai Casino Expansion Project with Customer D in Cotai relating to the data network infrastructure, which resulted in the increase in the average turnover days of trade receivables; and (ii) the system storage and the provision of the professional IT service to

Customer E involving the data networking, in which our Group had performed obligation but has yet to issue invoice to such customer, which resulted in the increase in the average turnover days of contract assets.

Inventories

Our inventories mainly consist of hardware products and software products. Given the nature of our business, we generally do not keep a significant quantity of inventory and generally make purchase orders to our suppliers upon receiving back-to-back orders from our customers. To minimise the risk of building up inventory, we review our inventory levels on a yearly basis to check if there has been any delay in our delivery of products and we made reference to the aged inventory analysis and management judgment to determine if any write-down of inventories is required. Write-downs of inventories to net realisable value amounted to HK$2.4 million, HK$0.6 million and HK$1.1 million for FY2019, FY2020 and FY2021, respectively. We had inventories of HK$59.1 million, HK$39.1 million and HK$30.0 million as at 31 December 2019, 2020 and 2021, respectively.

The table below sets out the breakdown of our inventories as at the respective dates indicated:

	As at 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Hardware products	19,882	16,836	15,440
Software products	39,200	22,266	14,554
	59,082	39,102	29,994

Our inventories decreased to HK$39.1 million as at 31 December 2020 from HK$59.1 million as at 31 December 2019 due to the delivery of our inventories for the New Property SI Project, the Resort Complex Project, the Surveillance Network Project and the hospitality campus Wi-Fi project in Macau peninsula and Cotai. Our inventories further decreased from HK$39.1 million as at 31 December 2020 to HK$30.0 million as at 31 December 2021 primarily due to the delivery of our inventories for the Cotai Casino Expansion Project with Customer D.

The following table sets forth the turnover days of our inventories for the indicated periods:

	FY2019	**FY2020**	**FY2021**
Average turnover days of inventories[(1)]	40	47	30

(1) Average turnover days of inventories is equal to the average of the beginning and ending inventory balances of that year divided by cost of sales for that year and multiplied by 365 days for a year/period.

Our average turnover days of inventories increased to 47 days in FY2020 from 40 days in FY2019, mainly due to the impact of COVID-19 outbreak, which caused temporary suspension of the Cotai Casino Expansion Project. Such temporary suspension led to the delay in delivery of our inventories. The Cotai Casino Expansion Project resumed to normal in the second half of 2020. Our average turnover days of inventories decreased to 30 days in FY2021 from 47 days in FY2020, mainly due to the delivery of our inventories for the Cotai Casino Expansion Project with Customer D.

As at 31 May 2022, HK$20.5 million or 68.4% of our inventories as at 31 December 2021 had been sold or utilised. Our Directors estimate the net realisable value of the inventories based primarily on the latest invoice prices, current market conditions and historical usage of the relevant inventories in production and sales, review the aging analysis and make allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. The inventories as at 31 December 2021 which remained unutilised as at 31 May 2022 were products we purchased in advance so as to reduce the lead time for fulfiling the anticipated demand of our customers. We do not consider there is any material issue on the subsequent utilisation of such inventories given the expected use of such inventories for our customers. Having considered the current aging of such inventories, as at 31 May 2022, no further provision of impairment had been made by us for such outstanding inventories.

Deposits, prepayments, contract costs and other receivables

The following is a breakdown of current deposits, prepayments, contract costs and other receivables as at 31 December 2019, 2020 and 2021:

	As at 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Deposits, prepayments, contract costs and other receivables			
Prepayments to suppliers	25,356	22,815	31,991
Deposits	1,053	4,767	6,882
Contract cost	1,131	786	746
Other prepayments *(Note 1)*	1,402	2,943	9,827
Other receivables	198	—	117
Total	29,140	31,311	49,563

Notes:

1. Other prepayment mainly comprise prepayment of professional fee for the preparation of **[REDACTED]** and prepayment of administrative expense.

Our prepayments to suppliers represent amounts we prepaid for costs of materials and services in relation to our business. Our deposits represent mainly rental deposits and security deposits placed to our customers.

Our deposits, prepayments, contract costs and other receivables slightly increased from HK$29.1 million as at 31 December 2019 to HK$31.3 million as at 31 December 2020, which was mainly attributable to the (i) increase in the security deposit placed to governmental bodies and educational institution ensuring that we performed our contractual obligation as described in contracts; and (ii) the increase in other prepayments due to the prepayment of professional fees for the preparation of **[REDACTED]**, partially offset by (a) the decrease in prepayments to suppliers which was generally in line with the decline in our cost of materials and services; and (b) the decrease in contract cost.

Our deposits, prepayments, contract costs and other receivables increased from HK$31.3 million as at 31 December 2020 to HK$49.6 million as at 31 December 2021, which was primarily due to (i) the increase in the prepayment to suppliers in relation to our inventories; and (ii) the increase in the prepayment for the **[REDACTED]**.

As at 31 May 2022, HK$17.1 million or 34.4% of our deposits, prepayments, contract costs and other receivables outstanding as at 31 December 2021 were settled.

Trade and other payables

Our trade payables are derived primarily from payables relating to payment to our suppliers for inventories and costs of materials and services. Trade and other payables as at 31 December 2019, 2020 and 2021 were HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]**, respectively, a breakdown of which is set out below:

	As at 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	98,269	81,729	108,753
Salaries payables	9,985	3,771	7,472
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accrued expenses	2,395	4,351	1,690
Other taxes payable	571	481	539
Other payables	965	1,164	2,207
Total	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Our trade and other payables decreased from HK$112.2 million as at 31 December 2019 to HK$92.7 million as at 31 December 2020 was due to (i) the decrease in the amount of trade payables by HK$16.5 million, which was generally in line with the decline of our revenue during FY2020; and (ii) the decrease in the salaries payables which was mainly due to the decrease in the amount of the discretionary bonus and salaries for December 2020 paid to our employees. Our trade and other payables increased from HK$92.7 million as at 31 December 2020 to HK$129.6 million as at 31 December 2021 primarily due to the procurement of inventories from Supplier E in relation to hardware and software products.

Our major suppliers generally offer us trade credit periods from 30 to 90 days. The table below sets forth, as at the end of reporting indicated periods, the aging analysis of our trade payables based on invoice date:

	As at 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	38,142	32,203	81,940
Over 1 month and within 3 months	39,672	15,172	19,522
Over 3 months and within 1 year	19,326	31,850	6,916
Over 1 year	1,129	2,504	375
Total	98,269	81,729	108,753

The following table sets out the average trade payables turnover days for the Track Record Period:

	FY2019	**FY2020**	**FY2021**
Average turnover days of trade payables[(1)]	71	86	83

(1) Average turnover days of trade payables for each of FY2019, FY2020 and FY2021 is derived by dividing the arithmetic mean of the opening and closing balances of trade payables for the relevant period by cost of sales and multiplying the resulting value by 365 days.

Average trade payables turnover days increased to 86 days in FY2020 from 71 days in FY2019 due to the delayed settlement to Supplier F and the agreed phase settlement with Supplier C. Average trade payable turnover days for FY2021 remained stable at 83 days as compared to that of FY2020.

As at 31 May 2022, HK$72.2 million or 66.4% of trade payables outstanding as at 31 December 2021 had been fully settled. Our Directors confirm that no outstanding balance of trade payables as at 31 December 2021 are in dispute with the relevant suppliers.

Our other payables mainly represents the provision for restoration costs of our offices in Hong Kong and Macau of HK$0.5 million, HK$0.6 million and HK$1.0 million as at 31 December 2019, 2020 and 2021 respectively.

Contract liabilities

Our contract liabilities represent our obligation to transfer IT products and provide services to our customers for which we have received deposit from our customers ahead of the provision of services and the transfer of IT projects.

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

	As at 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Professional IT services	6,220	14,525	17,723
IT maintenance and consultancy services	13,705	11,785	20,450
Managed services	—	630	3,611
Distribution	943	780	2,850
Resale	364	1,666	690
Total	21,232	29,386	45,324

Our current contract liabilities amounted to HK$21.2 million and HK$29.4 million as at 31 December 2019 and 2020, respectively, mainly due to an increase in our number of contracts in progress. Our current contract liabilities further increased to HK$45.3 million mainly attributable to the provision of our IT maintenance and consultancy services with Customer D and Customer N.

As at 31 May 2022, we recognised HK$22.0 million, or 48.6%, of the outstanding balance of our contract liabilities as at 31 December 2021 as our revenue.

Amounts due to shareholders

Our amounts due to shareholders amounted to HK$17.5 million, HK$16.7 million and nil as at 31 December 2019, 2020 and 2021, respectively. The amounts mainly arose from net-off effect of the dividend declared and the repayment to shareholders during the period and had been settled during FY2021.

All our amounts due to shareholders were non-trade in nature, unsecured, interest-free and repayable on demand. As at the Latest Practicable Date, all the amounts due to shareholders were settled. For further details of related party transactions and balances, see Note 28 and 32 of the Accountant's Report in Appendix I to this document.

CAPITAL EXPENDITURES

Our Group's capital expenditures principally consist of expenditures on purchases of property, plant and equipment in our operations. During FY2019, FY2020 and FY2021, our Group incurred capital expenditures of HK$5.9 million, HK$5.3 million and HK$5.1 million, respectively, a majority of which came from acquisition of computer equipment, furniture and fixture, office equipment, leasehold improvement and buildings primarily used for our operations. Between 31 December 2021 and the Latest Practicable Date, we did not make any material capital expenditures.

For the year ending 31 December 2022, we estimate that the capital expenditures will amount to HK$9.3 million, primarily attributable to the purchase of property, plant and equipment for our operations and the establishment of a new operational centre.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. See "Future Plans and Use of **[REDACTED]**" in this document for further information.

We expect to fund our contractual commitments and capital expenditures principally through the **[REDACTED]** we receive from the **[REDACTED]**, cash generated from our operating activities and **[REDACTED]** from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

PROPERTY INTERESTS

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As at the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating lease commitments

As at the end of the reporting periods during the Track Record Period, our Group had commitments for future minimum lease payments in respect of staff quarter and office properties under non-cancellable operating lease arrangements, which fall due as follows:

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Staff quarters			
Within 1 year	81	22	116
Office properties			
Within 1 year	—	—	5
Total	81	22	121

Capital commitments

We had the following capital commitments, which were not provided for in our consolidated financial statements:

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Contracted, but not provided for:			
Property, plant and equipment	—	598	938
Intangible assets	630	—	—
Total	630	598	938

INDEBTEDNESS

Our indebtedness includes borrowings and lease liabilities. As at 31 December 2019, 2020, 2021 and 30 April 2022, our lease liabilities amounted to HK$9.8 million, HK$10.2 million, HK$10.1 million and HK$9.7 million respectively. The following table sets out our borrowings as at 31 December 2019, 2020, 2021 and 30 April 2022, respectively:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Current liabilities				
Secured bank loans	1,084	8,047	25,522	17,364
Unsecured loans	5,830	270	—	—
Non-current liabilities				
Secured bank loans	8,184	7,073	5,933	5,546
Unsecured loans	194	—	—	—
Total	15,292	15,390	31,455	22,910

The following table sets forth the repayment schedule of our borrowings as at 31 December 2019, 2020 and 2021 and 30 April 2022:

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)
Within one year	6,914	8,317	25,522	17,364
Between one to two years	1,305	1,140	1,168	1,178
Between two to five years	3,506	3,594	3,685	3,716
Over five years	3,567	2,339	1,080	652
Total	15,292	15,390	31,455	22,910

The following table sets out the range of interest rates for our borrowings as at the end of each reporting period during the Track Record Period:

	As at 31 December		
	2019	2020	2021
Bank borrowings	2.50%	3.47%	4.15%
Other borrowings	5.13%	5.13%	—
Loan from related parties	1.00%	—	—

The following table sets out the bank borrowings that were pledged as at the end of each reporting period during the Track Record Period:

	As at 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Guaranteed by Mr. Chao and his associates and pledged by properties owned by them	9,268	15,120	31,455

As at 31 December 2019, 2020 and 2021, our Group's secured bank loans were guaranteed by personal guarantees given by Mr. Chao and his associates and pledged by properties owned by them. Our Group's unsecured loans included (i) a loan of HK$3.0 million from a related third party; and (ii) a loan from a non-bank financial institution (which is a subsidiary of a multinational technology conglomerate) of HK$4.1 million personally guaranteed by Mr. Chao. Such loan was non-interest bearing. The drawdown of such loan from the non-bank financial institution was a non-cash transaction. The proceeds of such loan were applied by that non-bank financial institution directly to settle the amount due to our supplier for our purchase of IT equipment, and that supplier is the distributor of such multinational technology conglomerate. Our Group fully repaid such loan in FY2021. All loans were denominated in Hong Kong dollars. All personal guarantees and property pledge will be replaced by corporate guarantees given by our Company upon **[REDACTED]**.

As at 30 April 2022, being the latest practicable date for the purposes of the indebtedness statement, we had aggregate borrowing facilities of HK$40.0 million, of which HK$16.2 million was utilised and HK$23.8 million was unutilised. We are not committed to draw down the unutilised amount.

Our Directors confirm that during the Track Record Period, we did not experience any delay or default in our repayment of borrowings nor did we experience any difficulty in obtaining banking facilities with terms that were commercially acceptable to us. As at the date of this document, we did not have any plans for material external debt financing.

Contingent liabilities

As at 30 April 2022, being the latest practicable date for the purpose of the indebtedness statement, we did not have any material contingent liabilities or guarantees.

Save as disclosed under "Indebtedness" in this section and apart from intra-group liabilities, as at the Latest Practicable Date, our Group did not have any loan capital issued or outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

TRANSACTIONS WITH RELATED PARTIES

During the Track Record Period, our Group had the following transaction with related parties:

	As at 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Loan from a related party			
Hellmann Cyber Information System Limited	3,000	—	—
Amounts due to shareholders	17,533	16,722	—

As at 31 December 2019, our Group had a borrowing which amounted to HK$3.0 million from a related party, Hellmann Cyber Information System Limited, at an interest rate of 1% per annum. The interest expense for FY2019 and FY2020 was HK$1,000 and HK$30,000, respectively. Our Group had repaid such borrowing during FY2020.

Our amounts due to shareholders amounted to HK$17.5 million and HK$16.7 million as at 31 December 2019 and 2020, respectively. The amounts mainly arose from net-off effect of the dividend declared and the repayment to shareholders during the period. All our amounts due to shareholders were unsecured, interest-free and repayable on demand. During FY2021, all the amounts due to shareholders had been settled.

Our Directors confirm, and the Sole Sponsor concurs, that none of our Group's expenses during the Track Record Period were (i) settled by third parties; and (ii) borne by related parties or other third parties without being fully recharged to our Group.

With respect to the related party transactions set forth in the Accountant's Report in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms.

KEY FINANCIAL RATIOS

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

	FY2019	FY2020	FY2021
Gross profit margin (%)[1]	17.0%	19.7%	21.0%
Net profit margin (%)[2]	5.0%	6.3%	4.5%
Return on equity (%)[3]	23.1%	22.5%	14.2%
Return on total assets (%)[4]	9.4%	9.6%	6.4%

	As at 31 December		
	2019	2020	2021
Current ratio (times)[5]	1.5	1.5	1.8
Gearing ratio (times)[6]	0.1	0.1	0.2
Net debt to equity ratio (times)[7]	N/A	N/A	0.1

Notes:

(1) Gross profit margin for FY2019, FY2020 and FY2021 was calculated on gross profit divided by turnover for the respective year. See the section headed "Review of Historical Results of Operation" for more details on our gross profit margins.

(2) Net profit margin for FY2019, FY2020 and FY2021 was calculated on profit for the year divided by turnover for the respective year. See the section headed "Review of Historical Results of Operation" for more details on our net profit margins.

(3) Return on equity for FY2019, FY2020 and FY2021 was calculated based on the profit for the year divided by the total equity attributable to the Shareholders as at the respective years and multiplied by 100%.

(4) Return on total assets for FY2019, FY2020 and FY2021 was calculated based on the net profit for the respective years divided by the total assets of the respective years (sum of opening and closing balances of the total assets of the respective years and then divided by two) and multiplied by 100%.

(5) Current ratios as at 31 December 2019, 2020 and 2021 were calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

(6) Gearing ratios as at 31 December 2019, 2020 and 2021 were calculated based on the total debt as at the respective dates divided by total equity as at the respective dates.

(7) Net debt to equity ratios as at 31 December 2019, 2020 and 2021 was calculated based on net debts (being total borrowings net of cash and cash equivalents) as at the respective dates divided by total equity as at the respective dates.

Return on equity

Our return on equity ratio was 23.1%, 22.5% and 14.2% for FY2019, FY2020 and FY2021, respectively. Our return on equity as at 31 December 2020 remained stable as compared to that of FY2019. The decrease of our return on equity as at 31 December 2021 compared to 31 December 2020 was mainly due to the decrease in profit for FY2021 and the increase in share premium in relation to the **[REDACTED]**.

Return on total assets

Our return on total assets ratio was 9.4%, 9.6% and 6.4% for FY2019, FY2020 and FY2021, respectively. Our return on total assets as at 31 December 2020 remained stable as compared to that of FY2019. The decrease of our return on total assets as at 31 December 2021 compared to 31 December 2020 was mainly due to the decrease in profit and the growth of total assets of our Group.

Current ratio

Our current ratio was 1.5 and 1.5 as at 31 December 2019 and 2020, respectively, which remained stable. Our current ratio increased to 1.8 as at 31 December 2021 was mainly due to the increase in our current assets.

Gearing ratio

Our gearing ratio was 0.1, 0.1 and 0.2 as at 31 December 2019, 2020 and 2021, respectively. Our gearing ratio as at 31 December 2020 remained stable as compared to that as at 31 December 2019. The increase of our gearing ratio as at 31 December 2021 as compared to 31 December 2020 was mainly due to the increase in our borrowings.

Net debt to equity ratio

We were in a net cash position as at 31 December 2019 and 2020. Our net debt to equity ratio was 0.1 as at 31 December 2021. The increase of our gearing ratio as at 31 December 2021 compared to 31 December 2020 was mainly due to the increase in our borrowings.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to financial risks including credit risk and liquidity risk. Details of the risks to which we are exposed are set out in note 3 to the Accountant's Report, the text of which is set out in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

[REDACTED]

Our **[REDACTED]** mainly comprise **[REDACTED]** and professional fees paid and payable to the **[REDACTED]** (for itself and on behalf of other **[REDACTED]**), the Sole Sponsor, legal advisers and the reporting accountant, among others, for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. As at 31 December 2021, we had incurred **[REDACTED]** of HK$**[REDACTED]**, of which HK$**[REDACTED]** will be accounted for as a deduction in equity and HK$**[REDACTED]** we had recorded as **[REDACTED]**. We expect to incur further **[REDACTED]** amounting to HK$**[REDACTED]**, of which HK$**[REDACTED]** is expected to be accounted for as a deduction in equity and the remaining HK$**[REDACTED]** is expected to be recorded as expenses for the year ending 31 December 2022. The total amount of **[REDACTED]** incurred and expected to be incurred by us would be HK$**[REDACTED]**, which represented

[REDACTED]% of the gross **[REDACTED]** of the **[REDACTED]** (assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range, and the **[REDACTED]** is not exercised). Such **[REDACTED]** comprised **[REDACTED]** of HK$**[REDACTED]** and **[REDACTED]** of HK$**[REDACTED]**, which included (i) professional fees paid and payable to the Sole Sponsor, legal advisers and the reporting accountant of HK$**[REDACTED]**, and (ii) fees paid and payable to other working parties and other expenses in relation to the **[REDACTED]** and the **[REDACTED]** of HK$**[REDACTED]**.

Our Directors would like to emphasise that the **[REDACTED]** stated above are our current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective **[REDACTED]** should note that the financial performance of our Group for the year ending 31 December 2022 would be materially and adversely affected by the **[REDACTED]** mentioned above.

DIVIDEND

During the Track Record Period, no dividend had been paid or declared by our Company since its date of incorporation. The dividends declared by one of the operating subsidiaries now comprising our Group were MOP3.0 million (equivalent to HK$2.9 million) and MOP2.1 million (equivalent to HK$2.0 million) for FY2019 and FY2020, respectively.

We may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends would require the approval of our Board and will beat its discretion. In addition, any final dividend for a financial year will be subject to our Shareholders' approval. Our Board will review the dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our results of operations;
- our cash flows;
- our financial condition;
- general business conditions and strategies;
- operating and capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors our Board may deem relevant.

Our Board has absolute discretion as to whether to declare any dividend for any year end and if any, the amount of dividend and the means of payment. Such discretion is subject to any applicable laws and regulations including the Companies Act, and our Articles which also requires the approval of our Shareholders. Our Directors may recommend a payment of dividends in the future after taking into account the factors set out in this subsection. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors. Our Board has not adopted any dividend policy for the time being and does not have any pre-determined dividend ratio. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

Any dividends declared will be in Hong Kong dollars with respect to our Shares on a per share basis, and our Company will pay such dividends in Hong Kong dollars.

Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

DISTRIBUTABLE RESERVES

Our Company is an investment holding company. There were no reserves available for distribution to the Shareholders as at the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Unaudited Pro Forma Financial Information" in Appendix II to this document for our unaudited pro forma adjusted consolidated net tangible assets.

NO MATERIAL ADVERSE CHANGE

To the best knowledge, information and belief of our Directors, save for the impact of COVID-19 as disclosed in "Summary — Recent Development" in this document, up to the Latest Practicable Date, there is no material change to the market condition which would materially affect the operation or performance of our principal business. Our Directors have confirmed that, up to the date of this document, there had been no material adverse change in our financial or trading position or prospects since 31 December 2021, being the date to which our latest audited financial statements were prepared, and there was no event since 31 December 2021 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this document.

FUTURE PLANS

See "Business — Our Business Strategies" in this document for detailed disclosures of our future plans.

