## FUTURE PLANS

See "Business — Our Business Strategies" for a detailed description of our future plans.

## [REDACTED]

We estimate that we will receive **[REDACTED]** of approximately HK$**[REDACTED]** (equivalent to RMB**[REDACTED]**) from the **[REDACTED]**, after deducting the **[REDACTED]** commissions and other estimated expenses payable by us in connection with the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range. We intend to use such **[REDACTED]** from the **[REDACTED]** for the purposes and in the amounts set forth below:

- **Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to RMB[REDACTED]), of the [REDACTED] from the [REDACTED] will be used to fund our capital needs and cash flow for our new projects as part of our expansion strategy;**

Our Directors consider that, which is also supported by the F&S Report that, IT solutions services providers need sufficient capital for their operations. They are usually required to pay a substantial amount of cash upfront throughout the execution of projects, such as the procurement costs of hardware, equipment and software, service costs for IT and supporting services and staff costs, whereas customers would only make payments after project completion. Under such circumstances, IT solutions services providers including us experience a mismatch of cash flow when there is a timing difference between making payments to suppliers and receiving payments from customers. Therefore, our Directors consider that, which is also supported by the F&S Report that, cash flow management and source of funding serve as common constraints for IT solutions services providers.

The effect of the above cash flow constraints is intensified by the seasonality effect of us and other market players in the PRC of similar business nature. We experience seasonal fluctuations in our operation, resulting in the tendering process and project execution starting from the second quarter and third quarter, respectively, and user acceptance tests being carried out in the fourth quarter of the corresponding year. Therefore, it is likely that the schedule of our projects will overlap with each other and thus we may not be able to rely on cash flows generated from one of our projects to finance the cash flow mismatch of our other projects during the same year and thus we would require additional financial resources as the initial working capital to invest in its projects.

Such mismatch of cash flow can be demonstrated by the difference between our average turnover days of trade receivables and our average turnover days of trade and bills payables, which became more substantial during the Track Record Period. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, our average trade receivables turnover days were 177 days, 295 days, 300 days and 2,543 days, while our average trade and bills payables turnover days were 117 days, 199 days, 140 days and 649 days, respectively for the corresponding years/period.

Going forward, as one of its business strategies, we intend to undertake more integrated IT solutions projects of larger scale in order to further enhance its reputation and drive our future growth. However, we expect that the cash flow mismatch will be intensified when undertaking larger projects. Firstly, larger-sized projects would incur larger amount of costs, which means we need to incur a larger amount of cash outflow for payment to suppliers before receiving payments from customers. Moreover, we expect the timing for receiving payment for larger-sized projects will be longer due to (i) given the enlarged scale of projects and scope of works arising therefrom, additional time is expected for the completion and certification of works as well as the internal procedures for approving settlement; and (ii) given the substantial contract sum involved, our customers, especially those which were primarily financed by government funds, may also require longer payment periods. For example, our largest project during the Track Record Period, Project R, has a payment term by instalments over a period of four years from the date of user acceptance test. Therefore, as we undertake an increasing number of sizable projects each year, we are not certain if we are able to rely on payment from customers of those projects in the preceding years to finance new projects.

During the Track Record Period, we utilised cash generated from our operations and bank borrowings to finance the project costs.

However, given that (i) there could be a substantial period between the payment of the project costs and the receipt of payment from customers; (ii) there is no assurance that our customers will pay us in a timely manner as stipulated under the relevant contracts; (iii) we have to meet the payment obligations to our suppliers in accordance with the payment terms under the relevant contracts; and (iv) we are required to incur regularly certain operating costs, such as staff costs and rental of properties, which are independent from the working schedule, we consider that we are required to reserve sufficient cash for the expenses in relation to the project costs and thus our cash position constraints the number and size of projects which we can undertake at the same time due to limited resources. Besides, we consider that financial standing especially on the working capital level is one of the major considerations of our customers during the tender assessment process. In particular, we consider that customers generally assess whether an IT solutions services provider's financial resources are sufficient to undertake new projects and manage other projects on hand during the tender assessment process, which includes whether there are sufficient financial resources to bear the project costs. Therefore, we consider that we are required to have a stronger working capital level in order to undertake additional or sizeable projects for our business expansion. As at 31 December 2022, we had cash and cash equivalents of RMB62.6 million, while our trade payables as at the corresponding date amounted to RMB46.4 million. Therefore, having in mind that we should adhere to prudent financial management to ensure sustainable growth and capital sufficiency, and taking into account the expected increase in operational cost requirements as a result of our expansion of business scale, we consider that our available cash and bank balances alone may not be sufficient to cater for funding project costs requirement under our expansion plan.

Besides, we consider that solely relying on cash flows from operating activities to finance project costs may constrain us from potential business expansion in a timely manner considering that cash flows from operating activities may not be fully and immediately available, especially taking into account the inherent seasonality effect of our business where cash flow requirements are concentrated during a particular period of the year and the expected more substantial cash flow mismatch driven by our business strategy to undertake additional sizeable projects as illustrated above. As such, we consider that if we solely rely on our future operating cash flows to finance our expansion plan, our expansion plan may be susceptible to the timing when sufficient cash can be generated, which will unavoidably prolong or delay the timing of implementation of such expansion plan. As a result, we may fail to fully capture the emerging business opportunities driven by the forecasted growth in the industry as well as our upcoming growth.