USE OF [REDACTED]

The following table sets forth the estimated **[REDACTED]** of the **[REDACTED]** which we will receive, after deduction of **[REDACTED]** fees and commissions and estimated expenses payable by us in connection with the **[REDACTED]** (the "**[REDACTED]**"):

Amount of [REDACTED]	**Assuming the [REDACTED] is not exercised**	**Assuming the [REDACTED] is exercised in full**
	(HK$ million)	*(HK$ million)*
If the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share (being the high end of the **[REDACTED]** range stated in this document)	**[REDACTED]**	**[REDACTED]**
If the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share (being the mid-point of the **[REDACTED]** range stated in this document)	**[REDACTED]**	**[REDACTED]**
If the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share (being the low end of the **[REDACTED]** range stated in this document)	**[REDACTED]**	**[REDACTED]**

To implement our strategies, we currently intend to apply the **[REDACTED]** (assuming the **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range and the **[REDACTED]** is not exercised) in the following manner:

- **[REDACTED]**% or HK$**[REDACTED]** for wholly or partly funding the upfront costs (excluding the staff cost) of two enterprise IT solutions projects with estimated contract value of HK$[131.8] million in aggregate and estimated commencement date in mid-2022, among which (i) **[REDACTED]**% or HK$**[REDACTED]** for funding the upfront costs of a project involving the design and deployment of data network infrastructure and surveillance network in connection with the New Cotai Resort Hotel in Macau; and (ii) **[REDACTED]**% or HK$**[REDACTED]** for funding the upfront costs of a project involving the deployment of server and storage service for the New Cotai Resort Hotel. For details, see "Business — Our Business Strategies" in this document;

- **[REDACTED]**% or HK$**[REDACTED]** for capturing business opportunities in the Greater Bay Area by (i) expanding the geographical reach of our enterprise IT solutions business by the establishment of sales and operational teams in Hengqin and Nansha; and (ii) establishing an integrated operational centre for the provision of managed services, among which, (a) **[REDACTED]**% or HK$**[REDACTED]** for partly funding the salary package in connection with the additional staff for the new sales and operational teams (comprising 30 staff and 25 staff in Hengqin and Nansha, respectively); (b) **[REDACTED]**% or HK$**[REDACTED]** for purchasing office

equipment, hardware and software required for use in Hengqin and Nansha offices; (c) **[REDACTED]**% or HK$**[REDACTED]** for purchasing hardware and software incidental to the establishment of a solutions laboratory in Hengqin; (d) **[REDACTED]**% or HK$**[REDACTED]** for funding the salary package in connection with 14 technical and engineering staff for the provision of managed services in the integrated operational centre to be established in Hengqin; and (e) **[REDACTED]**% or HK$**[REDACTED]** for purchasing office equipment, hardware and software and operation tools incidental to the offering of 24/7 managed services in the integrated operational centre in Hengqin.

The following table sets forth the breakdown of the use of **[REDACTED]** for the establishment of sales and operational teams in Hengqin and Nansha and an integrated operational centre in Hengqin:

	Expected periods of allocation of the [REDACTED] *(Note)*			
	From August 2022 to January 2023	**From February 2023 to July 2023**	**From August 2023 to January 2024**	**From February 2024 to July 2024**
	(HK$' million)	*(HK$' million)*	*(HK$' million)*	*(HK$' million)*
Hengqin office				
Purchase of office equipment, hardware and software for Hengqin office	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Purchase of hardware and software for the solutions laboratory	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff remuneration	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total capital requirement	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Nansha office				
Purchase of office equipment, hardware and software	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff remuneration	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total capital requirement	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Integrated operational centre in Hengqin				
Purchase of office equipment, hardware and software	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Staff remuneration	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Total capital requirement	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Note: The expected periods of allocation of the **[REDACTED]** are determined based on the assumption that the **[REDACTED]** will take place in **[REDACTED]**.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

The following tables set out a breakdown of staff that we plan to recruit in each of Hengqin and Nansha offices by functions, the estimated expenses and the planned allocations of the **[REDACTED]**:

Hengqin office

Staff to be recruited after [REDACTED] by functions	Primary role of the staff	Number of staff planned to be recruited during the period				Expected annual salary per person *(HK$) (Note 3)*	Total
		From August 2022 to January 2023	From February 2023 to July 2023	From August 2023 to January 2024	From February 2024 to July 2024		
Professional service engineer	Designing and operating IT hardware and software	1	1	12	—	360,000	14 *(Note 1)*
Engineer supervisor	Designing, implementing and managing network system	—	—	2	—	504,000	2 *(Note 1)*
Technical manager	Overseeing technical proposals including solutions design and implementation methodology	—	1	—	—	648,000	1
Project manager	Supervising and leading engineers to deliver project implementation	—	—	1	—	504,000	1
Solution consultant	Exploring new products and solutions and formulating and executing sales strategy in collaboration with the sales department	—	—	1	—	360,000	1 *(Note 1)*
Account manager	Developing and maintaining customer profile and relationship	—	1	2	—	600,000	3
Sales administration officer	Assisting in drafting and issuing quotations and receipts	1	—	1	—	172,800	2
Accountant	Handling financial related matter and preparing for financial reports	—	—	—	—	201,600	— *(Note 1)*
Human resources officer	Handling employees' general enquiries and providing general office support	—	—	1	—	172,800	1
Total		2 *(Note 1)*	3	20	N/A *(Note 2)*		**25** *(Note 1)*
Estimated expenses for the period for recruiting and retaining the staff *(HK$' million)*		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**		**[REDACTED]**
Amount of the [REDACTED] to be allocated for the period for recruiting and retaining the staff *(HK$' million)*		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**		**[REDACTED]**

Notes:

1. As at the Latest Practicable Date, we had 61 staff members in our Hengqin office, five of which were recruited as part of the new sales and operational team, including two professional service engineers, one engineer supervisor, one solution consultant and one accountant. The salaries of these five employees are currently financed by our internal financial resources and are expected to be funded by the **[REDACTED]** of the **[REDACTED]**. Together with the staff in the table above which will be hired after **[REDACTED]**, the new sales and operational team in Hengqin is expected to comprise 30 staff.

2. From February 2024 to July 2024, we assume no additional employee is to be recruited for Hengqin or Nansha office.

3. According to Frost & Sullivan, the expected annual salary of staff to be recruited by function is in line with the average annual salary of people performing similar corresponding function in the IT solutions industry in Guangdong Province.

Nansha office

Staff to be recruited after [REDACTED] by functions	Primary role of the staff	Number of staff planned to be recruited during the period: From August 2022 to January 2023	From February 2023 to July 2023	From August 2023 to January 2024	From February 2024 to July 2024	Expected annual salary per person *(HK$) (Note 3)*	Total
Professional service engineer	Designing and operating IT hardware and software	—	—	2	—	360,000	2
Engineer supervisor	Designing, implementing and managing network system	—	—	1	—	504,000	1
Developer	Designing and creating program	2	—	13	—	288,000	15
Application architect	Leading technical delivery of application development	1	—	1	—	360,000	2
Project manager	Supervising and leading engineers to deliver project implementation	—	—	1	—	504,000	1
Solution consultant	Exploring new products and solutions and formulating and executing sales strategy in collaboration with the sales department	—	—	—	—	360,000	— *(Note 1)*
Account manager	Developing and maintaining customer profile and relationship	—	—	—	—	600,000	— *(Note 1)*
Administration officer	Handling overall administrative duties	—	—	—	—	172,800	— *(Note 1)*
Total		3 *(Note 1)*	—	18	N/A *(Note 2)*		**21** *(Note 1)*
Estimated expenses for the period for recruiting and retaining the staff *(HK$' million)*		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**		**[REDACTED]**
Amount of the [REDACTED] to be allocated for the period for recruiting and retaining the staff *(HK$' million)*		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**		**[REDACTED]**

Notes:

1. As at the Latest Practicable Date, we had eight staff members in our Nansha office, four of which were recruited as part of the new sales and operational team, including two account managers, one solution consultant and one administration officer. The salaries of these four employees are currently financed by our internal financial resources and are expected to be funded by the **[REDACTED]** of the **[REDACTED]**. Together with the staff in the table above which will be hired after **[REDACTED]**, the new sales and operational team in Nansha is expected to comprise 25 staff.

2. From February 2024 to July 2024, we assume no additional employee is to be recruited for Hengqin or Nansha office.

3. According to Frost & Sullivan, the expected annual salary of staff to be recruited by function is in line with the average annual salary of people performing similar corresponding function in the IT solutions industry in Guangdong Province.

To cope with our overall need for organic business expansion and implement our business strategies effectively, we consider that it is reasonable to recruit such number of staff in each of our Hengqin and Nansha offices as described above on the grounds below:

(a) following the implementation of our expansion plan in the Greater Bay Area, as we gradually expand our business network and have more exposure to the IT solutions projects awarded by local enterprises or public bodies, it is imperative for us to maintain a scalable team to undertake several projects concurrently.

In this connection, the sales and operational teams we plan to establish with the **[REDACTED]** and our internal financial resources (as appropriate) are expected to be constituted by: (i) three project teams in each of our Hengqin and Nansha offices, and each project team will consist of around seven staff to undertake various key execution roles such as technical managers, engineers, application architects solutions consultants and developers who will be working together to oversee and advise on the entire project, including project quality and safety, labour management and supervision and supply and equipment management, as well as the technical aspects of a project and specific requirements of customers. The size of the project team(s) to be established is determined by reference to the size and composition of our teams in Macau, the usual project requirements for undertaking IT solutions projects in the PRC and our strategy to incrementally expand the scale of our operation as we have progressively developed our business presence in the Greater Bay Area; (ii) a pre-sales and sales team consisting of one to five in Hengqin and one to two staff in Nansha who will be responsible for identifying new business opportunities, establishing and maintaining relationships with our customers; and (iii) a team consisting of one up to four staff to handle back office support functions, financing reporting and other administrative work in each of our Hengqin and Nansha offices. We believe that having the scale of operation as described above and the planned allocation of manpower is pivotal to sustain our operational need and business growth and to capture the market demand in the Greater Bay Area in future; and

(b) in tendering or bidding for IT solutions projects in the PRC, as advised by Frost & Sullivan and based on our experience, the availability of staff resources has been generally one of the key tendering conditions or otherwise assessment criteria entertained by the potential customers. According to Frost & Sullivan, the IT solutions providers in the Greater Bay Area generally have an average of 20 to 50 staff whereas less than 10 of them have more than 50 staff and the average number of staff required for undertaking IT solutions projects with contract value of over HK$10.0 million is five to 15 people. Moreover, based on our observations, customers usually require or expect IT solutions providers to have a project team of sufficient staff to be stationed onsite to carry out the execution work on a full-time basis. Therefore, considering the number of staff who is expected to be working in full capacity in a single IT solution project, it is necessary for us to recruit adequate staff so that we would have the flexibility to deploy and dedicate sufficient manpower resources to time-sensitive projects and split our staff in teams to take up projects concurrently, thereby maximising our revenue stream.

Given the above, we believe that having a project team of reasonable scale will allow us to ensure timely and receptive response to our customers' feedback or instruction during project implementation, provide seamless and comprehensive after sales-services after project completion, maintaining the highest quality of our IT solutions services, and thereby increasing our chance of winning tenders or contracts in the PRC.

On the other hand, to ensure smooth operation of the integrated operational centre to be established in Hengqin, we consider it necessary to recruit 14 staff with technical skills or expertise and experience in managed services including (i) nine tier-1 staff for handling 24/7 front line monitoring work on three rotating shifts (with two to three staff assigned to each shift); (ii) two tier-2 analysts for handling more advanced network security monitoring work on two rotating shifts; (iii) an application security expert for developing automation for operational security toolsets; (iv) a compliance auditor for handling integrated solutions auditing; and (v) a cloud security expert for handling cloud computing work and cybersecurity tools. The allocation of manpower to be adopted in the integrated operational centre generally follows the staff composition, structure and the job divisions we implemented for our provision of managed services in Macau.

The salary ranges of the staff to be recruited for our Hengqin and Nansha offices and the integrated operational centre in Hengqin are determined and benchmarked against the market wage rate of similar role with reference to the job responsibilities, the year of experience, complexity of the skill sets required and availability of relevant talent in the geographic regions. The expected annual salary range of the new staff to be recruited by function generally aligns with the current salary structure of our Group with respect to the similar functions performed by our existing staff (where applicable).

- **[REDACTED]**% or HK$**[REDACTED]** for strengthening our product development capabilities, among which (i) **[REDACTED]**% or HK$**[REDACTED]** for pursuing strategic partnership with companies or businesses with strong product innovation capabilities which could complement our existing business and in-house product development capability and for expanding the scale of our product development team by recruiting a chief scientific officer who will be assigned to lead our product development team and possesses strong experience in AI related fields, a data engineer and a data analyst who have technical expertise in data modeling, database design and development and segmentation techniques; and (ii) **[REDACTED]**% or HK$**[REDACTED]** for funding the required minimum injection of capital resources for the research and development laboratory jointly established with the University of Macau (UM) and the research and development projects pursuant to the Framework Cooperation Agreement; and

- **[REDACTED]**% or HK$**[REDACTED]** for our working capital and general corporate purposes.

If the **[REDACTED]** is set at the higher end or lower end of the indicative **[REDACTED]** range, the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised, will increase by HK$[10.7] million or decrease by HK$**[REDACTED]**, respectively, and in such event, we intend to increase or decrease, respectively, the **[REDACTED]** to be used for the above purposes on a pro-rata basis. In the event that the **[REDACTED]** is exercised in full, we estimate that we will receive additional **[REDACTED]** of HK$**[REDACTED]**, after deducting **[REDACTED]** and estimated expenses payable by us, assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**). We intend to apply all additional **[REDACTED]** for the same purposes as set out above on a pro rata basis.

If any part of our expansion plans does not proceed as planned for reasons such as changes in government policies or market conditions that would render the development of any of our projects not commercially viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate **[REDACTED]** to other uses. Should our Directors

decide to re-allocate the intended use of the **[REDACTED]** to other business plans to a material extent and/or there is to be any material modification to the use of the **[REDACTED]** as disclosed above, we will make appropriate announcement(s) in due course.

To the extent that the **[REDACTED]** are not immediately used for the purposes described above, we will place the same in short-term deposits with licensed banks or authorised financial institutions in Hong Kong. In the event that we would require additional financing apart from the **[REDACTED]** for our expansion plans, the shortfall will be financed by our internal resources and bank financing as appropriate.

REASONS FOR [REDACTED]

Our Directors believe that the **[REDACTED]** will enable our Group to enjoy various benefits as summarised below which do not only enable our Group to achieve our business objectives, but also facilitate our Group's future development:

(i) Pursuing long term business growth through the implementation of business strategies

Our Directors believe that raising funds by way of the **[REDACTED]** is in line with our business strategies. The **[REDACTED]** will provide our Group with financial resources to implement our business plans which in turn drive our business growth. As disclosed in "Use of **[REDACTED]**" in this section, part of our **[REDACTED]** will be applied to expand the geographical reach of our enterprise IT solutions business and establish an integrated operational centre for the provision of managed services in the Greater Bay Area. Our Directors believe that tapping into the market of the Greater Bay Area will be vital to our continuous business growth in future in light of the anticipated growth of the IT solution industry and business opportunities in the Greater Bay Area. According to Frost & Sullivan, revenue of information industry in the Greater Bay Area recorded a strong increase from RMB546.5 billion in 2016 to RMB1,257.6 billion in 2021, at a CAGR of 18.1%. Our Directors believe that, given our strong track record as leading IT solutions provider in Macau, we will benefit from capturing such market growth and more business opportunities through extending the geographical reach of our enterprise IT solutions business. In addition, we plan to apply the **[REDACTED]** to fund our plan to strengthen our product technical development capabilities in order to enrich our solution offering and increase our competitiveness thereby driving our growth in long-term.

(ii) Enhance our corporate profile and market reputation

We believe that a public **[REDACTED]** status in Hong Kong would assist us in reinforcing our image, enhancing confidence in stakeholders in the IT solutions industry and raising our recognition among our existing and potential customers and suppliers in our target geographical market, particularly in the Greater Bay Area. This is in line with our long term target to expand into the regional markets of the Greater Bay Area. Our experience and track record to deal with renowned customers and suppliers as well as governmental bodies in Macau puts our Group in good stead to cross over to meeting the enterprise IT solutions requirements in the Greater Bay Area after our **[REDACTED]** by leveraging on our standing as a **[REDACTED]** company on the premier regional financial centre in Asia that is the Stock Exchange. We also believe that financial institutions will be more willing to establish business relationship with **[REDACTED]** companies. We will benefit from the perception of outsiders in respect of good corporate governance and internal control, generate reassurance among our existing business partners, customers and suppliers, and strengthen our overall competitiveness in the market. **[REDACTED]** can increase the corporate transparency of our Group to gain recognition from stakeholders. As some of our

competitors have already been publicly **[REDACTED]**, our Directors believe that we will become a more competitive player in the IT solutions market in Macau as well as other regions if we were able to gain a **[REDACTED]** status.

Further, our financial standing is one of the major considerations for our customers in awarding projects to us. To commence a new project, we are generally required to incur upfront costs in the early stage before such costs can be recovered from our customers as works progress. Therefore, our Directors believe that, in order to avoid any consequences of delayed project executions, our customers will generally assess whether we have sufficient financial resources to undertake a project on top of the other projects on hand. Therefore, IT solutions providers with stronger financial standing and cash flow liquidity are able to secure for more and larger scale projects, and large-scale IT solutions projects help IT solutions providers to enhance their job experience and build up their reputation in the industry. Given our stable and long-term business relationship with our major customers, our Directors consider that we will be able to achieve further growth by capturing future opportunities and secure more large-scale IT solutions projects by having a **[REDACTED]** status and with an improvement in cash flow liquidity position.

In addition, given that most of our major suppliers are internationally well-known system vendors which generally placed heavier emphasis on the operational and financial transparency as well as regulatory compliance and corporate governance of their business partners, our Directors believe that a **[REDACTED]** status on the main board of the Stock Exchange will further complement and strengthen our existing strategic and cooperative relationships with these suppliers, and enable our Group to obtain more resources and support from these suppliers for distributing and selling their IT products and services. Our Directors are of the view that our Group may be able to negotiate more favourable terms from our suppliers, such as longer credit terms and higher partnership status, after the **[REDACTED]** due to the enhanced confidence in and transparency on our Group's financial and operational information as a company **[REDACTED]** on the Stock Exchange. Our Directors consider that the improvement in our bargaining power for more favourable terms from our stakeholders would help us maintain a healthier financial position by reducing the gap of liquidity mismatch and releasing our gearing and liquidity pressures.

In the event that financing activities is necessary, our Directors believe that we will benefit from having a **[REDACTED]** status to negotiate for better financing terms, such as, lower interest rate, higher credit limit and less restrict covenants, which would eventually reduce our liquidity pressure. Further, it would generate reassurance amongst our stakeholders including customers and suppliers, particularly those of larger size.

We consider our corporate profile and recognition to be important factors for securing new projects. As such, our Directors consider that a public **[REDACTED]** status will enhance our corporate profile and recognition and assist us in reinforcing our brand awareness and image, which will assist in further strengthening our market position, enhancing our reputation and expanding our market share.

(iii) Enhance our recruitment and retention of talents

We rely on qualified and experienced pre-sales and sale teams and engineering and technical support team in designing, implementing, monitoring, operating and maintaining our customers' IT or system infrastructure, which are integral part of our enterprise IT solutions. We also rely on experienced sales team in sourcing customers and engineering and technical support team in rendering high quality after-sales services. Our Directors believe that being **[REDACTED]** on the

Stock Exchange will facilitate us in attracting talents in the IT solutions industry to join our Group which will improve our service quality and facilitate our recruitment of additional manpower under our expansion plans. The status of being a **[REDACTED]** company will also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a **[REDACTED]** company. With our **[REDACTED]** status, we will be able to offer equity award to our employees, which will enhance their sense of ownership to our Group and help to retain our key employees.

In addition, a **[REDACTED]** status will provide us with the option to launch the incentive scheme to award our experienced management team in the future. Our executive Directors believe that an equity award of shares on a reputable and liquid equity market such as the Stock Exchange will enable the Company to effectively attract and retain talents. This is especially critical when we strengthen our workforce as part of our strategy to broaden our customer base in the Greater Bay Area.

(iv) Enable us to raise funds more easily for future business development and provide liquidity in the [REDACTED] of Shares

Our Directors are of the view that a **[REDACTED]** status can assist us in any future debt financing, if necessary. Despite the fact that our Group was able to expand our business by internally generated funds and bank borrowings during the Track Record Period, our Directors believe that equity or equity-linked financing is a better alternative in the long run due to the following reasons:

(a) debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal guarantee from our Group and/or our Controlling Shareholders. The continuous reliance on our Controlling Shareholders for provision of personal guarantee and other form of financial assistance would be a hindrance to us in achieving financial independence. Moreover, the amount of financial support from our Controlling Shareholder is not unlimited and may eventually hold back our pace of growth.

    Taking into account the upfront capital required at the early stage of our enterprise IT solutions projects and the necessity to achieve an optimal capital structure and maintain a disciplined financial strategy without exposing our Group to excessively high gearing, our Directors consider that the **[REDACTED]** from the **[REDACTED]** are necessary for the successful implementation of our business plans as opposed to pure debt financing. On the contrary, our Directors believe that our **[REDACTED]** and enlarged capital base will put us in a better position to negotiate with banks and financial institutions, which in turn will enable our Group to obtain debt financing on more favourable terms than before; and

(b) heavy reliance on debt financing would subject our Group to the inherent risks of higher interest rate and finance costs and expose ourselves to negative liquidity events. Primary and potential secondary equity fundraising, including hybrid debt-cum-equity fund raising, after the **[REDACTED]** on the Stock Exchange will enable our Group to maintain a lower level of gearing ratio and enhance our capital structure. Our Directors therefore believe that the equity financing would mitigate the risk of high interest rate associated with debt financing, which exposes our Group to increasing financing costs in the future.

FUTURE PLANS AND USE OF [REDACTED]

In addition to the above, the **[REDACTED]** will provide our Company with a broader shareholder base and a market for the **[REDACTED]** of the Shares. The **[REDACTED]** will allow institutional, professional and other **[REDACTED]** in Hong Kong to easily **[REDACTED]** in our Company. Our Directors are of the view that the **[REDACTED]** will enable our Group to conduct secondary fund raising in the Hong Kong stock market, if necessary, for our further expansion in the future.

Taking into account the above considerations, our Directors believe that the **[REDACTED]** is beneficial to our Company and its Shareholders as a whole.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

STRUCTURE OF THE [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-[•], received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of 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.

[Letterhead of PricewaterhouseCoopers]

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF BOARDWARE INTELLIGENCE TECHNOLOGY LIMITED AND CHINA TONGHAI CAPITAL LIMITED

Introduction

We report on the historical financial information of BoardWare Intelligence Technology Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[•] to I-[•], which comprises the consolidated statements of financial position as at 31 December 2019, 2020 and 2021, the Company's statement of financial position as at 31 December 2021, and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2019, 2020 and 2021 (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-[•] to I-[•] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [document date] (the "**Document**") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

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 presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's 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 accountant's 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 accountant considers 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 presentation and preparation set out in Notes 1.4 and 2.1 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, 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 accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and the consolidated financial position of the Group as at 31 December 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.4 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") 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-3 have been made.

Dividends

We refer to Note 29 to the Historical Financial Information which states that no dividends have been paid or declared by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
[Date]

I. 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 accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

		Year ended 31 December		
	Notes	**2019**	**2020**	**2021**
		HK$'000	*HK$'000*	*HK$'000*
Revenue	*5*	502,742	475,308	534,302
Cost of sales	*7*	(417,085)	(381,795)	(422,192)
Gross profit		85,657	93,513	112,110
Selling and distribution expenses	*7*	(15,298)	(16,378)	(18,687)
General and administrative expenses	*7*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other income and other net gains	*6*	191	3,684	1,234
Provision for impairment losses on financial assets and contract assets	*7*	(1,485)	(569)	(1,278)
Operating profit		29,685	35,004	31,728
Finance income	*9*	363	262	765
Finance costs	*9*	(978)	(1,116)	(2,491)
Finance costs — net	*9*	(615)	(854)	(1,726)
Profit before income tax		29,070	34,150	30,002
Income tax expense	*10*	(3,851)	(4,292)	(5,999)
Profit for the year		25,219	29,858	24,003
Earnings per share (expressed in HK$ per share)				
Basic earnings per share	*11*	2,522	2,986	2,344
Diluted earnings per share	*11*	2,522	2,986	2,316

Note: The earnings per share presented above has not taken into account the proposed **[REDACTED]** pursuant to the resolutions of the shareholders passed on [Date] because the proposed **[REDACTED]** has not become effective as at the report date.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Profit for the year	25,219	29,858	24,003
Other comprehensive (loss)/income for the year, net of tax			
Item that may be reclassified subsequently to profit or loss			
Currency translation differences	(33)	258	188
Total comprehensive income for the year	25,186	30,116	24,191

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December		
		2019	2020	2021
		HK$'000	*HK$'000*	*HK$'000*
Assets				
Non-current assets				
Property, plant and equipment	*12*	11,906	12,508	10,858
Right-of-use assets	*13*	8,610	7,707	9,116
Intangible assets	*14*	304	917	2,422
Deferred tax assets	*15*	408	506	839
Finance lease receivables	*25*	534	13,618	12,652
Contract assets	*5*	871	3,625	6,318
Deposits	*20*	5,042	4,390	3,899
Prepayments and contract costs	*20*	12,766	16,072	10,904
Total non-current assets		40,441	59,343	57,008
Current assets				
Inventories	*17*	59,082	39,102	29,994
Deposits and other receivables	*20*	1,251	4,767	6,999
Prepayments and contract costs	*20*	27,889	26,544	42,564
Finance lease receivables	*25*	577	9,100	14,326
Contract assets	*5*	37,636	48,540	78,656
Trade receivables	*19*	100,765	95,225	188,803
Income tax recoverable		—	—	357
Restricted cash	*21*	5,917	5,920	2,925
Cash and cash equivalents	*21*	28,510	29,899	14,485
Total current assets		261,627	259,097	379,109
Total assets		302,068	318,440	436,117
Equity				
Share capital	*22*	—	—	—*
Share premium	*22*	—	—	48,101
Reserves	*23*	109,283	132,989	120,782
Total equity		109,283	132,989	168,883
Liabilities				
Non-current liabilities				
Borrowings	*24*	8,378	7,073	5,933
Lease liabilities	*25*	4,584	3,964	3,983
Financial liability for redeemable rights	*26*	—	—	37,900
Contract liabilities	*5*	4,092	6,600	5,578
Total non-current liabilities		17,054	17,637	53,394
Current liabilities				
Trade and other payables	*27*	112,185	92,735	129,634
Amounts due to shareholders	*28*	17,533	16,722	—
Contract liabilities	*5*	21,232	29,386	45,324
Lease liabilities	*25*	5,209	6,214	6,093
Income tax payable		12,658	14,440	7,267
Borrowings	*24*	6,914	8,317	25,522
Total current liabilities		175,731	167,814	213,840
Total liabilities		192,785	185,451	267,234
Total equity and liabilities		302,068	318,440	436,117

* Less than HK$1,000

STATEMENT OF FINANCIAL POSITION

	Notes	At 31 December 2021
		HK$'000
Assets		
Non-current assets		
Investments in subsidiaries	*16*	483,000
Total non-current assets		483,000
Current assets		
Prepayments	*20(b)*	6,375
Amounts due from a subsidiary	*28*	33,062
Cash and cash equivalents	*21(b)*	99
Total current assets		39,536
Total assets		522,536
Equity		
Share capital	*22*	—*
Share premium	*22*	48,101
Reserves	*23(b)*	427,562
Total equity		475,663
Liabilities		
Non-current liabilities		
Financial liability for redeemable rights	*26*	37,900
Total non-current liabilities		37,900
Current liabilities		
Accruals	*27(b)*	8,973
Total current liabilities		8,973
Total liabilities		46,873
Total equity and liabilities		522,536

* Less than HK$1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Notes	Share capital (Note 22)	Share premium (Note 22)	Reserves (Note 23)	Total equity
		HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2019		—	—	87,014	87,014
Profit for the year		—	—	25,219	25,219
Other comprehensive loss for the year					
— Currency translation differences		—	—	(33)	(33)
Total comprehensive income for the year		—	—	25,186	25,186
Transactions with owners					
Deemed distribution to shareholders	23(a)	—	—	(10)	(10)
Dividends declared	29	—	—	(2,907)	(2,907)
At 31 December 2019		—	—	109,283	109,283
At 1 January 2020		—	—	109,283	109,283
Profit for the year		—	—	29,858	29,858
Other comprehensive income for the year					
— Currency translation differences		—	—	258	258
Total comprehensive income for the year		—	—	30,116	30,116
Transactions with owners					
Deemed distribution to shareholders	23(a)	—	—	(4,410)	(4,410)
Dividends declared	29	—	—	(2,000)	(2,000)
At 31 December 2020		—	—	132,989	132,989
At 1 January 2021		—	—	132,989	132,989
Profit for the year		—	—	24,003	24,003
Other comprehensive income for the year					
— Currency translation differences		—	—	188	188
Total comprehensive income for the year		—	—	24,191	24,191
Transactions with owners					
Contributions from shareholders	22(c)	—*	48,101	—	48,101
Recognition of redemption liability	26	—*	—	(36,398)	(36,398)
At 31 December 2021		—*	48,101	120,782	168,883

* Less than HK$1,000

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2019	2020	2021
		HK$'000	*HK$'000*	*HK$'000*
Cash flows from operating activities				
Cash generated from/(used in) operations	*30(a)*	33,530	22,849	(36,603)
Income tax paid		(463)	(2,742)	(13,863)
Income tax refunded		—	134	—
Interest received		—	—	736
Net cash generated from/(used in) operating activities		33,067	20,241	(49,730)
Cash flows from investing activities				
Purchases of property, plant and equipment		(4,574)	(4,339)	(4,189)
Purchases of intangible assets		(1,313)	(984)	(935)
Proceeds from surrender of investment in an insurance contract		2,608	—	—
Interest received		363	262	29
Net cash used in investing activities		(2,916)	(5,061)	(5,095)
Cash flows from financing activities				
Issuance of ordinary shares	*22(c)*	—	—	48,101
Drawdown of borrowings	*30(c)*	3,000	15,725	24,849
Repayment of borrowings	*30(c)*	(11,987)	(15,708)	(8,865)
Interest paid	*30(c)*	(669)	(462)	(352)
Payment for **[REDACTED]**		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Capital element of lease rentals paid	*30(c)*	(3,863)	(5,079)	(7,642)
Interest element of lease rentals paid	*30(c)*	(292)	(527)	(568)
Advances from shareholders	*30(c)*	2,179	2,672	701
Repayment of amounts due to shareholders	*30(c)*	(7,144)	(10,002)	(17,447)
Increase in restricted cash		(25)	(3)	(2,925)
Release of restricted cash		—	—	5,885
Net cash (used in)/generated from financing activities		**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Net increase/(decrease) in cash and cash equivalents		11,350	1,173	(15,454)
Effect on exchange difference		(6)	216	40
Cash and cash equivalents at beginning of the year		17,166	28,510	29,899
Cash and cash equivalents at end of the year	*21*	28,510	29,899	14,485

Major non-cash transactions:

During the year ended 31 December 2021, the recognition of the financial liability for redeemable rights amounting to HK$36,398,000 was a non-cash transaction and was debited against the equity as other reserves. Please refer to Notes 23 and 26 for more details.

During the years ended 31 December 2019 and 2020, distributions of dividends, amounting to MOP3,000,000 (equivalent to approximately HK$2,907,000) and MOP2,064,000 (equivalent to approximately HK$2,000,000) respectively, have been approved by shareholders in one of the operating entities now comprising the Group. The dividends are non-cash transactions and were credited against amounts due to shareholders. Please refer to Note 29 for more details.

During the years ended 31 December 2019 and 2020, BoardWare Information System Limited ("**BoardWare Macau**") purchased BoardWare Information System (HK) Limited and Zhuhai BoardWare Network Information Limited from Mr. Chao Ka Chon ("**Mr. Chao**" or "**Controlling shareholder**") at considerations of HK$10,000 and RMB3,500,000 (equivalent to approximately HK$4,410,000), respectively. The transactions were credited against amounts due to shareholders. Please refer to Note 23(a) for more details.

II. NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganisation, [REDACTED] and basis of presentation

1.1 General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2021 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in provision of IT integrated solutions services ("**Professional IT services**"), support services from leasing contracts and security monitoring services ("**Managed services**"), IT equipment leasing, IT maintenance and consultancy services, and distribution and resale of packaged hardware and software ("**[REDACTED] Business**") in Macau, Hong Kong and the People's Republic of China (the "**PRC**").

The ultimate holding company of the Company is Tai Wah (BVI) Holdings Limited ("**Tai Wah**"), a company incorporated in the British Virgin Islands (the "**BVI**") and is wholly-owned by Mr. Chao.

These financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

1.2 Reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation (the "**Reorganisation**") as described below, the **[REDACTED]** Business was principally operated by BoardWare Macau and Synergy HK (collectively, the "**Operating Companies**"), which were controlled by the Controlling shareholder throughout the Track Record Period.

In preparation for the **[REDACTED]** and **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**[REDACTED]**"), the Group underwent the Reorganisation. Details of the Reorganisation are set out as below:

1.2.1 Incorporation of the Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February 2021. Upon incorporation, one subscriber ordinary share of a par value of HK$0.01 was issued as fully paid to an initial subscriber which transferred the one subscriber ordinary share to Tai Wah at par.

1.2.2 Incorporation of BoardWare (BVI) Holdings Limited

BoardWare (BVI) Holdings Limited was incorporated in the BVI with limited liability on 19 February 2021.

On its incorporation, one ordinary share in BoardWare (BVI) Holdings Limited was allotted and issued as fully-paid to the Company at par value. Upon completion of such allotment and issuance, BoardWare (BVI) Holdings Limited became a wholly-owned subsidiary of the Company.

1.2.3 Incorporation of BW (BVI) Holdings Limited

BW (BVI) Holdings Limited was incorporated in the BVI with limited liability on 19 February 2021.

On its incorporation, one ordinary share in BW (BVI) Holdings Limited was allotted and issued as fully-paid to the Company at par value. Upon completion of such allotment and issuance, BW (BVI) Holdings Limited became a wholly-owned subsidiary of the Company.

1.2.4 Incorporation of Synergy (BVI) Holdings Limited

Synergy (BVI) Holdings Limited was incorporated in the BVI with limited liability on 19 February 2021.

On its incorporation, one ordinary share in Synergy (BVI) Holdings Limited was allotted and issued as fully-paid to the Company at par value. Upon completion of such allotment and issuance, Synergy (BVI) Holdings Limited became a wholly-owned subsidiary of the Company.

1.2.5 Transfer of BoardWare Macau to BoardWare (BVI) Holdings Limited and BW (BVI) Holdings Limited

On 4 March 2021, Mr. Chao and Ms. Chiu Koon Chi ("**Ms. Chiu**") (on benefit of Mr. Chao through a power of attorney) transferred their respective shareholding in BoardWare Macau, being 20,000 shares and 5,000 shares (held by Ms. Chiu, on behalf of Mr. Chao) respectively, which in aggregate represent the entire issued share capital of BoardWare Macau, to BoardWare (BVI) Holdings Limited in respect of 20,000 shares and to BW (BVI) Holdings Limited in respect of the remaining 5,000 shares, at a total consideration of MOP25,000, being the nominal value of the entire issued share capital of BoardWare Macau.

The consideration for the transfers is agreed to be settled by the Company by allotting and issuing, credited as fully-paid, 8,610 shares to Tai Wah, under the instructions of Mr. Chao. As a result, BoardWare Macau became an indirect wholly-owned subsidiary of the Company.

1.2.6 Transfer of Synergy HK to Synergy (BVI) Holdings Limited

On 4 March 2021, Mr. Chao transferred his entire shareholding in Synergy HK, being 1,000,000 shares, which represent the entire issued share of Synergy HK, to Synergy (BVI) Holdings Limited for the consideration of HK$20,029,000, which is determined based on the unaudited net asset value of Synergy HK as at 31 December 2020.

This is agreed to be settled by the Company allotting and issuing 1,389 shares, credited as fully-paid, to Tai Wah, under the instructions of Mr. Chao. As a result, Synergy HK became an indirect wholly-owned subsidiary of the Company.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Entity name	Place and date of incorporation/establishment and kind of legal entity	Issued and paid up capital	Effective interests held by the Group At 31 December 2019	2020	2021	As at date of the report	Principal activities	Note
Directly held								
BoardWare (BVI) Holdings Limited	BVI, 19 February 2021, limited liability company	US$50,000	N/A	N/A	100%	100%	Investment holding	(a)
BW (BVI) Holdings Limited	BVI, 19 February 2021, limited liability company	US$50,000	N/A	N/A	100%	100%	Investment holding	(a)
Synergy (BVI) Holdings Limited	BVI, 19 February 2021, limited liability company	US$50,000	N/A	N/A	100%	100%	Investment holding	(a)
Indirectly held								
BoardWare Information System Limited (博維資訊系統有限公司)	Macau, 21 April 2003, limited liability company	MOP25,000	100%	100%	100%	100%	Provision of Professional IT services, Managed services, IT equipment leasing, IT maintenance and consultancy services, and resale of packaged hardware and software	(b)
Synergy Computers & Communications Limited (智揚科技有限公司)	Hong Kong, 30 October 1990, limited liability company	HK$1,000,000	100%	100%	100%	100%	Provision of IT maintenance and consultancy services, and distribution of packaged hardware and software	(b)
BoardWare Information System (HK) Limited (博維資訊系統(香港)有限公司)	Hong Kong, 30 March 2017, limited liability company	HK$10,000	100%	100%	100%	100%	Provision of IT maintenance and consultancy services, and resale of packaged hardware and software	(c)
Zhuhai BoardWare Network Information Limited (珠海博維網路信息有限公司)	The PRC, 20 November 2014, limited liability company	RMB13,000,000	100%	100%	100%	100%	Provision of Professional IT services, IT maintenance and consultancy services, and resale of packaged hardware and software	(d)
Guangzhou BoardWare Network Information Limited (廣州博維網絡信息有限公司)	The PRC, 8 January 2021, limited liability company	RMB2,000,000	N/A	N/A	100%	100%	Provision of Professional IT services, IT maintenance and consultancy services	(e)

(a) No statutory audited financial statements were issued for these companies as there are no statutory requirements in their respective places of incorporation.

(b) The statutory financial statements of these companies for the years ended 31 December 2019 and 2020 were audited by PricewaterhouseCoopers. The statutory financial statements for the year ended 31 December 2021 have not been issued.

(c) The statutory financial statements of this company for the years ended 31 December 2019 and 2020 were audited by Law Yin Ling Certified Public Accountant (Practising). The statutory financial statements for the year ended 31 December 2021 have not been issued.

(d) The statutory financial statements of this company for the years ended 31 December 2019, 2020 and 2021 were audited by Zhuhai Huatian Certified Public Accountants (珠海華天會計師事務所).

(e) The statutory financial statements of this company for the year ended 31 December 2021 were audited by Zhuhai Huatian Certified Public Accountants (珠海華天會計師事務所).

The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

1.3 [REDACTED] — *transfer and issuance of shares*

*(a) Da Heng Qin (Macau) Limitada (formerly known as Da Heng Qin (Macao) Development Corporation Limited) ("**DHQ**")*

On 23 March 2021, Tai Wah transferred 499 shares and the Company issued 834 shares with redeemable rights (Note 26), all fully-paid, to DHQ for consideration of HK$21,018,000 and HK$35,128,000 respectively, which are determined with reference to the valuation of the Company as at 31 December 2020, pursuant to a subscription and purchase agreement dated 23 March 2021 entered into between (i) DHQ; (ii) Tai Wah; and (iii) the Company.

*(b) Kallo Holdings Limited ("**Kallo**")*

On 23 March 2021, Tai Wah transferred 249 shares and the Company issued 308 shares, all fully-paid, to Kallo for consideration of HK$10,488,000 and HK$12,973,000 respectively, which are determined with reference to the valuation of the Company as at 31 December 2020, pursuant to a subscription and purchase agreement dated 23 March 2021 entered into between (i) Kallo; (ii) Tai Wah; and (iii) the Company.

1.4 Basis of presentation

Immediately prior to and after the Reorganisation, the **[REDACTED]** Business is held by Mr. Chao. The **[REDACTED]** Business is mainly conducted through the Operating Companies. Pursuant to the Reorganisation, the Operating Companies are transferred to and held by the Company. The Company and those companies newly incorporated during the Reorganisation have not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a recapitalisation of the **[REDACTED]** Business with no change in management of such business and the ultimate owner of the **[REDACTED]** Business remains the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the **[REDACTED]** Business under Mr. Chao and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the **[REDACTED]** Business conducted through the Operating Companies, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the **[REDACTED]** Business for all years presented.

The Historical Financial Information represents the consolidated results and financial position of the Group as if the current group structure had been in existence throughout the Track Record Period and as if the **[REDACTED]** Business was transferred to the Group at the beginning of the earliest period presented or when such businesses were established, whichever is the shorter period.

Inter-company transactions, balances and unrealised gains/losses on transactions between Group companies are eliminated on consolidation.

2 Summary of significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted and applied by the Group consistently throughout the Track Record Period. In regard to the application of Amendments to IFRS 16 "COVID-19 Related Rent Concession," the Group has utilised the practical expedient on rent concession related to COVID-19 and the relevant impact is disclosed in Note 25.

2.1.1 New standard and amendments to standards not yet been adopted

The following new standard and amendments to existing standards that have been issued but not yet effective for the Track Record Period and have not been early adopted by the Group:

Standards affected	New standard and amendments relate to	Effective for reporting periods beginning on or after
Annual Improvements Project	Annual Improvements to IFRSs 2018 — 2020 (amendments)	1 January 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Proceeds before intended use	1 January 2022
Amendments to IAS 37	Cost of fulfilling a contract	1 January 2022
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1	Disclosure of accounting policies	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17	Insurance contracts (new standard)	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group will adopt the above new standard and amendments to standards when they become effective. The Group has commenced an assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these new standard and amendments to standards.

2.2 Business combination

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of financial position respectively.

The Group applies the acquisition method to account for business combinations, regardless of whether equity instruments or other assets are acquired, except for business combination under common control. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and

- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of consideration is deferred, the amounts payable in the future are discounted to their present values as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the directors of the Group who make strategic decisions.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The Historical Information is presented in Hong Kong dollar ("**HK$**"), which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position,

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Group are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the Track Record Period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to residual values, over their estimated useful lives as follows:

Leasehold improvement	2-3 years or the remaining period of the lease, whichever is shorter
Computer equipment	4-5 years
Furniture and fixture	4-5 years
Motor vehicles	5 years
Office equipment	5 years
Buildings	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8). Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts of the relevant assets and are included within "other income and other net gains" in consolidated statements of profit or loss.

2.7 Intangible assets

(i) Computer Software

Computer software is stated at cost less accumulated amortisation and impairment. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software and are amortised over their estimated lives of one to four years using straight-line method.

(ii) Research and development expenditures

Costs associated with research and development are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. There were no development costs meeting these criteria and capitalised as intangible assets during the Track Record Period.

Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their useful lives.

2.8 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("**cash-generating units**"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.9 Financial assets

(i) Classification

The Group classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The Group currently only has financial assets being measured at amortised cost.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. Currently, the Group classifies all of its debt instruments as debt instrument held at amortised cost.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss presented in other income and other net gains/losses together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statements of profit or loss.

Impairment of financial assets and contract assets

The Group has the following types of assets subject to the expected credit loss model:

- Trade receivables,
- Other receivables,
- Finance lease receivables,
- Contract assets,
- Restricted cash, and
- Cash and cash equivalents.

For trade receivables, contract assets and finance lease receivables, the Group applies the simplified approach where loss allowances are measured at an amount equal to lifetime expected credit losses, adjusted for forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. While restricted cash and cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

For other receivables, the expected credit loss is determined using the general approach where 12-month expected credit losses will be recognised unless there is a significant increase in credit risk, which requires the lifetime expected credit losses to be recognised, followed by forward looking adjustments. Impairment losses are presented as impairment losses on financial assets and contract assets within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. See Note 3.1(b) for a detailed description of the Group's accounting policies on impairment of financial assets and contract assets.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

2.12 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 3.1(b) for a detailed description of the Group's accounting policies on impairment of trade receivables.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statements of financial position.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Financial liability for redeemable rights

Redeemable rights issued by the Company to an **[REDACTED]** contain an obligation to purchase its own shares upon occurrence of certain future events, such redeemable rights will be automatically cancelled when the closing of qualified **[REDACTED]**.

The potential cash payments related to the redeemable right are accounted for as financial liabilities. The liabilities are initially recognised at the present value of the redemption amount and are reclassified from equity. The financial liabilities are subsequently measured at amortised cost.

If the redeemable rights expire without delivery, the carrying amount of the financial liability is reclassified to equity. The financial liabilities are classified as non-current liabilities if the Company does not need to redeem for at least 12 months after the end of the reporting period.

2.17 Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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. Other borrowing costs are expensed in the period in which they are incurred.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

(i) Social security fund

In accordance with the rules and regulations in Macau, the employees of a subsidiary of the Group are required to participate in a central social security scheme operated by the Macau Special Administrative Region Government.

The Group is required to contribute a fixed amount of its payroll costs to the central social security scheme and the contributions are charged to profit or loss as they become payable in accordance with the rules of the scheme, the Group's obligations are limited to the contributions payable.

(ii) Pension obligations

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance and not previously covered by the defined benefit retirement plan. The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligations for the payments of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. The Group's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

(iii) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liabilities are presented within other payables in the consolidated statements of financial position.

(iv) Bonus plan and commission scheme

The Group recognises a liability and an expense for bonuses and commissions based on the best estimation of the management. The Group recognises a provision where contractually obliged or where a constructive obligation has been created that could be measured reliably.

(v) Employee leave entitlement

Employee entitlement to annual leave is recognised when they have accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of each reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(vi) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2.20 Contract costs

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract costs, if the Group expects to recover those costs. The costs incurred to fulfil a contract are also recognised as contract costs only if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (for example, costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved),

- the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and

- the costs are expected to be recovered.

Contract costs are subsequently amortised on a systematic basis or when the transfer of the control of goods and services to the customers happens, consistent with the pattern of the associated revenue recognition to which the assets relate.

The Group recognises an impairment loss in profit or loss to the extent that the carrying amount of the contract costs recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that directly relate to those goods or services and have not been recognised as expenses.

2.21 Contract assets and liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as a contract asset if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as a contract liability if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.22 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.23 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of rebates, returns and discounts and after eliminating sales within the Group. The Group recognises revenue when it transfers control of the goods or services to a customer.

Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may transfer over time or at point in time. Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer,

- creates and enhances an asset that the customer controls as the Group performs, or
- 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.

If service transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains the service. The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer, or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

In determining whether revenue of the Group should be reported as gross or net, the Group regularly performs an assessment on various factors, including whether the Group is acting as the principal or agent in offering goods or services to the customer. In such case, the Group first identifies who controls the specified goods or services before they are transferred to customer.

When another party is involved in providing goods or services to a customers, the Group is a principal who obtains control of any one of the following: (i) a good or another asset from the other party that the Group transfers to the customer; (ii) a right to a service to be performed by other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; or (iii) a good or service from the other party that the Group then consolidates with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commission from goods sold or services provided.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange of transferring the promised goods or services to the customer.

If the consideration promised in a contract includes a variable amount, the Group shall estimate the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer using either the expected value method or the most likely amount method, depending on which method the Group expects to better predict the amount of consideration to which it will be entitled.

Where the contract contains a financing component which provides significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and the interest income is accrued separately under the

effective interest method. The Group take advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Contract modifications are recognised when they are approved by customer. Contract modification is accounted for as if it were part of the existing contract if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied at the date of the contract modification. The effect that the contract modification has on the transaction price, and on measuring of progress towards complete satisfaction of the performance obligation, is recognised as an adjustment to revenue (either as an increase in or a reduction of revenue) at the date of the contract modification (i.e. adjustment to revenue is made on a cumulative catch-up basis).

The following is a description of the accounting policy for the principal revenue streams of the Group.

(i) Revenue from provision of Professional IT services

The Group provides multiple deliverables to customers, including network configuration, assessment of system specifications and requirements, sales of packaged hardware and software, installation of equipment and software, and technical support services under fixed price contracts. It is accounted for as a single performance obligation when the Group provides an integrated service.

The Group recognises revenue over time as its customers control the asset being created or enhanced arising from the Group's performance. Revenue is recognised over time under input method, which is measured by reference to the costs incurred to date as proportion to total estimated costs relating to the contract.

The Group also provides its customers with software development services where the Group will customise the software based on the user requirements of the customers. Revenue is recognised over time under aforementioned input method as the Group's customers control the asset being created or enhanced arising from the Group's performance, unless the control is transferred only after delivery to the customers where the revenue shall be recognised as point in time.

Where the contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus a margin approach.

Estimates of costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated costs and related revenue are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceed the payment, a contract asset is recognised. If the payments exceed the services rendered, a contract liability is recognised.

(ii) Revenue from provision of Managed services

The Group leases certain IT equipment to its customers under finance lease arrangements and renders related technical support services under fixed price contracts. Where the contracts include multiple obligations, the Group as a lessor will separate the components of a contract and transaction price will be allocated to each component based on the stand-alone selling prices.

Where these are not directly observable, they are estimated based on the expected cost plus a margin approach. Revenue from related support services is recognised in the accounting period when the Group provides the service and all of the benefits received and consumed simultaneously by the customer throughout the contract period. Therefore, the Group satisfies a performance obligation and recognises revenue over time. See Note 2.26 for a description of the Group's accounting policies as lessor.

The Group also provides its customers with security monitoring services to protect customers' information and data security as well as network operating environment. The Group applies time-based method to measure the progress towards complete satisfaction of the performance obligation when the Group has a stand-ready obligation to perform that over a period of time.

(iii) Revenue from provision of IT maintenance and consultancy services

The provision of IT maintenance and consultancy services mainly includes on-site support and technical support services provided to the customers and post-sales maintenance and support services that provided by system vendors under extended warranties. Revenue from IT maintenance and consultancy services is recognised 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 except for extended warranties. The Group applies time-based method to measure the progress towards complete satisfaction of the performance obligation when the Group has a stand-ready obligation to perform that over a period of time.

While for extended warranties, the Group acts as the agent as the Group is not the primary obligor in fulfilling such additional promises and the corresponding revenue is recognised on a net basis.

(iv) Revenue from distribution and resale of packaged hardware and software as separate performance obligation

The Group sells a range of packaged IT hardware and software. Revenue from distribution or resale of packaged hardware and software is recognised at a point in time when sales are completed and control is transferred, being at the point of time the products delivered to the customer's specific location and no unfulfilled obligation could affect the customer's acceptance of the products. Transportation and other related activities that occur before customers obtaining 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.

Among the above principal revenue streams of the Group, the Group acts as the principal except for extended warranty sales where the Group acts as the agent as disclosed in Note 2.23 (iii).

2.24 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as finance income.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.26 Leases

Group as a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- 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 that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or finance lease. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Operating lease income is recognised on a time proportion basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as operating lease income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying assets to the lessee are accounted for as finance leases. At the commencement date, an amount representing the lease payment receivables and initial direct costs is included in the consolidated statements of financial position as finance lease receivables. Any unguaranteed residual value is also recognised at the inception of the lease. Finance lease receivables are subsequently measured at amortised cost using the effective interest method over the period of the lease.

When the Group is a dealer lessor that enters into a finance lease with a customer, it shall recognise the following for each of its finance leases at the commencement date of the lease:

- revenue being the fair value of the underlying asset or, if lower, the present value of the lease payments accruing to the lessor, discounted using a market rate of interest,

- cost of sale being the cost, or carrying amount if different, of the underlying asset less the present value of the unguaranteed residual value, and

- selling profit or loss (being the difference between revenue and cost of sale), recognised in accordance with an its policy for outright sales to which IFRS 15 applies.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Finance lease income is recognised on an accrual basis using the effective interest rate method reflecting a constant periodic rate of return on the lessor's net investment in the lease, i.e. the rate that exactly discounts the estimated future cash receipts to the net carrying amount of the finance lease receivables through the life of the investment.

2.27 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

— the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

— by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

— the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

— the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.28 Dividend

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Group entities' functional currency.

For commercial transactions, the exposure to foreign exchange risk is minimal as a majority of subsidiaries of the Group operates in Macau and Hong Kong with most of the transactions denominated and settled in Hong Kong dollars. For assets and liabilities, a majority of the monetary assets and liabilities are denominated in HK$, Macau Patacas ("**MOP**") and United States dollar ("**US$**"), and the foreign exchange risk is considered minimal as these currencies are pegged. The Group's Macau and Hong Kong subsidiaries are exposed to foreign exchange risk from recognised assets and liabilities denominated in Renminbi ("**RMB**"). For the years ended 31 December 2019, 2020 and 2021, if HK$ had strengthened/weakened by 5% against RMB with all other variables held constant, post-tax profits for the year would have been HK$27,000 higher/lower, HK$37,000 lower/higher and HK$36,000 higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of RMB denominated cash and cash equivalents and amounts due to shareholders.

Currently, the Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimise these exposures through closely monitoring. The Group does not carry out hedging activities against its foreign currencies' exposures during the Track Record Period.

(ii) Cash flow interest rate risk

The Group's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

Currently, the Group has not used any derivative contracts to hedge its exposure to interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Other than short-term deposits, the interest-bearing assets and liabilities of the Group, including finance lease receivables, contract assets with significant financing components, lease liabilities and financial liability for redeemable rights, are at fixed rate upon recognition, which are not subject to the impact of changes in the interest rates. Management does not anticipate there is any significant impact to the interest-bearing assets or liabilities resulted from the changes in interest rates, because the floating interest rate assets, i.e. short-term deposits, are not expected to change significantly.

For the years ended 31 December 2019, 2020 and 2021, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed as follows:

	Post-tax profit (decreases)/increases		
	Year end 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Interest rate			
— 0.5% higher	(45)	(60)	(51)
— 0.5% lower	45	60	51

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 24.

(b) Credit risk

Credit risk arises from trade receivables, contract assets, other receivables, finance lease receivables, restricted cash and cash and cash equivalents including deposits with banks and financial institutions.

(i) Risk management

The Group's exposure to credit risk arising from cash and cash equivalents is limited because the Group mainly deals with financial institutions which have good credit ratings.

For trade receivables, contract assets and finance lease receivables, credit evaluations are performed on all customers grouped based on shared credit risk characteristics and the days past due. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account forward-looking information specific to the customer as well as pertaining to the economic environment in which the customer operates.

For the remaining financial assets, the Group has policies and guidelines in place to assess the credit worthiness of counterparties to ensure that credits are made to parties with an appropriate credit history and a good history of performance records.

The Group monitors the issuance of credit on an ongoing basis to minimise the exposure to credit risk. The activities of individual credit account are monitored regularly for management to decide if the credit facility should be continued, changed or cancelled.

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 are a reasonable approximation of the loss rates for the contract assets.

(ii) Impairment of financial assets and contract assets

The Group has following types of financial assets and contract assets that are subject to the expected credit loss model:

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. 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 are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced. Given the lack of sufficient internal default experience of the Group, the Group has further incorporated proxies from external corporate credit data (such as default experience) from credit rating agencies on top of the internal data such as payment profiles of the customers of the Group. The expected credit losses have been estimated by further incorporating forward-looking macroeconomic factors such as GDP and inflationary rates.

For the year ended 31 December 2021, the Group has revisited its regression model in determination of forward-looking adjustment factors and enhanced the dependent variable selection as a result of the ongoing impact of the coronavirus pandemic in Macao and the change of prospective market expectations.

For the change in accounting estimate, the net effect of the change had increased the provision of impairment losses of the trade receivables and contract assets by HK$622,000 as at 31 December 2021.

The carrying amount of trade receivables and contract assets is reduced through the use of an allowance account and the amount of the loss allowance is recognised in the consolidated statements of profit or loss within provision for or reversal of impairment losses of financial assets and contract assets. When a trade receivable or contract asset is uncollectible, it is written off against the allowance account for trade receivables and contract assets. Subsequent recoveries of amounts previously written off are credited to profit or loss against the same line item. The Group's concentration of credit risks on trade receivables and contract assets as at 31 December 2019, 2020 and 2021 of the top five customers accounted for approximately 48.47%, 45.80% and 64.48%, respectively.

On that basis, the loss allowance as at 31 December 2019, 2020 and 2021 was determined as follows for both trade receivables and contract assets:

	Current	Within 30 days	Over 30 days and within 60 days	Over 60 days and within 180 days	Over 180 days and within 365 days	Over 365 days	Total
At 31 December 2019							
Expected loss rate	0.27%	0.51%	1.76%	1.67%	2.55%	37.99%	1.69%
Gross carrying amount trade receivables *(HK$'000)*	47,087	13,771	16,971	17,460	4,034	3,698	103,021
Gross carrying amount contract assets *(HK$'000)*	38,649	—	—	—	—	—	38,649
Loss allowance *(HK$'000)*	231	70	298	291	103	1,405	2,398
At 31 December 2020							
Expected loss rate	0.66%	0.35%	2.12%	2.32%	6.74%	49.87%	1.90%
Gross carrying amount trade receivables *(HK$'000)*	50,251	17,163	4,101	19,821	3,459	2,681	97,476
Gross carrying amount contract assets *(HK$'000)*	52,771	—	—	—	—	—	52,771
Loss allowance *(HK$'000)*	681	60	87	459	233	1,337	2,857
At 31 December 2021							
Expected loss rate	0.56%	1.12%	1.60%	1.55%	5.12%	60.62%	1.46%
Gross carrying amount trade receivables *(HK$'000)*	90,706	69,270	3,622	13,522	12,898	2,255	192,273
Gross carrying amount contract assets *(HK$'000)*	85,553	—	—	—	—	—	85,553
Loss allowance *(HK$'000)*	979	775	58	210	660	1,367	4,049

The loss allowances for trade receivables and contract assets as at 31 December 2019, 2020 and 2021 reconcile to the opening loss allowances as follows:

	Trade receivables			Contract assets		
	At 31 December			At 31 December		
	2019	2020	2021	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of the year	771	2,256	2,251	142	142	606
Provision for impairment loss recognised in profit or loss	1,485	192	1,306	—	464	—
Unused amount reversed	—	(197)	—	—	—	(27)
Receivables written off as uncollectible	—	—	(87)	—	—	—
At end of the year	2,256	2,251	3,470	142	606	579

Finance lease receivables

Finance lease receivables represent the right to receive lease payments. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all finance lease receivables.

Similar to trade receivables and contract assets, the expected loss rates for finance lease receivables are based on the payment profiles and the corresponding historical credit losses experienced. The Group has further incorporated proxies from external corporate credit data (such as default experience) from credit rating agencies on top of the internal data such as payment profiles of the customers of the Group and has estimated the expected credit losses by incorporating forward-looking macroeconomic factors such as GDP and consumer price index.

The change in accounting estimate described in the previous section also applies to the finance lease receivables, and the net effect of the change had increased the provision for impairment losses of the finance lease receivables by HK$13,000 as at 31 December 2021.

The carrying amount of finance lease receivables is reduced through the use of an allowance account and the amount of the loss allowance is recognised in the consolidated statements of profit or loss within provision for or reversal of impairment losses of financial assets and contract assets. When a finance lease receivable is uncollectible, it is written off against the allowance account for finance lease receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss against the same line item.

For the years ended 31 December 2020 and 2021, allowances for expected credit loss of finance lease receivables amounted HK$110,000 and HK$1,000 have been provided and reversed respectively. No allowances for expected credit loss have been provided for finance lease receivables for the year ended 31 December 2019.

In order to minimise the credit risk in relation to trade receivables, contract assets and finance lease receivables, credit limits and credit terms granted to customers are approved by delegated officers only after thorough background checks and interviews were conducted. Furthermore, follow-up actions will be actively taken in order to closely monitor the overdue amounts.

Deposits and other receivables

Deposits and other receivables at the end of each reporting period were mainly deposits placed for government projects which are refundable upon project completion and rental deposits. The directors of the Group consider the probability of default upon initial recognition of assets and whether there has been significant increase in credit risk on an ongoing basis during the year. The directors of the Group also make periodic collective assessments as well as individual assessments on the recoverability of the deposits and other receivables based on historical settlement records and past experience. The directors regard the credit risk of the deposits and other receivables are low and the impairment provision of the deposits and other receivables is insignificant because the counterparties have strong capacity to meet their contractual cash flow obligations in the near term with no recent history of default.

Restricted cash and cash and cash equivalents

To manage this risk arising from restricted cash and cash and cash equivalents, they are mainly placed with banks with high credit rating. There has been no recent history of default in relation to these financial institutions. The expected credit loss is assessed to be minimal.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining conservative level of liquid assets to ensure the availability of sufficient cash flows to meet any unexpected and material cash requirements in the ordinary course of business.

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and meet its short-term and long-term funding requirements. The Group relies on internally generated funding and borrowings as significant sources of liquidity. The maturity profile of the Group's financial liabilities as at the reporting dates, based on the contracted undiscounted payments, was as follows:

	Less than 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2019					
Trade and other payables* . .	101,080	—	—	—	101,080
Amounts due to shareholders.	17,533	—	—	—	17,533
Borrowings**	7,133	1,667	3,910	3,692	16,402
Lease liabilities**	5,325	3,414	1,583	—	10,322
At 31 December 2020					
Trade and other payables* . .	87,776	—	—	—	87,776
Amounts due to shareholders.	16,722	—	—	—	16,722
Borrowings**	8,508	1,303	3,910	2,389	16,110
Lease liabilities**	6,424	3,441	735	—	10,600
At 31 December 2021					
Trade and other payables* . .	120,135	—	—	—	120,135
Borrowings**	25,686	1,303	3,910	1,086	31,985
Lease liabilities**	6,233	3,118	1,167	—	10,518
Financial liability for redeemable rights	—	—	41,944	—	41,944

* Excluding non-financial liabilities, such as other taxes payable, employee benefit payables and reinstatement cost provision

** Including interest payable

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt. The Group monitors capital on basis of debt-to-equity ratio, which is calculated as net debt divided by total capital. Net debt is calculated as borrowings, lease liabilities, amounts due to shareholders and financial liability for redeemable rights less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated statements of financial position.

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Net debt *(Note 30(b))*	14,108	12,391	64,946
Total equity	109,283	132,989	168,883
Debt-to-equity ratio	12.91%	9.32%	38.46%

For the year ended 31 December 2020, the decrease in debt-to-equity ratios was primarily due to repayments of borrowings made during the year; while for the year ended 31 December 2021, the increase in the ratio was mainly due to the recognition of financial liability for redeemable shares in relation to **[REDACTED]** and drawdowns of revolving loans.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and financial liabilities are measured at amortised cost. The directors of the Group consider that the carrying amounts approximate their fair values as at 31 December 2019, 2020 and 2021 due to their short maturities.

The fair values of other long-term financial assets and liabilities, if any, are estimated using the expected future payments discounted at the market interest rates and approximate their carrying amounts.

4 Critical estimates and judgements

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Depreciation of property, plant and equipment and right-of-use assets, and amortisation of intangible assets

The Group's management determines the estimated useful lives, residual values and related depreciation and amortisation charges for its property, plant and equipment, right-of-use assets and intangible assets respectively. This estimate is based on the historical experience of the actual useful lives and residual values of aforementioned assets of similar nature and functions. Management will increase the depreciation and amortisation charge where useful lives are less than

previously estimated lives and it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in useful lives and residual values and therefore depreciation and amortisation charge in future periods.

(b) Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognition of deferred tax assets, which principally relates to inventory impairment provision, trade receivables impairment provision and tax losses, depends on management's expectation of future taxable profit that will be available against which the tax losses and temporary differences can be utilised. The outcome of their actual utilisation may be different.

(c) Impairment of trade receivables, contract assets and lease receivables

The loss allowances for trade receivables, contract assets and lease receivables are based on assumptions about risk of default and expected loss rates. The directors of the Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the previous credit history, ageing analysis, probability of default and current market condition. In assessing the recoverability of receivables, it requires the use of judgements and estimates based on past history, existing market conditions as well as forward looking factors.

(d) Net realisable value of inventories

Management reviews the ageing analysis at each reporting date and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production or sale. Management estimates the net realisable value for these inventories based primarily on the latest invoice prices, current market conditions and historical experience of using in production and sales. Management carries out an inventory review on a product-by-product basis at each reporting date and makes allowance for obsolete items.

(e) Revenue recognition from Professional IT services

Revenue from Professional IT services is recognised according to the progress towards completion of individual contract, which is measured by reference to the contract costs incurred to date as a proportion to total estimated contract costs. The recognition of contract revenue requires significant management judgement and involves estimation uncertainty. Estimated contract costs mainly comprise material costs, subcontracting charges and project staff costs. In order to ensure the total estimated costs are accurate and up to date such that contract revenue can be measured reliably, management reviews the contract budgets, costs incurred to date and costs to completion regularly, and revises the estimated contract costs where necessary. Notwithstanding that the management regularly reviews and revises contract budgets, the actual contract costs and gross profit margin achieved may be higher or lower than the estimates and that will affect the revenue and gross profit recognised in the financial statements.

(f) Financial liability for redeemable rights

As mentioned in Note 26, the Company has issued ordinary shares with redeemable rights to DHQ during **[REDACTED]**, the potential cash payments related to the redeemable rights are accounted for as financial liabilities. The liabilities are initially recognised at present value of the redemption amount, which is determined by the management in accordance with the terms under the investment agreement, and such recognition involved the use of significant accounting estimates and judgments.

5 Segment information

The Group is principally engaged in the provision of Professional IT services, Managed services, IT equipment leasing, IT maintenance and consultancy services, as well as distribution and resale of packaged hardware and software. The performance of the Group is subject to seasonal fluctuations. The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by the chief operating decision-makers ("**CODMs**"). The CODMs have been identified as the directors of the Company. The directors of the Group regard the Group's business as a single operating segment and review the consolidated financial statements accordingly. As the Group has only one operating segment qualified as reporting segment under IFRS 8 and the information that regularly reviewed by the directors of the Group for the purposes of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented in the Historical Financial Information. The directors assess the performance based on profit before taxes. The amounts provided to the directors of the Group with respect to total assets and total liabilities are measured in a manner consistent with that in the consolidated statements of financial position.

(a) Revenue by business line and nature

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Enterprise IT solutions			
Professional IT services	294,068	248,932	289,223
Managed services	1,109	8,469	18,656
Lease income from IT equipment *(Note i)*	717	21,099	16,697
IT maintenance and consultancy services	33,734	50,113	70,388
	329,628	328,613	394,964
Distribution and resale			
Distribution	113,351	108,800	99,860
Resale	59,763	37,895	39,478
	173,114	146,695	139,338
Total Revenue	502,742	475,308	534,302

(i) Lease income from IT equipment

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Dealer lessor arrangement *(Note)*	700	20,961	16,697
Lease income from sublease arrangement	17	138	—
Lease income from IT equipment	717	21,099	16,697

Note: For the years ended 31 December 2019, 2020 and 2021, the costs associated with dealer lessor arrangements were HK$588,000, HK$16,844,000 and HK$14,357,000, while selling profits from such arrangements, where they are finance lease, were HK$112,000, HK$4,117,000 and HK$2,340,000 respectively.

For finance income on the finance lease receivables recognised during the Track Record Period, please refer to Note 9 for details. There was no income relating to variable lease payments not included in the measurement of the finance lease receivables.

(b) Timing of revenue recognition

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Recognised at a point in time	176,729	153,723	148,308
Recognised over time	325,296	300,486	369,297
Revenue from contracts with customers	502,025	454,209	517,605
Lease income from IT equipment	717	21,099	16,697
Total revenue	502,742	475,308	534,302

(c) Revenue recognition method

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Recognised on a gross basis	498,410	447,181	509,489
Recognised on a net basis	3,615	7,028	8,116
Revenue from contracts with customers	502,025	454,209	517,605
Lease income from IT equipment	717	21,099	16,697
Total revenue	502,742	475,308	534,302

(d) Revenue from top customers

Revenue from external parties contributing 10% or more of the total revenue of the Group is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Customer D	*	61,758	118,127
Customer C	74,413	*	*
Customer F	62,063	*	*
Customer A	52,542	*	*
Customer G	52,375	*	*
Customer E	*	*	61,783
Total	241,393	61,758	179,910

* represents the amount of revenue from such customer which is less than 10% of the total revenue of that year.

(e) Revenue by geographical locations (as determined by the country/region of domicile which the Group operates)

	Year ended 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Macau	396,021	349,856	405,459
Hong Kong	106,721	125,401	128,602
The PRC	—	51	241
	502,742	475,308	534,302

(f) The total of non-current assets other than financial instruments and deferred tax assets, broken down by location of the assets, is shown in the following:

	At 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Macau	21,447	22,587	18,308
Hong Kong	7,689	12,482	8,245
The PRC	5,321	5,760	13,065
	34,457	40,829	39,618

(g) Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Contract assets			
Non-current			
Professional IT services	877	2,352	6,367
IT maintenance and consultancy services	—	1,288	8
Current			
Professional IT services	33,836	43,904	75,463
IT maintenance and consultancy services	3,627	2,954	3,241
Managed services	309	2,273	474
Total contract assets	38,649	52,771	85,553
Less: Loss allowance *(Note 3.1(b))*	(142)	(606)	(579)
Total contract assets, net of loss allowance	38,507	52,165	84,974
Assets recognised for costs incurred during the year			
— to obtain a contract	3,634	4,991	6,032
— to fulfil a contract	—	—	1,349
Contract liabilities			
Non-current			
IT maintenance and consultancy services	4,092	6,600	5,578
Current			
Professional IT services	6,220	14,525	17,723
IT maintenance and consultancy services	13,705	11,785	20,450
Managed services	—	630	3,611
Distribution	943	780	2,850
Resale	364	1,666	690
Total contract liabilities	25,324	35,986	50,902

(i) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for some fixed-price contracts. Whilst in some other cases the Group was able to negotiate for larger prepayments ahead of rendering of services, it also results in an increase in contract liabilities. The increasing trend for contract assets and contract liabilities during the Track Record Period was primarily due to an increase in overall contract activities.

The Group also recognised a loss allowance for contract assets in accordance with IFRS 9, see Note 3.1(b) for further information.

(ii) Contract costs

The costs incurred to obtain or fulfil a contract are to be recognised as contract costs. The Group incurred costs to obtain a contract in respect of sales commission paid to the marketing personnel upon successful negotiation of long-term contracts. The costs are directly related to the contract and are expected to be recovered. They are therefore recognised as an asset from costs to obtain a contract.

The Group has also incurred direct labour costs from the engineers for fulfilling the obligations in relation to the software development contracts. The labour costs are directly related to the software development contracts, used to fulfil performance obligations of the contracts and are expected to be recovered. Hence, they are also recognised as an asset from costs to fulfil a contract.

The assets are amortised on a systematic basis over the term of the specific contract they relate to or when the transfer of the control to the customer happens, consistent with the pattern of the associated revenue recognition. Regarding to the amortisation in relation to costs to obtain a contract, HK$3,203,000, HK$5,336,000 and HK$6,289,000 were recognised as cost of providing services for the years ended 31 December 2019, 2020 and 2021 respectively, while amortisation of HK$1,116,000 was recognised as cost of providing services in relation to costs to fulfil a contract for the year ended 31 December 2021.

For the contract costs as at 31 December 2019, 2020 and 2021, please refer to Note 20 for details.

(iii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in a prior year:

	Year ended 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Revenue recognised that was included in the balance at beginning of the year			
Professional IT services.	1,191	4,153	10,425
IT maintenance and consultancy services.	10,088	13,705	11,785
Distribution	5,649	382	544
Resale	256	118	1,652
Managed services.	—	—	491

(iv) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term service contracts:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Aggregate amount of the transaction price allocated to long-term service contracts that are partially or fully unsatisfied at end of the year			
Professional IT services	48,408	22,700	90,578
IT maintenance and consultancy services	36,493	39,920	13,145
Managed services	1,180	28,009	27,595
	86,081	90,629	131,318

For the Group's provision of services mentioned in the above where its contract period is more than one year, management expects that 76.18% of the transaction price allocated to the unsatisfied performance obligations as at 31 December 2021 will be recognised as revenue during the upcoming 12-month period (HK$100,038,000). The remaining 23.82% (HK$31,280,000) will be subsequently recognised. The amount disclosed above does not include variable consideration which is constrained.

For all other contracts with customers with period of one year or less or if the Group has a right to consideration from a customer in an amount that corresponds directly with the value of the Group's performance completed to date, as permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6 Other income and other net gains

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Government grants *(Note i)*	—	2,138	141
Incentives from vendors for marketing events *(Note ii)*	634	900	898
Loss on disposal of property, plant and equipment	—	(113)	—
Net foreign exchange (losses)/gains	(556)	539	26
Others	113	220	169
	191	3,684	1,234

Note (i) During the year ended 31 December 2020, the Hong Kong government has granted conditional government subsidies for the purpose of providing financial support to employers after the COVID-19 outbreak in early 2020 to retain employees who may otherwise be made redundant under the "employment support scheme" policy; apart from that, the Macau government has granted financial subsidies to businesses operated in Macau as a result of the COVID-19 outbreak. For the year ended 31 December 2021, the city in the PRC where one of the subsidiaries operates has granted conditional financial subsidies, based on the size of the properties leased, to businesses of the technological sector operating at the designated area for regional growth.

Note (ii) Vendors of the Group agreed to grant certain amount of incentives to reward the Group for holding marketing events to promote business activities and opportunities in relation to their brands.

7 Expenses by nature

	Year ended 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold and services provided *(Note 17)*	392,916	353,022	383,620
Employee benefit expenses *(Note 8)*	54,293	63,960	72,695
Entertaining and travelling expenses	3,880	1,898	2,592
Depreciation of property, plant and equipment *(Note 12)*	2,824	3,873	4,061
Depreciation of right-of-use assets *(Note 13)*	3,869	5,599	6,589
Amortisation of intangible assets *(Note 14)*	237	400	830
Short-term operating lease expenses	410	355	460
Network security maintenance expenses	1,168	1,520	1,821
Legal and professional services	232	223	319
Auditors' remuneration			
— Audit services	299	301	604
— Non-audit services	78	80	99
Provision for impairment of inventories, net *(Note 17)*	2,354	574	1,147
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Provision for impairment losses on financial assets and contract assets	1,485	569	1,278
Others	9,203	8,800	10,157
	[REDACTED]	**[REDACTED]**	**[REDACTED]**
Analysed by:			
Cost of sales	417,085	381,795	422,192
Selling and distribution expenses	15,298	16,378	18,687
General and administrative expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Provision for impairment losses on financial assets and contract assets	1,485	569	1,278
	473,248	443,988	503,808

8 Employee benefit expenses

(a) Employee benefit expenses are analysed as follows:

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Salaries, wages and bonuses	44,362	51,013	55,933
Sales commission expenses	7,194	8,863	10,524
Pension costs — defined contribution plan *(Note i)*	628	691	1,286
Social security fund, housing and other employee benefits *(Note ii)*	2,109	3,393	4,952
	54,293	63,960	72,695

Note (i) The Group participates in the mandatory provident fund schemes ("**MPF schemes**") registered under the Hong Kong Mandatory Provident Fund Ordinance, which are defined contribution schemes. For its employees in the PRC, the Group makes monthly contributions to the defined contribution retirement schemes administrated and operated by the local municipal and provincial governments in accordance with the rules and regulations in the PRC. For the year ended 31 December 2020, the monthly contributions were waived as a relief measure due to the COVID-19 outbreak.

Note (ii) The Group contributes a fixed amount of its payroll costs to the central social security scheme operated by the Macau government for its employees in Macau; while for its employees in the PRC, the Group also makes monthly contributions to the government supervised housing funds, medical insurances and other social insurances for its employees, calculated as certain percentages of their salaries. The same COVID-19 related relief measure described above was also provided for the year ended 31 December 2020.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include two, one and two directors for the years ended 31 December 2019, 2020 and 2021 respectively. Emoluments of the directors are reflected in the analysis presented in Note 33. The emoluments payables to the remaining three, four and three individuals for the respective years are as follows:

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Salaries, wages and bonuses	1,307	1,594	1,459
Sales commission expenses	3,021	4,177	2,672
Pension costs — defined contribution plan	30	30	18
Social security fund, housing and other employee benefits	1	4	1
	4,359	5,805	4,150

The emoluments fell within the following bands:

	Year ended 31 December		
	2019	2020	2021
	Number of individuals		
Nil — HK$1,000,000	—	—	—
HK$1,000,001 HK$1,500,000	2	2	2
HK$1,500,001 — HK$2,000,000	1	2	1
	3	4	3

9 Finance income and costs

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Finance income			
— Bank deposits	39	10	43
— Finance lease receivables	69	112	618
— Financing components in relation to contracts with customers	255	140	104
	363	262	765
Finance costs			
— Lease liabilities	307	554	532
— Borrowings	669	543	433
— Financial liability for redeemable rights *(Note 26)*	—	—	1,502
— Others	2	19	24
	978	1,116	2,491
Finance costs — net	615	854	1,726

10 Income tax expense

(a) Income tax expense

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Current income tax			
— Macau complementary tax	2,866	3,074	5,059
— Hong Kong profits tax	1,175	1,258	916
— Adjustments for current income tax of prior years	—	58	357
	4,041	4,390	6,332
Deferred income tax *(Note 15)*			
— Increase in deferred tax assets	(197)	(121)	(520)
— Increase in deferred tax liabilities	7	23	187
	(190)	(98)	(333)
Income tax expense	3,851	4,292	5,999

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands and British Virgin Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders. The Group's entities incorporated in the British Virgin Islands are not subject to tax on income or capital gains.

Macau

The entity within the Group incorporated in Macau is subject to Macau profits tax at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate of 12%. In addition, special tax incentives were provided to the effect that the tax-free income threshold amounting to MOP600,000 for the years ended 31 December 2019, 2020 and 2021. Furthermore, in response to the economic downturn as a result of the COVID-19 outbreak, the Macau government imposed one-off measures to deduct MOP300,000 (equivalent to approximately HK$291,000) from the 2019 and 2020 Macau complementary tax payments.

Pursuant to the Government Budget approved in 2018 to 2020, super-deduction is available for qualified research and development expenses (triple deduction on the first MOP3,000,000 and double deduction on the subsequent MOP3,000,000 spending) for the years ended 31 December 2019, 2020 and 2021. However, due to the uncertainty on whether the relevant application of the entity would be accepted by the Macau Financial Services Bureau, total contingent tax assets of MOP805,000 (equivalent to approximately HK$780,000), MOP1,885,000 (equivalent to approximately HK$1,827,000) and MOP2,965,000 (equivalent to approximately HK$2,873,000) have not been recognised to offset current income tax payables as at 31 December 2019, 2020 and 2021 respectively.

Hong Kong

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rates regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "**Ordinance**"). Under the two-tiered profits tax rates regime, the first HK$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits at 16.5%. The Ordinance is effective from the year of assessment 2018 to 2019. The nominated subsidiary of the Group has elected to adopt two-tiered profit tax rates regime from the year of assessment 2019 to 2020. Accordingly, the provisions for Hong Kong Profits Tax of the nominated subsidiary for the Track Record Period are calculated in accordance with the two-tiered profits tax rates regime; while the provisions, if any, for the other subsidiary incorporated in Hong Kong remain calculated at 16.5%.

The PRC

Mainland corporate income tax ("**CIT**") was made on the estimated assessable profits of the entities within the Group incorporated and operating in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC. The general CIT rate is 25% for the Track Record Period.

Withholding tax on undistributed profits

According to the relevant tax rules and regulations of the PRC, distribution to foreign investors of profits earned by PRC companies since 1 January 2008 is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investors' foreign incorporated immediate holding companies.

During the Track Record Period, there were no unremitted earnings whose distribution to owners from PRC subsidiaries that are subject to withholding tax of 5%. No deferred tax liabilities were provided on the unremitted earnings.

(b) Numerical reconciliation of income tax expense

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	29,070	34,150	30,002
Tax calculated at applicable statutory tax rate	3,487	4,236	5,802
Income not subject to tax	(1)	(345)	(13)
Expenses not deductible for tax purposes	177	377	49
Adjustments for current income tax of prior years	—	58	357
Additional tax incentive for COVID-19	—	(291)	(291)
Utilisation of tax losses previously not recognised as deferred taxes	—	(27)	—
Tax losses not recognised as deferred tax assets	217	214	285
Deferred tax assets previously not recognised *(Note)*	—	—	(229)
Other temporary differences not recognised as deferred taxes *(Note)*	(29)	70	39
Income tax expense	3,851	4,292	5,999

Note: Other temporary differences not recognised as deferred taxes included potential non-allowable tax deduction or non-taxable income arisen from an entity within the Group incorporated in Macau. For the year ended 31 December 2021, the Group has performed reassessment on these deferred tax assets not recognised and recognised HK$229,000 deferred tax assets of prior years.

The weighted average applicable tax rate was 13.25%, 12.57% and 20.00% for the years ended 31 December 2019, 2020 and 2021 respectively. The change is mainly caused by the differences of the profitability mix of the Group's subsidiaries in the respective country/regions for the years aforementioned; while for the year ended 31 December 2021, the changes are further contributed by the loss of the Company, where no tax credits are provided in accordance to the tax jurisdiction it is located.

11 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the Track Record Period.

	Year ended 31 December		
	2019	**2020**	**2021**
Profit attributable to owners of the Company *(HK$'000)*	25,219	29,858	24,003
Weighted average number of ordinary shares in issue for basic earnings per share *(Note)*	10,000	10,000	10,239
Basic earnings per share *(HK$)*	2,522	2,986	2,344

Note: The weighted average number of shares has been retrospectively adjusted for the effect of the issuance of shares in connection with the Reorganisation completed on 4 March 2021 (Note 1.2). The average number of shares during the Track Record Period before the **[REDACTED]** date, 23 March 2021, equals to sum of the shares issued during the Reorganisation.

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the year ended 31 December 2021, the Group has one category of potentially dilutive shares — ordinary shares with redemption rights. The exercise of the redemption rights would be dilutive if the exercise price of such shares is above the average market price.

	Year ended 31 December		
	2019	**2020**	**2021**
Profit attributable to owners of the Company *(HK$'000)*	25,219	29,858	24,003
Weighted average number of ordinary shares in issue for diluted earnings per share *(Note (c))*	10,000	10,000	10,365
Dilutive earnings per share *(HK$)*	2,522	2,986	2,316

(c) Weighted average number of ordinary shares in issue for diluted earnings per share

	Year ended 31 December		
	2019	2020	2021
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	10,000	10,000	10,239
Adjustments for calculation of diluted earnings per share:			
Shares with redeemable rights	—	—	126
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	10,000	10,000	10,365

12 Property, plant and equipment

	Computer equipment	Furniture and fixture	Office equipment	Leasehold improvement	Buildings	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019							
Cost	5,194	602	317	4,933	—	—	11,046
Accumulated depreciation	(1,754)	(220)	(110)	(4,139)	—	—	(6,223)
Net book amount	3,440	382	207	794	—	—	4,823
Year ended 31 December 2019							
Opening net book amount	3,440	382	207	794	—	—	4,823
Additions	2,015	280	259	1,812	5,463	—	9,829
Depreciation	(1,476)	(154)	(73)	(902)	(219)	—	(2,824)
Exchange differences	—	—	—	—	78	—	78
Net book amount	3,979	508	393	1,704	5,322	—	11,906
At 31 December 2019							
Cost	7,209	882	576	6,745	5,463	—	20,875
Accumulated depreciation	(3,230)	(374)	(183)	(5,041)	(141)	—	(8,969)
Net book amount	3,979	508	393	1,704	5,322	—	11,906
Year ended 31 December 2020							
Opening net book amount	3,979	508	393	1,704	5,322	—	11,906
Additions	1,866	162	150	2,186	—	—	4,364
Depreciation	(1,868)	(163)	(132)	(1,446)	(264)	—	(3,873)
Exchange differences	4	—	—	—	220	—	224
Disposals	—	(113)	—	—	—	—	(113)
Net book amount	3,981	394	411	2,444	5,278	—	12,508

	Computer equipment	Furniture and fixture	Office equipment	Leasehold improvement	Buildings	Motor vehicle	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2020							
Cost	9,075	842	726	8,419	5,463	—	24,525
Accumulated depreciation	(5,094)	(448)	(315)	(5,975)	(185)	—	(12,017)
Net book amount	3,981	394	411	2,444	5,278	—	12,508
Year ended 31 December 2021							
Opening net book amount	3,981	394	411	2,444	5,278	—	12,508
Additions	1,306	—	185	158	—	628	2,277
Depreciation	(1,893)	(135)	(143)	(1,496)	(279)	(115)	(4,061)
Exchange differences	3	—	1	1	129	—	134
Net book amount	3,397	259	454	1,107	5,128	513	10,858
At 31 December 2021							
Cost	10,381	842	911	8,577	5,463	628	26,802
Accumulated depreciation	(6,984)	(583)	(457)	(7,470)	(335)	(115)	(15,944)
Net book amount	3,397	259	454	1,107	5,128	513	10,858

For the years ended 31 December 2019, 2020 and 2021, the depreciation charges of the Group's property, plant and equipment being recognised and included in "general and administrative expenses" amounted to HK$1,774,000, HK$2,656,000 and HK$2,914,000, respectively; while for the years ended 31 December 2019 and 2020 and 2021, HK$1,050,000, HK$1,217,000 and HK$1,147,000 were included in the "cost of sales", respectively.

13 Right-of-use assets

	Office properties	Office equipment	Staff quarters	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019				
Cost	7,923	—	251	8,174
Accumulated depreciation	(5,838)	—	(241)	(6,079)
Net book amount	2,085	—	10	2,095
Year ended 31 December 2019				
Opening net book amount	2,085	—	10	2,095
Additions	9,632	—	752	10,384
Depreciation	(3,525)	—	(344)	(3,869)
Closing net book amount	8,192	—	418	8,610
At 31 December 2019				
Cost	16,607	—	1,003	17,610
Accumulated depreciation	(8,415)	—	(585)	(9,000)
Net book amount	8,192	—	418	8,610

	Office properties	Office equipment	Staff quarters	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2020				
Opening net book amount	8,192	—	418	8,610
Additions	4,523	—	164	4,687
Depreciation	(5,155)	—	(444)	(5,599)
Exchange differences	9	—	—	9
Closing net book amount	7,569	—	138	7,707
At 31 December 2020				
Cost	15,477	—	916	16,393
Accumulated depreciation	(7,908)	—	(778)	(8,686)
Net book amount	7,569	—	138	7,707
Year ended 31 December 2021				
Opening net book amount	7,569	—	138	7,707
Additions	7,823	259	—	8,082
Early termination of lease contracts	(179)	—	—	(179)
Depreciation	(6,452)	(13)	(124)	(6,589)
Exchange differences	95	—	—	95
Closing net book amount	8,856	246	14	9,116
At 31 December 2021				
Cost	20,780	259	164	21,203
Accumulated depreciation	(11,924)	(13)	(150)	(12,087)
Net book amount	8,856	246	14	9,116

The consolidated statements of profit or loss show the following amounts relating to leases:

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Depreciation charge of right-of-use assets *(Note 7)*	3,869	5,599	6,589
Interest expenses *(Note 9)*	307	554	532
Expense relating to short-term leases *(Note 7)*	410	355	460

For the years ended 31 December 2019, 2020 and 2021, the depreciation charges of the Group's right-of-use assets recognised as expense and included in "general and administrative expenses" amounted to HK$3,869,000, HK$5,599,000 and HK$6,589,000 respectively.

14 Intangible assets

	Software
	HK$'000
At 1 January 2019	
Cost	1,040
Accumulated amortisation	(523)
Net book amount	517
Year ended 31 December 2019	
Opening net book amount	517
Additions	24
Amortisation	(237)
Net book amount	304
At 31 December 2019	
Cost	1,064
Accumulated amortisation	(760)
Net book amount	304
Year ended 31 December 2020	
Opening net book amount	304
Additions	1,013
Amortisation	(400)
Net book amount	917
At 31 December 2020	
Cost	2,077
Accumulated amortisation	(1,160)
Net book amount	917
Year ended 31 December 2021	
Opening net book amount	917
Additions	2,335
Amortisation	(830)
Net book amount	2,422
At 31 December 2021	
Cost	4,412
Accumulated amortisation	(1,990)
Net book amount	2,422

For the years ended 31 December 2019, 2020 and 2021, the amortisation charges of the Group's intangible assets recognised as expense and included in "general and administrative expenses" amounted to HK$237,000, HK$400,000 and HK$830,000 respectively.

15 Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The analysis of deferred tax assets and deferred tax liabilities is as follows:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Deferred income tax assets	448	569	1,089
Deferred income tax liabilities	(40)	(63)	(250)
Deferred income tax assets — net	408	506	839

The net movements in deferred income tax assets and liabilities were as follows:

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
At beginning of the year	218	408	506
Credited to consolidated statements of profit or loss *(Note 10)*	190	98	333
At end of the year	408	506	839

The movements in deferred income tax assets and liabilities during the Track Record Period without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets

	Inventory Impairment provision	Trade and lease receivables Impairment provision	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	180	6	65	251
Credited/(charged) to consolidated statements of profit or loss	227	35	(65)	197
At 31 December 2019	407	41	—	448
Credited to consolidated statements of profit or loss	89	32	—	121
At 31 December 2020	496	73	—	569
Credited to consolidated statements of profit or loss	448	72	—	520
At 31 December 2021	944	145	—	1,089

Deferred income tax liabilities

	Depreciation and amortisation
	HK$'000
At 1 January 2019	33
Charged to consolidated statements of profit or loss	7
At 31 December 2019	40
Charged to consolidated statements of profit or loss	23
At 31 December 2020	63
Charged to consolidated statements of profit or loss	187
At 31 December 2021	250

The Group has the following unrecognised tax losses (after considering corresponding applicable tax rate):

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Unused tax losses for which no deferred tax asset has been recognised — without expiration date	128	342	484
Unused tax losses for which no deferred tax asset has been recognised — with expiration date	102	75	143
Potential tax benefit	230	417	627

Unrecognised tax losses (after considering corresponding applicable tax rate) carried forward with expiration date expire in the following years:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
2023	13	—	—
2024	89	75	—
2026	—	—	143
	102	75	143

16 Investments in subsidiaries — the Company

The balance in the Company's statement of financial position as at 31 December 2021 represents the carrying amount of the subsidiaries transferred from the Controlling shareholder pursuant to the Reorganisation (Note 1.2), which was initially measured at fair value on the date of transfer.

17 Inventories

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Hardware products	19,882	16,836	15,440
Software products	39,200	22,266	14,554
	59,082	39,102	29,994

For the years ended 31 December 2019, 2020 and 2021, the cost of inventories recognised as expense and included in "cost of sales" amounted to HK$392,916,000, HK$353,022,000 and HK$383,620,000 respectively (Note 7).

Write-downs of inventories to net realisable value amounted to HK$2,354,000, HK$574,000 and HK$1,147,000 for the years ended 31 December 2019, 2020 and 2021 respectively (Note 7). These were recognised as an expense and included in 'cost of sales' in the consolidated statements of profit or loss.

18 Financial instruments by category

(a) The Group holds the following financial instruments:

		At 31 December		
		2019	2020	2021
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at amortised cost				
Deposits and other receivables	*20*	6,293	9,157	10,898
Finance lease receivables	*25*	1,111	22,718	26,978
Trade receivables	*19*	100,765	95,225	188,803
Restricted cash	*21*	5,917	5,920	2,925
Cash and cash equivalents	*21*	28,510	29,899	14,485
		142,596	162,919	244,089
Financial liabilities at amortised cost				
Trade and other payables*	*27*	101,080	87,776	120,135
Amounts due to shareholders	*28*	17,533	16,722	—
Financial liability for redeemable rights	*26*	—	—	37,900
Lease liabilities	*25*	9,793	10,178	10,076
Borrowings	*24*	15,292	15,390	31,455
		143,698	130,066	199,566

* *Excluding non-financial liabilities, such as other taxes payable, employee benefit payables and reinstatement cost provision*

(b) The Company holds the following financial instruments:

	Notes	At 31 December 2021
		HK$'000
Financial assets at amortised cost		
Amounts due from a subsidiary	*28*	33,062
Cash and cash equivalents	*21(b)*	99
		33,161
Financial liabilities at amortised cost		
Financial liability for redeemable rights	*26*	37,900
Accruals	*27(b)*	8,973
		46,873

19 Trade receivables

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Due from third parties	103,021	97,476	192,273
Loss allowance *(Note 3.1(b))*	(2,256)	(2,251)	(3,470)
Total trade receivables, net of allowance	100,765	95,225	188,803

Due to the short-term nature of the trade receivables, their carrying amounts are considered to be the same as their fair values.

Trade receivables are denominated in the following currencies:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
HK$	51,241	60,623	128,035
MOP	39,569	35,242	42,264
US$	12,211	1,611	21,828
RMB	—	—	146
	103,021	97,476	192,273

The credit terms of trade receivables granted by the Group are generally one to three months. The ageing analysis of the trade receivables based on invoice date is as follows:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Up to 3 months	66,050	69,747	163,479
3 to 6 months	24,276	15,790	12,522
Over 6 months and within 1 year	7,314	9,030	13,935
Over 1 year	5,381	2,909	2,337
	103,021	97,476	192,273

20 Deposits, prepayments, contract costs and other receivables

(a) The Group

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Prepayments			
— Suppliers	25,356	22,815	31,991
— Deferred **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
— Others	1,402	2,009	3,452
Contract costs			
— In relation to obtain a contract	1,131	786	513
— In relation to fulfil a contract	—	—	233
Deposits and other receivables	1,251	4,767	6,999
	[REDACTED]	**[REDACTED]**	**[REDACTED]**
Non-current portion			
Prepayments			
— Suppliers	10,981	14,254	7,707
— Property, plant and equipment	215	196	2,151
— Intangible assets	1,429	1,400	—
— Others	141	222	1,030
Contract costs in relation to obtain a contract	—	—	16
Deposits	5,042	4,390	3,899
	17,808	20,462	14,803

The carrying amounts of other financial assets at amortised cost approximate their fair values at each reporting date and are denominated in the following currencies:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
MOP	4,297	7,060	8,606
HK$	1,896	1,923	1,942
RMB	100	174	350
	6,293	9,157	10,898

(b) The Company

	At 31 December
	2021
	HK$'000
Prepayments	
Deferred **[REDACTED]**	**[REDACTED]**

21 Cash and cash equivalents and restricted cash

(a) The Group

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank	34,410	35,788	17,370
Cash in hand	17	31	40
Cash at bank and in hand	34,427	35,819	17,410
Less: restricted cash maintained at bank *(Note)*	(5,917)	(5,920)	(2,925)
Cash and cash equivalents	28,510	29,899	14,485

Note: The restricted cash represents fixed deposits pledged as a security for a bank guarantee requested by a supplier as at 31 December 2019, 2020 and 2021.

Cash and cash equivalents and restricted cash are denominated in the following currencies:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
HK$	6,406	5,637	4,639
MOP	20,230	3,459	4,681
US$	7,152	23,694	6,119
RMB	639	3,029	1,971
Cash and cash equivalents and restricted cash	34,427	35,819	17,410

The carrying amounts of the Group's cash and cash equivalents and restricted cash approximated to their fair values as at 31 December 2019, 2020 and 2021.

(b) The Company

Cash and cash equivalents are cash maintained at bank and denominated in the following currency:

	At 31 December 2021
	HK$'000
HK$	99

The carrying amount of the Company's cash and cash equivalents approximated to its fair value as at 31 December 2021.

22 Share capital — Group and Company

	Notes	Number of shares	Nominal value of shares	Share premium
			HK$'000	*HK$'000*
Authorised				
Ordinary shares of HK$0.01 each	*(a)*	38,000,000	380	—
At 31 December 2021	*(a)*	38,000,000	380	—
Issued and fully paid				
At 31 December 2019 and 2020		—	—	—
At 18 February 2021	*(a)*	1	—*	—
Issuance of ordinary shares in relation to the Reorganisation of the Group	*(b)*	9,999	—*	—
Issuance of ordinary shares in relation to the **[REDACTED]**	*(c)*	1,142	—*	48,101
At 31 December 2021		11,142	—*	48,101

* Less than HK$1,000

(a) The Company was incorporated in the Cayman Islands on 18 February 2021 as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares with a par value of HK$0.01 each. On date of incorporation, one share was allotted and issued at par as fully paid to the initial subscriber, which was subsequently transferred to Tai Wah on the same date at par.

(b) On 4 March 2021, the Company issued and allotted 9,999 ordinary shares to Tai Wah pursuant to the Reorganisation (Note 1.2).

(c) On 23 March 2021, DHQ and Kallo, entered into subscription and purchase agreements with the Company for the subscription and purchase of 1,142 shares in total at considerations of HK$35,128,000 and HK$12,973,000, respectively, as well as with Tai Wah for a total of 748 shares at considerations of HK$21,018,000 and HK$10,488,000, respectively (Note 1.3). According to the investment agreement, DHQ was granted redeemable (divestment) rights for new shares issued, which is disclosed in Notes 23 and 26.

23 Reserves

(a) The Group

	Capital reserves *(Note i)*	Other reserves *(Note ii)*	Exchange reserve	Legal reserve *(Note iii)*	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	5,444	—	(347)	12	81,905	87,014
Total comprehensive income for the year						
Profit for the year	—	—	—	—	25,219	25,219
Other comprehensive loss for the year	—	—	(33)	—	—	(33)
Transactions with owners						
Deemed distribution to shareholders	(10)	—	—	—	—	(10)
Dividends declared	—	—	—	—	(2,907)	(2,907)
At 31 December 2019	5,434	—	(380)	12	104,217	109,283
At 1 January 2020	5,434	—	(380)	12	104,217	109,283
Total comprehensive income for the year						
Profit for the year	—	—	—	—	29,858	29,858
Other comprehensive gain for the year	—	—	258	—	—	258
Transactions with owners						
Deemed distribution to shareholders	(4,410)	—	—	—	—	(4,410)
Dividends declared	—	—	—	—	(2,000)	(2,000)
At 31 December 2020	1,024	—	(122)	12	132,075	132,989
At 1 January 2021	1,024	—	(122)	12	132,075	132,989
Total comprehensive income for the period						
Profit for the year	—	—	—	—	24,003	24,003
Other comprehensive gain for the year	—	—	188	—	—	188
Transactions with owners						
Recognition of redemption liability	—	(36,398)	—	—	—	(36,398)
At 31 December 2021	1,024	(36,398)	66	12	156,078	120,782

(i) Capital reserves

Capital reserves of the Group represent the paid-in capital of the subsidiaries acquired pursuant to the Reorganisation (Note 1.2).

(ii) Other reserves

Other reserves of the Group are attributable to the ordinary shares issued on 23 March 2021 of 834 shares to DHQ with redemption rights. The redemption liability related to the redeemable rights is disclosed in Note 26.

(iii) Legal reserve

In accordance with Macau Commercial Code, companies limited by quotas incorporated in Macau should set aside a minimum of 25% of the entity's profit after tax to the legal reserve until the balance of the reserve reaches a level equivalent to 50% of the entity's capital.

(b) The Company

	Capital reserves *(Note i)*	Other reserves	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 18 February 2021 (date of incorporation)	—	—	—	—
Loss for the period	—	—	(19,040)	(19,040)
Transactions with owners				
Effect of reserve in relation to Reorganisation	483,000	—	—	483,000
Recognition of redemption liability	—	(36,398)	—	(36,398)
At 31 December 2021	483,000	(36,398)	(19,040)	427,562

(i) Capital reserves

Capital reserves of the Company represent the carrying amount of the subsidiaries transferred from the Controlling shareholder pursuant to the Reorganisation (Note 1.2) in the Company's separate financial statements, which was initially measured at fair value on the date of transfer (Note 16).

24 Borrowings

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Current portion			
Secured bank loans *(Note a)*	1,084	8,047	25,522
Unsecured loans *(Note b)*	5,830	270	—
	6,914	8,317	25,522
Non-current portion			
Secured bank loans *(Note a)*	8,184	7,073	5,933
Unsecured loans *(Note b)*	194	—	—
	8,378	7,073	5,933
Total borrowings	15,292	15,390	31,455

(a) Bank borrowings are pledged and guaranteed as shown in the below:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans guaranteed by Mr. Chao and his associates and pledged by the properties owned by them			
— At prime rate minus 2.75% per annum	9,268	8,184	7,073
— At prime rate minus 0.63% per annum	—	6,936	24,382
	9,268	15,120	31,455

During the year ended 31 December 2021, the Company has obtained a no-objection letter from the secured loan issuing bank (the "**Bank**") in regard to replace the aforementioned personal guarantees by a corporate guarantee and/or other collaterals to be given by the Company and/or other members of the Group, subject to successful **[REDACTED]** and commencement of **[REDACTED]** and **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited as well as final approval from the Bank after conditions are met.

(b) The unsecured loans are denominated in Hong Kong dollars, among which include a HK$3,000,000 loan from a related party disclosed in Note 32 for the year ended 31 December 2019. The remaining loans are borrowed from a non-bank financial institution, with the guarantor of the loan being Mr. Chao for the years ended 31 December 2019 and 2020.

(c) As at 31 December 2020 and 31 December 2021, the Group has unutilised borrowing facilities amounted to HK$18,146,000 and HK$15,780,000 respectively (2019: nil).

The Group's borrowings at the reporting dates are denominated in the following currency:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
HK$	15,292	15,390	31,455

The weighted average effective interest rates at the reporting dates are set out as follows:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Secured bank loans	2.50%	3.47%	4.15%
Unsecured loans from a non-bank financial institution	5.13%	5.13%	—
Loan from a related party	1.00%	—	—

The maturity date of the borrowings was analysed as follows:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	6,914	8,317	25,522
Between 1 and 2 years	1,305	1,140	1,168
Between 2 and 5 years	3,506	3,594	3,685
Over 5 years	3,567	2,339	1,080
	15,292	15,390	31,455

The fair values of the Group's borrowings are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. The Group has complied with the financial covenants of its borrowing facilities during the Track Record Period.

25 Leases

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Lease payables as follows:			
Within 1 year	5,325	6,424	6,233
Between 1 and 2 years	3,414	3,441	3,118
Between 2 and 5 years	1,583	735	1,167
Total lease payments	10,322	10,600	10,518
Less: future finance charges	(529)	(422)	(442)
Total lease liabilities	9,793	10,178	10,076
Less: portion classified as current liabilities	(5,209)	(6,214)	(6,093)
Non-current lease liabilities	4,584	3,964	3,983

The total cash outflows for leases for the years ended 31 December 2019, 2020 and 2021 were HK$4,565,000 and HK$5,961,000 and HK$8,670,000, respectively.

For COVID-19 related rent concessions, the Group has applied practical expedient to all rent concessions occurring as a direct consequence of the COVID-19 pandemic with adoption precondition met under the *Amendment to IFRS 16 Leases "COVID-19 Related Rent Concession."* Rent concession amounting to HK$104,000 represents changes in lease payments arising from the pandemic and has been recognised in "other income and other net gains" in the consolidated statements of profit or loss for the years ended 31 December 2020.

For the years ended 31 December 2019, 2020 and 2021, the Group's operating lease rental payments relating to short-term and low-value leases amounting to HK$410,000, HK$355,000 and HK$460,000, respectively, have been recognised as expenses and included in "general and administrative expenses" in the consolidated statements of profit or loss.

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Finance lease receivables as follows:			
Within 1 year	598	9,178	14,559
Between 1 and 2 years	457	7,039	5,337
Between 2 and 5 years	145	6,873	8,255
Minimum lease payments receivables	1,200	23,090	28,151
Less: unearned finance income	(89)	(262)	(1,064)
Total lease receivables	1,111	22,828	27,087
Loss allowance *(Note 3.1(b))*	—	(110)	(109)
Total lease receivables, net of loss allowance	1,111	22,718	26,978
Less: portion classified as current receivables	(577)	(9,100)	(14,326)
Non-current lease receivables	534	13,618	12,652

During the year ended 31 December 2020, the Group has entered into a lease arrangement with a customer where the scope of service comprises a large quantity of servers with an objective to replace them with their existing infrastructure. The servers to be leased were delivered by batches during the years ended 31 December 2020 and 2021. As a result, the carrying amounts of finance lease receivables have significantly increased during the year ended 31 December 2020 and 2021.

26 Financial liability for redeemable rights

	Total
	HK$'000
At 1 January 2021	—
Initial recognition at present value of expected redemption amount	36,398
Finance costs charged to consolidated statements of profit or loss *(Note 9)*	1,502
At 31 December 2021	37,900

On 23 March 2021, the Company entered into an investment agreement with one of the **[REDACTED]**, DHQ. In the agreement, the Company or Tai Wah had an obligation to repurchase the Company's ordinary shares issued to the aforementioned **[REDACTED]** and the redeemable rights are recognised as a financial liability. The relevant interest rate is assessed to be 5.25%.

The key terms of the redeemable rights are summarised as follows:

The Company or Tai Wah shall repurchase all newly issued shares from the aforementioned **[REDACTED]** if the Company fails to be **[REDACTED]** on the Main Board of The Stock Exchange of Hong Kong Limited on or before 31 December 2023. The **[REDACTED]** would have the right to exercise such redemption on or before 31 December 2025 with the following redeemable price.

The redeemable price equals to the relevant original consideration issued plus interest, depending on the exercise date for the redeemable rights, calculated at annual simple rate of 7% from the date of payment for the subscription price to 31 December 2023 and at annual simple rate of 4.75% from 1 January 2024 to 31 December 2025.

In the opinion of the directors of the Company, the financial liability for redeemable rights was determined under the condition of the objective reasons aforementioned and the exercise date used in the calculation is 1 January 2024, the earliest time the **[REDACTED]** could exercise.

27 Trade and other payables

(a) The Group

	At 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables *(i)*	98,269	81,729	108,753
Salaries payable	9,985	3,771	7,472
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Accrued expenses	2,395	4,351	1,690
Other taxes payable	571	481	539
Other payables	965	1,164	2,207
	[REDACTED]	**[REDACTED]**	**[REDACTED]**

Other than the bank guarantee requested by a supplier (Note 21), trade payables are unsecured and are usually paid within one to three months from recognition.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(i) Trade payables primarily represent payables for inventories. The ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 month	38,142	32,203	81,940
Over 1 month and within 3 months	39,672	15,172	19,522
Over 3 months and within 1 year	19,326	31,850	6,916
Over 1 year	1,129	2,504	375
Total trade payables	98,269	81,729	108,753

(b) The Company

	At 31 December 2021
	HK$'000
Accruals	
Accrued **[REDACTED]**	**[REDACTED]**

28 Amounts due to/from shareholders and a subsidiary

(a) The Group

The balances with shareholders are non-trade in nature, unsecured, interest-free and repayable on demand.

(b) The Company

The balances with the subsidiary are non-trade in nature, unsecured, interest-free and repayable on demand.

29 Dividends

Dividends in respect of the years ended 31 December 2019 and 2020 amounting to MOP3,000,000 (approximately equivalent to HK$2,907,000) and MOP2,064,000 (approximately equivalent to HK$2,000,000) have been declared by the shareholders in one of the operating entities now comprising the Group on 31 March 2019 and 31 March 2020, respectively.

No dividends have been paid or declared by the Company in respect of the Track Record Period.

30 Cash flow information

(a) Reconciliation from profit before income tax to cash generated from/(used in) operating activities:

	Year ended 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Profit before income tax	29,070	34,150	30,002
Adjustments for:			
Finance income	(363)	(262)	(765)
Finance costs	978	1,116	2,491
Exchange losses/(gains)	35	(175)	61
Net loss on disposal of property, plant and equipment	—	113	—
Depreciation of property, plant and equipment	2,824	3,873	4,061
Depreciation of right-of-use assets	3,869	5,599	6,589
Amortisation of intangible assets	237	400	830
Provision for impairment losses on financial assets and contract assets	1,485	569	1,278
Provision for impairment on inventories, net	2,354	574	1,147
Changes in working capital:			
Decrease/(increase) in trade receivables	8,411	5,545	(94,884)
Increase in contract assets	(3,974)	(14,122)	(32,782)
Increase in deposits and other receivables	(2,848)	(2,864)	(1,741)
Increase in prepayments and contract costs	(23,827)	(1,392)	(8,263)
(Increase)/decrease in inventories	(28,993)	19,406	7,961
Increase in finance lease receivables	(287)	(20,438)	(4,259)
Increase/(decrease) in trade and other payables	41,868	(19,905)	36,755
Increase in contract liabilities	2,691	10,662	14,916
Cash generated from/(used in) operating activities	33,530	22,849	(36,603)

(b) This section sets out an analysis of net debt and the movements in net debt for each of the years presented:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Gross debt			
— Loan from related parties	3,000	—	—
— Amounts due to shareholders	17,533	16,722	—
— Borrowings	12,292	15,390	31,455
— Lease Liabilities	9,793	10,178	10,076
— Financial liability for redeemable rights	—	—	37,900
	42,618	42,290	79,431
Less: cash and cash equivalents	(28,510)	(29,899)	(14,485)
Net debt	14,108	12,391	64,946
Gross debt			
— Interest free	17,533	16,722	—
— Fixed interest rates	15,817	10,448	47,976
— Variable interest rates	9,268	15,120	31,455
	42,618	42,290	79,431
Less: cash and cash equivalents	(28,510)	(29,899)	(14,485)
Net debt	14,108	12,391	64,946

(c) Reconciliation of liabilities arising from financing activities is as follows:

	Borrowings	Loan from a related party	Amounts due to shareholders	Lease liabilities	Financial liability for redeemable rights	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	24,238	—	19,582	2,743	—	46,563
Cash flows						
— Addition	—	3,000	2,179	—	—	5,179
— Repayment	(11,987)	—	(7,144)	(3,863)	—	(22,994)
— Interest paid	(668)	(1)	—	(292)	—	(961)
Non-cash changes						
— Addition of lease liabilities	—	—	—	10,898	—	10,898
— Dividends declared	—	—	2,907	—	—	2,907
— Deemed distribution	—	—	10	—	—	10
— Early redemption impact	41	—	—	—	—	41
— Finance costs	668	1	—	307	—	976
— Exchange differences	—	—	(1)	—	—	(1)
At 31 December 2019	12,292	3,000	17,533	9,793	—	42,618

	Borrowings	Loan from a related party	Amounts due to shareholders	Lease liabilities	Financial liability for redeemable rights	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2020	12,292	3,000	17,533	9,793	—	42,618
Cash flows						
— Addition	15,725	—	2,672	—	—	18,397
— Repayment	(12,708)	(3,000)	(10,002)	(5,079)	—	(30,789)
— Interest paid	(432)	(30)	—	(527)	—	(989)
Non-cash changes						
— Addition of lease liabilities	—	—	—	5,428	—	5,428
— Dividends declared	—	—	2,000	—	—	2,000
— Deemed distribution	—	—	4,410	—	—	4,410
— Finance costs	513	30	—	554	—	1,097
— Exchange differences	—	—	109	9	—	118
At 31 December 2020	15,390	—	16,722	10,178	—	42,290
At 1 January 2021	15,390	—	16,722	10,178	—	42,290
Cash flows						
— Addition	24,849	—	701	—	—	25,550
— Repayment	(8,865)	—	(17,447)	(7,642)	—	(33,954)
— Interest paid	(352)	—	—	(568)	—	(920)
Non-cash changes						
— Addition of lease liabilities	—	—	—	7,673	—	7,673
— Recognition of financial liability	—	—	—	—	36,398	36,398
— Disposal of lease liabilities	—	—	—	(179)	—	(179)
— Finance costs	433	—	—	532	1,502	2,467
— Exchange differences	—	—	24	82	—	106
At 31 December 2021	31,455	—	—	10,076	37,900	79,431

31 Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting period but not recognised as liabilities is as follows:

	At 31 December		
	2019	2020	2021
	HK$'000	*HK$'000*	*HK$'000*
Property, plant and equipment	—	598	938
Intangible assets	630	—	—
	630	598	938

(b) Operating lease commitments

As lessee

The future aggregate minimum lease payments related to short-term leases under non-cancellable operating leases are as follows:

	At 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Staff quarters			
Within 1 year	81	22	116
Office properties			
Within 1 year	—	—	5

As lessor

There were no future minimum lease receipts under non-cancellable operating leases as at 31 December 2019, 2020 and 2021.

32 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The directors of the Group are of the view that the following company was a related party that had transactions or balances with the Group during the Track Record Period:

Name of the related party	**Description of the relationship**
Hellmann Cyber Information System Limited	Entity controlled by Ms. Chiu, an executive director of the Company

(a) Year end balances with related parties

(i) Due to a related company

	At 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Loans from a related party			
Hellmann Cyber Information System Limited	3,000	—	—

As at 31 December 2019, the Group had a borrowing amounted to HK$3,000,000 from a related party on business operation, i.e. Hellmann Cyber Information System Limited, non-trade in nature and at an interest rate of 1% per annum. The interest expenses during the years ended 31 December 2019 and 2020 were HK$1,000 and HK$30,000 respectively. The Group has repaid such borrowing during the year ended 31 December 2020.

(ii) Amounts due to shareholders

The balances with shareholders of the Group, Mr. Chao and Ms. Chiu, are non-trade in nature which do not arise out of the primary business and disclosed in Note 28.

(b) Key management compensation

The compensation paid or payable to key management for employment services during the Track Record Period is shown below:

	Year ended 31 December		
	2019	**2020**	**2021**
	HK$'000	*HK$'000*	*HK$'000*
Salaries, wages and bonuses	4,350	4,595	5,145
Sales commission expenses	1,979	2,372	1,937
Pension costs — defined contribution plan	52	49	56
Social security fund, housing and other employee benefits	—	—	20
Total	6,381	7,016	7,158

33 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

Remuneration of every director is set out below:

	Year ended 31 December 2019					
	Director's fee	**Salaries, wages and bonus**	**Pension costs – defined contribution plan**	**Social security fund, allowances and other employee benefits**	**Other emoluments paid or receivable in connection with the management of the Group or its subsidiaries**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Chao	—	1,530	—	1,017	—	2,547
Ms. Chiu	—	882	—	2	—	884
Ms. Lei	—	634	—	620	—	1,254
Mr. Ng	—	674	—	161	—	835
	—	3,720	—	1,800	—	5,520

	Year ended 31 December 2020					
	Director's fee	Salaries, wages and bonus	Pension costs – defined contribution plan	Social security fund, allowances and other employee benefits	Other emoluments paid or receivable in connection with the management of the Group or its subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Chao	—	879	—	2,039	—	2,918
Ms. Chiu	—	656	—	3	—	659
Ms. Lei	—	592	—	377	—	969
Mr. Ng	—	592	—	253	—	845
	—	2,719	—	2,672	—	5,391

	Year ended 31 December 2021					
	Director's fee	Salaries, wages and bonus	Pension costs – defined contribution plan	Social security fund, allowances and other employee benefits	Other emoluments paid or receivable in connection with the management of the Group or its subsidiaries	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Mr. Chao	—	772	—	2,907	—	3,679
Ms. Chiu	—	—	—	—	—	—
Ms. Lei	—	696	—	279	—	975
Mr. Ng	—	778	—	721	—	1,499
	—	2,246	—	3,907	—	6,153

Note (i) Mr. Chao, Ms. Chiu, Ms. Lei and Mr. Ng were appointed as the Company's executive directors on 19 February 2021.

Note (ii) Mr. Li Haodong was appointed as the Company's non-executive director on 1 April 2021 and did not receive any directors' remuneration during the Track Record Period.

Note (iii) [Mr. Man Wing Pong], [Mr. U Seng Pan] and [Mr. Suen Chi Wai] were appointed as the Company's independent non-executive directors on [date]. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any directors' remuneration in the capacity of independent non-executive directors.

The remunerations shown above represent remunerations received from the Operating Companies by these directors in their capacity as employees to Operating Companies and no directors waived any emoluments during the Track Record Period.

No director fees were paid to these directors in their capacity as directors of the Company or the Operating Companies and no emoluments were paid by the Operating Companies to the directors as an inducement to join the Operating Companies, or as compensation for loss of office during the Track Record Period.

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors, and no payments were made to the directors as compensation for early termination of appointment during the Track Record Period.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to or receivable by third parties for making available directors' services during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporates by and connected entities with such directors

There were no loans, quasi-loans and other dealing arrangements in favour of the directors, or controlled body corporates and connected entities of such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

Except for mentioned above, there were no significant transactions, agreements and contracts in relation to the Group's business to which the Company or any of the Operating Companies were a party and in which a director of the Company had material interest, whether directly or indirectly, subsisted during the Track Record Period.

34 Contingent liabilities

As at 31 December 2019, 2020 and 2021, the Group did not have any material contingent liabilities.

35 Subsequent events

There have been no other events subsequent to 31 December 2021 which require adjustment or disclosure in the Historical Financial Information.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2021.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this document and the Accountant's Report set out in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 as if the **[REDACTED]** had taken place on 31 December 2021.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the **[REDACTED]** been completed as of 31 December 2021 or any future date. It is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 December 2021 as derived from the Accountant's Report, set out in Appendix I to this document and adjusted as described below.

	Audited Consolidated Net Tangible Assets of the Group Attributable to Owners of the Company as at 31 December 2021	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited Pro Forma Adjusted Net Tangible Assets Attributable to Owners of the Company as at 31 December 2021**	**Unaudited Pro Forma Adjusted Net Tangible Assets per Share**
	Note 1	*Note 2*		*Note 3*
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	166,461	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per Share	166,461	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The audited consolidated net tangible assets attributable to owners of the Company as at 31 December 2021 is extracted from the historical financial information contained in the Accountant's Report set forth in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the owners of the Company as at 31 December 2021 of approximately HK$168,883,000 with an adjustment for the intangible assets attributable to owners of the Company as at 31 December 2021 of approximately HK$2,422,000.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on the **[REDACTED]** range of HK$**[REDACTED]** per Share and HK$**[REDACTED]** per Share, respectively after deduction of the **[REDACTED]** and other related expenses paid/payable by the Company, excluding **[REDACTED]** of approximately HK$**[REDACTED]** which has been accounted for in the consolidated statements of comprehensive income up to 31 December 2021. It does not take account of any Shares which may be issued upon the exercise of

the **[REDACTED]**, any Shares which maybe issued under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this document.

3. The unaudited pro forma adjusted net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that **[REDACTED]** Shares (including the **[REDACTED]** to be effective upon the **[REDACTED]**) were in issue assuming that the **[REDACTED]** and **[REDACTED]** had been completed on 31 December 2021 without taking into account of any Shares which may be issued upon the exercise of the **[REDACTED]**, any Shares which may be issued under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares as described in the section headed "Share Capital" in this document.

   No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2021.

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 February, 2021 under the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Act**"). Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(i) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.

(ii) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 20 June 2022 with effect from the **[REDACTED]**. The following is a summary of certain provisions of the Articles:

(i) Shares

(a) Classes of shares

The share capital of our Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) 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. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

(1) increase its share capital by the creation of new shares;

(2) consolidate all or any of its capital into shares of larger amount than its existing shares;

(3) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(4) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(5) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as our Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as our Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are **[REDACTED]** on the Stock Exchange, titles to such **[REDACTED]** shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such **[REDACTED]** shares. The register of members in respect of its **[REDACTED]** shares (whether the principal register or a branch register) may be kept by recording the particulars required by section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such **[REDACTED]** shares.

The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

Our Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Our Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by our Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as our Board may reasonably require 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 registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as our Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

(e) Power of our Company to purchase its own shares

Our Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and our Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Our Board may accept the surrender for no consideration of any fully paid share.

(f) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

Our Board may from time to time make such calls 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). A call may be made payable either in one lump 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 twenty per cent. (20%) per annum as our Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but our Board may waive payment of such interest wholly or in part. Our 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 monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as our Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, our Board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, 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 our 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, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as our Board determines.

(ii) Directors

(a) Appointment, retirement and removal

At each annual general meeting, one third of our Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Our Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

Our Directors have the power to appoint any person as a Director either to fill a casual vacancy on our Board or as an addition to our existing Board. Any Director so appointed shall hold office until the next following annual general meeting of our Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of Director shall be vacated if:

(1) he resigns by notice in writing delivered to our Company;

(2) he becomes of unsound mind or dies;

(3) without special leave, he is absent from meetings of our Board for six consecutive months, and our Board resolves that his office is vacated;

(4) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(5) he is prohibited from being a director by law; or

(6) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

Our 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 our Company for such period and upon such terms as our Board may determine and our Board may revoke or terminate any of such appointments. Our Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as our Board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by our Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (1) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as our Directors may determine, or (2) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

Our Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange 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 our Company are at the disposal of our 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, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor our Board is 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 with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of our Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. Our Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Act to be exercised or done by our Company in general meeting.

(d) Borrowing powers

Our Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(e) Remuneration

The ordinary remuneration of our Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as our Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. Our Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of our Board go beyond the ordinary duties of a Director may be paid such extra remuneration as our Board may determine and such extra remuneration shall be 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 our Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

Our Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our 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 past Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependents or any class or classes of such persons.

Our Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as our Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

Our Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including Directors) of our Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than our Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, our Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by our Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(f) Compensation or payments for loss of office

Pursuant to the Articles, payments to any 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 our Director is contractually entitled) must be approved by our Company in general meeting.

(g) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

(h) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as our Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a

director, officer or member of, or from his interest in, such other company. Our Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing our Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the meeting of our Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of our Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) the giving of any security or indemnity either:-

(aaa) 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; or

(bbb) 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 himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or 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 **[REDACTED]** of the offer;

(cc) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:-

(aaa) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

(bbb) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Directors, his close associate(s) and employee(s) of the Company or any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates;

(dd) 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 or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(iii) Proceedings of the Board

Our Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. The quorum of each Board meeting shall be formed by at least two-thirds of all our Directors. 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 an additional or casting vote.

(iv) Alterations to constitutional documents and our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(v) Meetings of members

(a) Special and ordinary resolutions

A special resolution of our 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, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the 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 is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(b) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that 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.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

All shareholders have the right to speak and vote at a general meeting except where a shareholder is required, by the rules of the Stock Exchange, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings and extraordinary general meetings

Our Company must hold an annual general meeting of our Company every financial year and such general meeting must be held within six (6) months after the end of the Company's financial year, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings. Such requisition shall be made in writing to our Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by our Board for the transaction of any business or resolutions 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, our Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Board shall be reimbursed to the requisitionist(s) by our Company.

(d) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than 21 clear days. All other general meetings must be called by notice of at least 14 clear days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means. All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(1) the declaration and sanctioning of dividends;

(2) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(3) the election of Directors in place of those retiring;

(4) the appointment of auditors and other officers; and

(5) the fixing of the remuneration of the Directors and of the auditors.

(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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 or, for quorum purposes only, two persons appointed by the clearing house as authorized representative or 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 our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. 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 our Company or at a class meeting. A proxy need not be a member of our Company and is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(vi) Accounts and audit

Our Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as our 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 accounting record or book or document of our Company except as conferred by law or authorised by our Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of our Directors' report and a copy of the auditors' report, shall not less than 21 days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and our Directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and our Directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by our Company in general meeting or in such manner as the members may determine.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(vii) Dividends and other methods of distribution

Our 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 our Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

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 whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (b) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. Our Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever our Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, our Board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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 our Board may think fit.

Our Company may also upon the recommendation of our Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever our Board or our 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by our Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by our Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(viii) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by our Board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by our Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(ix) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(vi) of this Appendix.

(x) Procedures on liquidation

A resolution that our 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 our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if our Company is wound up and the assets available for distribution amongst the members as such shall be 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, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of 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 divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(xi) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by our Company and our 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

Our Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(i) Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. Our Company is 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.

(ii) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (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) the redemption and repurchase of shares (subject to the

provisions of section 37 of the 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.

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.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), 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, by special resolution reduce its share capital in any way.

(iii) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's length basis.

(iv) 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 shareholder and the Companies Act expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be

voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(v) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

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 to the company, in respect of a treasury share.

(vi) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(vii) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(viii) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (b) all sales and purchases of goods by the company; and (c) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

(ix) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(x) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(b) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

The undertaking for our Company is for a period of twenty years from 22 February 2021.

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 our 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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(xi) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(xii) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(xiii) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of our Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of our Company. They will, however, have such rights as may be set out in the Articles.

(xiv) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of 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 members, 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 of the Cayman Islands.

(xv) Register of directors and officers

Our Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register 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.

(xvi) Beneficial ownership register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares **[REDACTED]** on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of our Company are **[REDACTED]** on the Stock Exchange, our Company is not required to maintain a beneficial ownership register.

(xvii) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must 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.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(xviii) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(xix) 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 ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

(xx) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(xxi) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("**ES Act**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, our Company's special legal counsel on Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Available on Display" in Appendix V to this document. Any person wishing to have a detailed summary of Cayman Islands company law 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.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 18 February 2021. Our Company's registered office is at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 June 2021 and the principal place of business in Hong Kong is at Unit 01-02, 12/F., Tower I, Enterprise Square, No. 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong. Mr. Tsang Tik Man has been appointed as the authorised representative of our Company on 20 April 2021 for acceptance on behalf of our Company of service of process and notices required to be served on our Company in Hong Kong under the Companies Ordinance.

As our Company was incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and the constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Cayman Islands company law and certain provisions of the Articles of Association is set out in "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this document.

2. Changes in share capital of our Company

(i) As at the date of incorporation of our Company, the authorised share capital was HK$380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. On the same date, one fully-paid Share was allotted and issued to the initial subscriber and was subsequently transferred to Tai Wah.

(ii) On 4 March 2021, an aggregate of 9,999 Shares, representing an aggregate of 99.99% of the then entire issued share capital of our Company, were allotted and issued to Tai Wah.

(iii) On 23 March 2021, (a) Tai Wah transferred 499 Shares to DHQ at a total consideration of HK$21,017,880; (b) Tai Wah transferred 249 Shares to Kallo at a total consideration of HK$10,487,880; (c) our Company allotted and issued 834 new Shares to DHQ at a total subscription price of HK$35,128,080; and (d) our Company allotted and issued 308 new Shares to Kallo at a total subscription price of HK$12,972,960.

(iv) On 20 June 2022, our Shareholders resolved to increase the authorised share capital of our Company from HK$380,000 to HK$100,000,000 by the creation of an additional of 9,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects.

(v) Immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, without taking into account any Share which may be allotted and issued upon the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme, **[REDACTED]** Shares will be issued fully paid or credited as fully paid, and **[REDACTED]** Shares will remain unissued.

(vi) Other than pursuant to the general mandate to issue Shares referred to in "A. Further Information about our Company — 4. Written resolutions of our Shareholders dated 20 June 2022" in this appendix and pursuant to the Share Option Scheme, we do not have

any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(vii) Save as disclosed in this document, there has been no alteration in our Company's share capital since incorporation.

3. Changes in share capital of our subsidiaries

Our subsidiaries are listed in the Accountant's Report set out in Appendix I to this document.

Save as disclosed in "History, Reorganisation and Corporate Structure — Reorganisation" in this document, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Written resolutions of our Shareholders dated 20 June 2022

By written resolutions of our Shareholders dated 20 June 2022, the following resolutions were passed by our Shareholders, pursuant to which, among others things:

(i) our Company approved and adopted the Memorandum of Association with immediate effect and conditionally approved and adopted the Articles of Association with effect on the **[REDACTED]**;

(ii) the authorised share capital of our Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional of 9,962,000,000 Shares, each ranking *pari passu* with our Shares then in issue in all respects;

(iii) conditional on the Stock Exchange granting the **[REDACTED]** of, and permission to **[REDACTED]** in, our Shares in issue and Shares to be issued as mentioned in this document including any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** and the exercise of options which may be granted under the Share Option Scheme, and on 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 the date falling 30 days after the date of this document:

(a) the **[REDACTED]** was approved and our Directors were authorised to allot and issue the **[REDACTED]** pursuant to the **[REDACTED]** to rank *pari passu* with the then existing Shares in all respects;

(b) the **[REDACTED]** was approved and our Directors were authorised to allot and issue Shares as may be required to be allotted and issued upon the exercise of the **[REDACTED]** to rank *pari passu* with the then existing Shares in all respects;

(c) 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; and

(d) the **[REDACTED]** was approved and conditional further in the share premium account of our Company being credited with the **[REDACTED]** obtained from the **[REDACTED]**, our Directors were authorised to capitalise an amount of HK$**[REDACTED]** standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par **[REDACTED]** Shares for allotment and issuance to our Shareholder whose name appears on the register of members of our Company at close of business on 14 July 2022, each ranking *pari passu* in all respects with the them existing issued Shares, and our Directors were authorised to give effect to such **[REDACTED]**;

(iv) subject to the **[REDACTED]** becoming unconditional, a general mandate (the "**Issuing Mandate**") was given to our Directors to allot, issue and deal with, otherwise than pursuant to (a) rights issue; (b) scrip dividend scheme or similar arrangements in accordance with the Articles of Association; or (c) a specific authority granted by our Shareholders in general meeting, Shares with an aggregate number not exceeding 20% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting;

(v) subject to the **[REDACTED]** becoming unconditional, a general mandate (the "**Repurchase Mandate**") was given to our Directors, authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on 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, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme, and such mandate to remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company;

(b) the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to hold our next annual general meeting; or

(c) when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting; and

(vi) the Issuing Mandate mentioned in sub-paragraph (iv) above was extended by the addition to the total number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate number of shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in subparagraph (v) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme.

5. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the **[REDACTED]**. For details of the Reorganisation, see "History, Reorganisation and Corporate Structure — Reorganisation" in this document.

6. Repurchase of Shares by our Company

This section includes information required by the Stock Exchange to be included in this document concerning the repurchase of Shares by our Company.

(i) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own shares on the Stock Exchange subject to certain restrictions.

(a) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders dated 20 June 2022, subject to the **[REDACTED]** becoming unconditional, the Repurchase Mandate was given to our Directors, authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on 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, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held, or when the Repurchase Mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

(b) Sources of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles of Association and the laws of the Cayman Islands. A listed company may not repurchase its own shares 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.

Any repurchases by our Company may be made out of profits or share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or if authorised by the Articles and subject to the Companies Act out of capital.

(c) Core connected persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person" (as defined in the Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the company listed on the Stock Exchange.

(ii) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earning per Share and will only be made when our Directors believe that such repurchase will benefit our Company and our Shareholders as a whole.

(iii) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue after completion of the **[REDACTED]** and the **[REDACTED]**, could accordingly result in up to 10% of the total number of Shares in issue immediately following completion of the **[REDACTED]** (without taking into account any Shares which may be allotted and issued upon to the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme and **[REDACTED]** during the period in which the Repurchase Mandate remains in force.

(iv) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purposes in accordance with the Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(v) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

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 and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase 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 25% 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 core connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into 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 to the business of our Group:

(i) a sale and purchase agreement dated 4 March 2021 entered into between (a) BoardWare BVI (I) and BoardWare BVI (II) (as purchasers); (b) Mr. Chao and Ms. Chiu (as vendors); (c) BoardWare Macau; (d) Tai Wah; and (e) our Company, pursuant to which Mr. Chao and Ms. Chiu (on benefit of and as instructed by Mr. Chao), transferred and assigned their respective quotas in BoardWare Macau, being a quota of the nominal amount of MOP20,000 and a quota of the nominal amount of MOP5,000 (held by Ms. Chiu on benefit of Mr. Chao), respectively, to BoardWare BVI (I) in respect of a quota of the nominal amount of MOP20,000 and to BoardWare BVI (II) in respect of a quota of the nominal amount of MOP5,000 at a total consideration of MOP25,000, which was settled by the allotment and issuance of, credited as fully-paid, 8,610 Shares by our Company to Tai Wah;

(ii) a sale and purchase agreement dated 4 March 2021 entered into between (a) Synergy BVI (as purchaser); (b) Mr. Chao (as vendor); (c) Synergy CCL; (d) Tai Wah; and (e) our Company, pursuant to which Mr. Chao transferred 1,000,000 ordinary shares in Synergy CCL, representing the entire issued share capital of Synergy CCL, to Synergy BVI at a total consideration of HK$20,029,000, which was settled by the allotment and issuance of, credited as fully-paid, 1,389 Shares by our Company to Tai Wah;

(iii) a subscription and purchase agreement (認購及收購協議) dated 23 March 2021 entered into between DHQ, Tai Wah and our Company, pursuant to which (a) Tai Wah transferred 499 Shares to DHQ at a total consideration of HK$21,017,880; and (b) our Company allotted and issued 834 Shares to DHQ at a total subscription price of HK$35,128,080;

(iv) a subscription and purchase agreement (認購及收購協議) dated 23 March 2021 entered into between Kallo, Tai Wah and our Company, pursuant to which (a) Tai Wah transferred 249 Shares to Kallo at a total consideration of HK$10,487,880; and (b) our Company allotted and issued 308 new Shares to Kallo at a total subscription price of HK$12,972,960;

(v) the Deed of Indemnity;

(vi) **[REDACTED]**

(vii) **[REDACTED]**

2. Intellectual property rights

(i) Trademark

As at the Latest Practicable Date, our Group has registered the following trademarks which are material in relation to our business:

Trademark	Class	Registered owner	Place of registration	Trademark number	Date of registration	Expiry Date
	42	BoardWare HK	Hong Kong	305591674	13 April 2021	12 April 2031
	42	BoardWare Macau	Macau	N/181808 (357)	22 April 2021	8 October 2028
博維領創	9	BoardWare Macau	PRC	60893511	14 May 2022	13 May 2023
博維領創	35	BoardWare Macau	PRC	60909293	14 May 2022	13 May 2023
博維領創	38	BoardWare Macau	PRC	60875177	14 May 2022	13 May 2023
博維領創	42	BoardWare Macau	PRC	60883865	14 May 2022	13 May 2023

(ii) Copyrights

As at the Latest Practicable Date, our Group has registered the following copyrights which are material in relation to our business:

Copyright	Type	Registration No.	Registered owner	Place of registration	Registration Date
FileRails Document management and intelligent tracking system V2.0* (FileRails文件管理及智能跟踪系統V2.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2021SR1738643	BoardWare ZH	PRC	15 November 2021
Life E-commerce Platform system V2.8* (生活電子商務平台系統V2.8)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2021SR1738642	BoardWare ZH	PRC	15 November 2021
Private cloud service portal management system V3.0* (私有雲服務門戶管理系統V3.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2021SR1738641	BoardWare ZH	PRC	15 November 2021

Copyright	Type	Registration No.	Registered owner	Place of registration	Registration Date
Network operation and maintenance integrated management platform V1.0* (網絡運維綜合管理平臺 V1.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2021SR2161146	BoardWare ZH	PRC	27 December 2021
Threat intelligence monitoring and automatic test response system V1.0* (威脅情報監控及自動偵測回應系統 V1.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2021SR2161147	BoardWare ZH	PRC	27 December 2021
Intelligent vehicle inspection system V1.0* (智能車輛稅務巡查系統V1.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2022SR0035588	BoardWare ZH	PRC	6 January 2022
Network equipment automatic operation and maintenance system V1.0* (網絡設備自動化運維系統V1.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2022SR0035589	BoardWare ZH	PRC	6 January 2022
Vehicle tax system V1.0* (車輛稅費系統V1.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2022SR0030715	BoardWare ZH	PRC	6 January 2022
Intelligent public opinion analysis platform V1.0* (智能民生輿情分析平台V1.0)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2022SR0049999	BoardWare ZH	PRC	10 January 2022
Intelligent online takeaway app system V1.0* (智能在綫外賣app系統)	Computer software copyright registration certificate* (計算機軟件著作權登記證書)	2022SR0537444	BoardWare ZH	PRC	28 April 2022

(iii) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names:

Registrant	Domain Name	Registration Date	Expiry Date
BoardWare Macau	boardware.com	12 April 2019	28 March 2027
BoardWare Macau	boardware.com.mo	12 November 2013	12 November 2023
BoardWare HK	boardware.com.hk	7 April 2021	19 April 2031

C. FURTHER INFORMATION ABOUT THE SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

(i) Immediately following the completion of the **[REDACTED]** and the **[REDACTED]** but without taking into account any Shares to be allotted and issued upon the exercise of the **[REDACTED]** and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are **[REDACTED]** on the Stock Exchange, 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 any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case our Shares are **[REDACTED]** on the Stock Exchange, will be as follows:

(a) Interests in our Company

Name of Director	Nature of interest	Number of Shares held (L)*(Note 1)*	Approximate percentage of shareholding
Mr. Chao*(Note 2)*	Interest in controlled corporation	**[REDACTED]**	**[REDACTED]**%

Notes:

1. The letter "L" denotes the person's and/or entities' long position in our Shares.

2. These **[REDACTED]** Shares are held by Tai Wah. Tai Wah is wholly-owned by Mr. Chao. By virtue of the SFO, Mr. Chao is deemed to be interested in the Shares held by Tai Wah.

(b) Interests in associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares held (L)*(Note 1)*	Approximate percentage of shareholding
Mr. Chao	Tai Wah	Beneficial owner	1	100%

Note: The letter "L" denotes the person's and/or entities' long position in our Shares.

(ii) So far as known to our Directors and save as disclosed in this document and without taking into account any Shares to be allotted and issued upon the exercise of the **[REDACTED]** and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, the following persons (not being a Director or the chief executive of our Company) will, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** have interests or short positions in our Shares or underlying shares of our Company which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are,

directly or indirectly, interested in 10% or more of the total number of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Nature of interest	Number of Shares held (L) *(Note 1)*	Approximate percentage of shareholding
Tai Wah	Beneficial owner	**[REDACTED]**	**[REDACTED]**%
Ms. Wong Pui Fan *(Note 2)* . .	Interest of a spouse	**[REDACTED]**	**[REDACTED]**%

Notes:

1. The letter "L" denotes the person's and/or entities' long position in our Shares.

2. These **[REDACTED]** Shares are held by Tai Wah. Tai Wah is wholly-owned by Mr. Chao. By virtue of the SFO, Mr. Chao is deemed to be interested in the Shares held by Tai Wah. Ms. Wong Pui Fan is the spouse of Mr. Chao and is therefore deemed to be interested in the **[REDACTED]** Shares held by Tai Wah in which Mr. Chao is deemed to be interested by virtue of Part XV of the SFO.

2. Particulars of service agreements

Each of our executive Director has entered into a service agreement with our Company for a term of three years commencing on the **[REDACTED]**, which may be terminated in accordance with the provisions of the service agreement or by not less than three months' notice in writing service by either party on the other.

Our non-executive Director has been appointed by our Company pursuant to a letter of appointment for a term of three years commencing on the **[REDACTED]**, and renewable automatically for a successive term of two years. The said appointment is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Each of our independent non-executive Director has been appointed by our Company pursuant to a letter of appointment for a term of three years commencing on the **[REDACTED]**. The said appointment is subject to the provisions of retirement and rotation of Directors under the Articles of Association.

3. Directors' remuneration

(i) The aggregate amount of remuneration (including salaries, allowances and benefits in kind, and pension scheme contributions) paid to our Directors for FY2019, FY2020 and FY2021 was HK$5.5 million, HK$5.4 million and HK$6.2 million, respectively.

(ii) Under the arrangements currently in force, the aggregate remuneration and benefit in kind (excluding any discretionary bonus) of our Directors in respect of the year ending 31 December 2022 is estimated to be approximately HK$5 million.

(iii) There had been no arrangement under which a Director has waived or agreed to waive any remuneration for any of FY2019, FY2020 and FY2021.

(iv) The remuneration of our Directors was determined by reference to their qualification, experience, duties and responsibilities within our Group and prevailing market rate.

4. Fees or commission received

Save as disclosed in "**[REDACTED]**" in this document, none of our Directors or the experts named in "E. Other Information — 6. Qualifications of experts" in this appendix had received any agency fee or commissions from our Group within the two years preceding the date of this document.

5. Related party transactions

Details of the related party transactions are set out under Note 32 to our consolidated financial statements included in the Accountant's Report set out in Appendix I to this document. Our Directors confirmed that all related party transactions are conducted on normal commercial terms.

6. Disclaimers

Save as disclosed in this document:

(i) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) between our Directors and any member of our Group;

(ii) none of our Directors or the experts named in "E. Other Information — 6. Qualifications of experts" in this appendix has any direct or indirect interest in the promotion of, or 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, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors or the experts named in "E. Other Information — 6. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(iv) none of the persons referred to in "E. Other Information — 6. Qualifications of experts" in this appendix has any shareholding in any member of our Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(v) without taking into account any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or the chief executive of our Company) who will, immediately following completion of the **[REDACTED]**, have any interest in our Shares or underlying shares of our Company 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 interested, directly or indirectly, in 10% or more of the total number of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(vi) none of our Directors or the chief executive of our Company has any interest or short position in our Shares, underlying shares or debentures of our Company or any of the associated corporations (within the meaning of the SFO) which, once our Shares are **[REDACTED]** on the Stock Exchange, 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 any interests and short positions which will be taken or 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and

(vii) so far as is known to our Directors, as at the Latest Practicable Date, none of our Directors, their respective associates or Shareholders who are interested in more than 5% of the issued share capital of our Company had any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of our Shareholders dated 20 June 2022. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following summary does not form part of the Share Option Scheme nor should it be taken as affective the interpretation of the rules of the Share Option Scheme. For the purpose of the Share Option Scheme, references to "Board" shall mean our Board or a committee thereof appointed for the purpose of administering the Share Option Scheme; references to "Participant" shall mean any director (including executive directors, non-executive directors and independent non-executive directors) and full-time and/or part-time employees of any member of our Group; references to "Grantee" shall mean any Participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme or (where the context so permits) any person who is entitled to any such option in consequence of the death of the original Grantee, or the legal personal representative of such person.

1. Purpose

The purpose of the Share Option Scheme is to provide Participants with the opportunity to acquire proprietary interests in our Company and to encourage Participants to work towards enhancing the value of our Company and our Shares for the benefit of our Company and our Shareholders as a whole. The Share Option Scheme will provide our Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

2. Who may join

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, our Board may offer to grant an option to any Participant as our Board may in its absolute discretion select.

3. Administration

The Share Option Scheme shall be subject to the administration of our Board, and the decision of our Board shall be final and binding on all parties. Our Board shall have the right to:

(i) interpret and construe the provisions of the Share Option Scheme;

(ii) determine the persons who will be offered options under the Share Option Scheme, the number of Shares and the subscription price, subject to paragraph 6 below, in relation to such options;

(iii) subject to paragraphs 14 and 15 below, make such appropriate and equitable adjustments to the terms of the options granted under the Share Option Scheme as it deems necessary; and

(iv) make such other decisions or determinations as it shall deem appropriate in the administration of the Share Option Scheme.

4. Grant of options

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules, our Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any Participant, as our Board may in its absolute discretion select, to take up an option pursuant to which such Participant may, during the option period, subscribe for such number of Shares as our Board may determine at the subscription price. The offer shall specify the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be reached, before the option can be exercised in whole or in part, and may include at the discretion of our Board other terms imposed (or not imposed) either on a case by case basis or generally.

No offer shall be made and no option shall be granted to any Participant after inside information has come to our Company's knowledge until it has announced the information. In particular, our Company shall not grant any option 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 in accordance with the requirements of the Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to publish an accouchement of, our results for any year or half-year in accordance with the Listing Rules, or quarter-year or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement and where an option is granted to a Director:

(i) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(ii) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-yearly period up to the publication date of the results.

For the avoidance of doubt, the abovementioned period during which no option shall be granted shall include any period of delay in the publication of a results announcement.

5. Payment on acceptance of option offer

An offer shall remain open for acceptance by the Participant concerned for a period of 14 days from the date on which the letter containing the offer of the grant of option is delivered to that Participant. An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the Grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance or payment in favour of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company. Such remittance payment shall not be refundable in any circumstances.

6. Subscription price

The subscription price in respect of any particular option shall, subject to the adjustments referred to in paragraph 14 below, be such price determined by our Board in its absolute discretion and notified to the Participant in the offer at the time of grant of the relevant option and the subscription price shall not be less than the highest of (i) the closing price of our Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing prices of our Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the **[REDACTED]** of our Shares first commences on the Stock Exchange, the **[REDACTED]** of our Shares for the **[REDACTED]** shall be deemed to be the closing price for any business day falling within the period before **[REDACTED]** of our Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

7. Option period

The period within which our Shares must be taken up under an option shall be the period of time to be notified by our Board to each Grantee at the time of making an offer, which shall be determined by our Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

8. Rights are personal to Grantee

An option and an offer shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any other person over or in relation to any option held by him or any offer made to him or attempt to do so, except for the transmission of an option on the death of the Grantee to his personal representative(s) on terms of the Share Option Scheme. Any breach of the foregoing shall entitle our Company to cancel any outstanding option or part thereof granted to such Grantee without incurring any liability on the part of our Company.

9. Rights attaching to Shares allotted

Our Shares to be allotted and issued upon the exercise of an option shall be subject to all the provisions of the Memorandum of Association and Articles of Association for the time being in force and shall rank *pari passu* with the fully paid Shares in issue on the date the name of the

Grantee is registered on the register of members of our Company. Prior to the Grantee being registered on the register of members of our Company, the Grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company), in respect of our Shares to be issued upon the exercise of the option.

10. Exercise of option

Subject to the terms and conditions upon which such option was granted, an option may be exercised by the Grantee at any time during the option period, provided that:

(i) in the event that the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant for any reason other than (a) his death or (b) on one or more of the grounds of termination of employment or engagement specified in paragraph 11(vi) below, the option shall lapse on the date of cessation of such employment or engagement and not be exercisable unless our Board otherwise determines in which event the option shall be exercisable to the extent and within such period as our Board may determine. The date of cessation of employment of a Grantee (being an employee and who may or may not be a director of any member of our Group) shall be the last actual working day on which the Grantee was physically at work with our Company or the relevant subsidiary, whether salary is paid in lieu of notice or not;

(ii) in the event that the Grantee dies before exercising the option in full and none of the events for termination of employment or engagement under paragraph 11(vi) below then exists with respect to such Grantee, the personal representative(s) of the Grantee shall be entitled within a period of 12 months (or such longer period as our Board may determine) from the date of death to exercise the option up to the entitlement of such Grantee as at the date of death;

(iii) if a general offer for shares by way of voluntary offer, takeover or otherwise (other than by way of scheme of arrangement pursuant to paragraph 10(iv) below) is made to all the holders of Shares (or all such holders other than the offeror, any person controlled by the offeror and any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant option, our Company shall forthwith give notice thereof to the Grantee and the Grantee shall be entitled to exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company at any time within such period as shall be notified by our Company;

(iv) if a general offer for Share by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company;

(v) in the event a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the Grantee and the Grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and

our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option; and

(vi) in the event of a compromise or arrangement, other than a scheme of arrangement contemplated in paragraph 10(iv) above, between our Company and our members and/or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Grantees on the same day as it first gives notice of the meeting to our members and/or creditors to consider such a compromise or arrangement and the Grantee may at any time thereafter but before such time as shall be notified by our Company exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

11. Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) in the earliest of:

(i) the expiry of the option period;

(ii) the date or the expiry of the periods for exercising the option as referred to in paragraph 10 above;

(iii) subject to the scheme of arrangement (referred to in paragraph 10(iv) above) becoming effective, the expiry of the period for exercising the option as referred to in paragraph 10(iv) above;

(iv) subject to paragraph 10(v) above, the date of the commencement of the winding-up of our Company;

(v) the date on which the Grantee commits a breach of paragraph 8 above;

(vi) the date on which the Grantee (being an employee or a director of any member of our Group) ceases to be a Participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become bankrupt or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty, or on any other ground on which an employer would be entitled to terminate his employment summarily;

(vii) the date on which the Grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;

(viii) where the Grantee is an employee, director, officer or contract consultant of a member of our Group (other than our Company), the date on which such member ceases to be a subsidiary; and

(ix) unless our Board otherwise determines, and other than in the circumstances referred to in paragraph 10(i) or (ii) above, the date the Grantee ceases to be a Participant (as determined by a Board resolution) for any reason.

Transfer of employment, engagement or relationship from one member of our Group to another member of our Group will not be considered as a cessation of employment, engagement or relationship.

12. Cancellation of option

Any options granted but not exercised may be cancelled if the Grantee so agrees and new options may be granted to the Grantee provided such new options are granted within the limits prescribed by paragraph 13 below and otherwise comply with the terms of the Share Option Scheme.

13. Maximum number of Shares subject to options

(i) The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of our Shares in issue from time to time (the "**Scheme Limit**");

(ii) Our Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 10% of the aggregate of our Shares in issue on the date our Shares commence **[REDACTED]** on the Stock Exchange, which is in aggregate up to **[REDACTED]** Shares (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;

(iii) Our Company may refresh the Scheme Mandate Limit at any time subject to prior Shareholders' approval. However, the Scheme Mandate Limit as refreshed shall not exceed 10% of our Shares in issue as at the date of the aforesaid Shareholders' approval. Options previously granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled, lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the limit as refreshed. A circular must be sent to Shareholders in connection with the meeting at which their approval will be sought;

(iv) Our Company may also seek separate Shareholders' approval for granting options beyond the Scheme Mandate Limit to Participants specifically identified by our Company before the aforesaid Shareholders' meeting where such approval is sought. A circular shall be sent to Shareholders containing (among other requirements as specified

under the Listing Rules) a generic description of the identified Participants, the number and terms of the options to be granted, the purpose of granting options to the identified Participants, and how those options serve such purpose;

(v) The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12 month period shall not exceed 1% of our Shares in issue (the "**Individual Limit**"). Any further grant of options to a Participant which would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in the 12 month period up to and including the date of grant of such further options exceeding the Individual Limit shall be subject to Shareholders' approval in advance with such Participant and his close associates (or his associates if such Participant is a connected person) abstaining from voting; and

(vi) The maximum number of Shares referred to in this paragraph 13 shall be adjusted, in such manner as the auditors or the financial adviser of our Company retained for such purpose 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 14 below whether by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company, but in any event shall not exceed the Scheme Limit prescribed in paragraph 13(i) above.

14. Reorganisation of capital structure and special dividends

In the event of an alteration in the capital structure of our Company whilst any option remains exercisable whether by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of Shares, or reduction of the share capital of our Company (other than an issue of Shares as consideration in a transaction), such corresponding alterations (if any) shall be made to: (i) the number or nominal amount of Shares subject to the option so far as unexercised; or (ii) the subscription price; or (iii) the method of exercise of the option; or any combination thereof, as the auditors or a financial adviser engaged by our Company for such purpose shall, at the request of our Company, certify in writing, either generally or as regards to any particular Grantee, to be in their opinion fair and reasonable, provided that any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled, but so that no such adjustments be made to the extent that a Share would be issued at less than its nominal value.

15. Alteration of the Share Option Scheme

(i) Subject to paragraph 15(ii) below, our Board may amend any of the provisions of the Share Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions imposed by the provisions of the Share Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any Grantee at that date);

(ii) Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of the Participants, and no changes to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration of the terms of the Share Option

Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of options granted, must also, to be effective, be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules; and

(iii) Notwithstanding any approval obtained pursuant to paragraph 15(ii) above, no amendment shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such amendment except with the consent or sanction in writing of such number of Grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to the options granted under the Share Option Scheme, except where such amendment takes effect automatically under the existing terms of the Share Option Scheme.

16. Termination of the Share Option Scheme

Our Company by ordinary resolution in general meeting or our Board may at any time resolve to terminate the operation of the Share Option Scheme and in such event no further options shall be offered or granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options which are unexercised and unexpired immediately prior to the termination of the operation of the Share Option Scheme shall continue to be exercisable in accordance with their terms of issue after the termination of the Share Option Scheme.

17. Offers made to a Director, chief executive or employee who is also a substantial shareholder of our Company or any of their respective associates

Each grant of options to any Director, chief executive or substantial shareholder of our Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed Grantee of the grant of options). Where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12 month period (or such other period as may from time to time be specified by the Stock Exchange) up to and including the date of grant:

(i) representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of our Shares in issue on the date of the grant of option; and

(ii) having an aggregate value, based on the closing price of our Shares as stated in the daily quotation sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other amount as may from time to time be specified by the Stock Exchange),

such grant of options shall be subject to prior approval by our Shareholders (voting by way of poll). The Grantee, his associates and all core connected persons (as defined in the Listing Rules) of our Company shall abstain from voting at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to our Shareholders in connection therewith.

18. Conditions of Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional upon:

(i) the **[REDACTED]** granting the **[REDACTED]** of and permission to **[REDACTED]** in (a) our Shares to be issued as mentioned in this document (including any Shares which may fall to be issued upon exercise of the **[REDACTED]**) and (b) any Shares to be issued pursuant to the exercise of options under the Share Option Scheme, whether the granting of the **[REDACTED]** and permission is subject to conditions or not;

(ii) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional (including, if relevant, as a result of the waiver(s) of any conditions by the **[REDACTED]**) and not being terminated in accordance with its terms or otherwise; and

(iii) the commencement of **[REDACTED]** in our Shares on the Stock Exchange.

19. Present status of the Share Option Scheme

As at the Latest Practicable Date, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the **[REDACTED]** for the **[REDACTED]** of, and permission to **[REDACTED]** in, our 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.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Chao and Tai Wah, our Controlling Shareholders, [entered into] the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its subsidiaries) (being the document referred to in "B. Further Information about our Business — 1. Summary of material contracts" in this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, the following:

(i) taxation falling on any members of our Group resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits or gains granted, earned, accrued, received or made (or deemed to be so granted, earned, accrued, received or made) on or before the **[REDACTED]**; and

(ii) any claims, fines, penalties, payments, suits, damages, settlement payments, any associated costs and expenses (including legal costs) and losses and liabilities, and loss of profits and benefits which are or become payable or incurred or suffered by any member of our Group directly or indirectly, from or on the basis of or in connection

with any and all of the non-compliances with any applicable laws, rules or regulations by any member of our Group, provided that the same has occurred at any time on or before the **[REDACTED]**.

Consultation with professional advisers

Potential **[REDACTED]** in the **[REDACTED]** are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, purchasing, holding or disposing of or **[REDACTED]** in our Shares. None of our Company, the Sole Sponsor, the **[REDACTED]**, any of their respective directors, or any other person or party involved in the **[REDACTED]** accepts responsibility for any tax effects on, or liabilities of, any person resulting from the **[REDACTED]**, our Shares or exercise of any rights attaching to them.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group, that would have a material adverse effect on our business, results of operations or financial condition.

3. Sole Sponsor

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules. The Sole Sponsor's fees payable by us in respect of its services as sponsor for the **[REDACTED]** is approximately HK$**[REDACTED]** (excluding disbursement).

The Sole Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]** in, our Shares in issue and to be issued as mentioned herein and our Shares which may be allotted and issued upon the exercise of the **[REDACTED]** and any options granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into **[REDACTED]**.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK$35,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this document, within the two years preceding the date of this document, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the **[REDACTED]** or the related transactions described in this document.

6. Qualifications of experts

The following table sets out the qualifications of the experts who have given opinion or advice are contained in this document:

Name	Qualifications
China Tonghai Capital Limited	A corporation licensed under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan Limited	Industry consultant
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Jingtian & Gongcheng	Qualified PRC lawyers
Rato, Ling, Lei & Cortés — Advogados	Qualified Macau lawyers

None of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

7. Consents of experts

Each of the experts named in "E. Other Information — 6. Qualifications of experts" in this appendix has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and the references to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospects shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

9. Taxation of holders of Shares

(i) Hong Kong

The sale, purchase and transfer of Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged is 0.26% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits

from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profit tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would be likely to fall upon any member of our Group.

(ii) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares, provided that our Company has no interests in land in the Cayman Islands.

(iii) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of **[REDACTED]** our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the **[REDACTED]** accepts responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their **[REDACTED]** our Shares or exercise of any rights attaching to them.

10. No material adverse change

Save as disclosed in this document, our Directors confirm that there has not been any material adverse change in the financial or trading position of our Group since 31 December 2021 (being the date to which the latest audited financial statements of our Group were made up).

11. Miscellaneous

(i) Save as disclosed in this document, within two years immediately preceding the date of this document:

(a) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(c) no share or loan capital of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(ii) Save as disclosed in this document, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(iii) Save in connection with the **[REDACTED]**, none of the parties listed in "E. Other Information — 6. Qualifications of experts" in this appendix:

(a) is interested legally or beneficially in any securities in our Company or any of our subsidiaries;

(b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries; or

(c) has received any commission, discount, agency fee, brokerage or other special terms in connection with the issue or sale of any share or loan capital of any member of our Group.

(iv) The principal register of member of our Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of our Company will be maintained in Hong Kong by **[REDACTED]**. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our **[REDACTED]** and may not be lodged in the Cayman Islands.

(v) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this document.

(vi) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(vii) None of the equity or debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought from any other stock exchange.

(viii) Our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loan whether guaranteed or secured.

(ix) All necessary arrangements have been made to enable our Shares to be admitted into **[REDACTED]** for clearing and settlement.

(x) We have no outstanding convertible debt securities.

(xi) There is no arrangement under which future dividends are waived or agreed to be waived.

(xii) Our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name by our Company in conjunction with our English name does not contravene Cayman Islands laws.

12. Bilingual document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(i) a copy of the **[REDACTED]**;

(ii) the written consents referred to in "Statutory and General Information — E. Other Information — 7. Consents of experts" in Appendix IV to this document; and

(iii) copies of the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.boardware.com**) up to and including the date which is 14 days from the date of this document:

(i) the Memorandum and the Articles of Association;

(ii) the Accountant's Report prepared by PricewaterhouseCoopers, the text of which is set out in Appendix I to this document;

(iii) the report on the unaudited pro forma financial information of our Group prepared by PricewaterhouseCoopers, the text of which is set out in Section B of Appendix II to this document;

(iv) the audited consolidated financial statements of our Group for FY2019, FY2020 and FY2021;

(v) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(vi) the legal opinions prepared by Jingtian & Gongcheng in respect of certain aspects of our Group as to the PRC Law;

(vii) the legal opinions prepared by Rato, Ling, Lei & Cortés — Advogados in respect of certain aspects of our Group as to the Macau Law;

(viii) the Frost & Sullivan Report;

(ix) the material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of material contracts" in Appendix IV to this document;

(x) the written consents referred to in "Statutory and General Information — E. Other Information — 7. Consents of experts" in Appendix IV to this document;

(xi) the rules of the Share Option Scheme;

(xii) the service agreements and letters of appointment of each of our Directors referred to in "Statutory and General Information — C. Further Information about the Substantial Shareholders, Directors and Experts — 2. Particulars of service agreements" in Appendix IV to this document; and

(xiii) the Companies Act.