In addition, during the Track Record Period, we recorded a high level of gearing ratio, which amounted to 114.2%, 92.4%, 88.3% and 84.4% as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. The Group also recorded finance costs of RMB5.5 million, RMB8.2 million, RMB8.9 million and RMB3.0 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, respectively. In view of such high level of gearing ratio and finance costs, we are of the view that, instead of relying on our unutilised banking facilities to support our business expansion, it is more beneficial for us to use the **[REDACTED]** from the **[REDACTED]** which can provide us with additional financial resources without exposing ourselves to a higher gearing ratio that would otherwise subject ourselves to liquidity risk and the inherent risks of higher interest rate and finance costs, not to mention the additional benefits that equity financing may bring to us, such as enhanced corporate profile and brand awareness, additional way to raise funds for future business development as well as the provision of adequate funding for a full implementation of our expansion plan. Moreover, we consider that the unutilised banking facilities could rather serve as funding buffer for us to weather any material and unexpected adversities such as possible economic downturn, material adverse change in the education and government IT solutions markets or severe disasters.

Going forward, as we intend to expand our operations and further enhance our presence as an integrated IT solutions services provider in Guangxi and the PRC, undertaking more projects and/or sizeable projects with the **[REDACTED]** from the **[REDACTED]** will assist us to promote our brand and to achieve our future plans. Our Directors believe that, if our available financial resources can be strengthened, we shall be able to enhance our competitiveness and have more opportunities to participate in sizeable projects.

In this regard, we had adhered to prudent financial management to ensure capital sufficiency and thus had yet to tender for any projects on top of our current scale of operation. With reference to the gross profit margin of the our integrated IT solutions segment for the year ended 31 December 2022 of 47.7%, it is expected that the cost for each project would amount to approximately 50% of the contract sum and such amount is normally required to be paid by us before receipt of the contract sum payment from the relevant customer. Therefore, with the support of the **[REDACTED]** from the **[REDACTED]** of RMB**[REDACTED]** allocated for this purpose, we intend to tender for and finance additional projects with a total contract value of around RMB40 million, on top of our current scale of operation in the years ending 31 December 2023 and 2024. We believe that there will be sufficient market demand for us to undertake such amount of additional projects on top of our existing business scale.

Our Directors will closely monitor the tendering process and progress of projects and also the **[REDACTED]** from the **[REDACTED]** to evaluate our new and/or potential projects, if any, to ascertain our working capital needs for different projects from time to time.

- **Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to RMB[REDACTED]), of the [REDACTED] from the [REDACTED] will be used to establish and strengthen our research and development centres and recruit additional research and development staff to strengthen our research and development capabilities;**

The following table sets forth the breakdown of the estimated costs of hardware, software, equipment and accessories for establishing strengthen our research and development centres, with reference to the quotations obtained for purchasing the relevant hardware, software, equipment and accessories:

| | Number | Amount |
|---|---|---|
| | *(set)* | *RMB'000* |
| ***Shenzhen*** | | |
| **Hardware** | | |
| — Cloud servers | 5 | **[REDACTED]** |
| — Gateway load balancers | 1 | **[REDACTED]** |
| — Data centre switch | 2 | **[REDACTED]** |
| — Application switch | 2 | **[REDACTED]** |

| | Number | Amount |
|---|---|---|
| | *(set)* | *RMB'000* |
| **Software** | | |
| — Data centre management platform | 1 | **[REDACTED]** |
| — Virtualisation system | 10 | **[REDACTED]** |
| — Web resource publishing system | 1 | **[REDACTED]** |
| **Equipment** | | |
| — Computer equipment | 36 | **[REDACTED]** |
| — Projecting equipment | 1 | **[REDACTED]** |
| — Printing equipment | 2 | **[REDACTED]** |
| **Accessories** (e.g. office equipment) | — | **[REDACTED]** |
| Subtotal | | **[REDACTED]** |
| *Chengdu* | | |
| **Hardware** | | |
| — Cloud servers | 3 | **[REDACTED]** |
| — Gateway load balancers | 1 | **[REDACTED]** |
| — Data centre switch | 1 | **[REDACTED]** |
| — Application switch | 2 | **[REDACTED]** |
| **Software** | | |
| — Virtualisation system | 6 | **[REDACTED]** |
| **Equipment** | | |
| — Computer equipment | 13 | **[REDACTED]** |
| **Accessories** (e.g. office equipment) | — | **[REDACTED]** |
| Subtotal | | **[REDACTED]** |
| *Nanning* | | |
| **Hardware** | | |
| — Cloud servers | 2 | **[REDACTED]** |
| — Data centre switch | 1 | **[REDACTED]** |
| — Application switch | 1 | **[REDACTED]** |
| Subtotal | | **[REDACTED]** |
| **Total** | | **[REDACTED]** |

The following table sets forth the details of our intended recruitments of our research and development centres:

| Location | Function | Field of experience | Qualifications | Number of recruits | | Estimated range of annual salary | Total salary | |
|---|---|---|---|---|---|---|---|---|
| | | | | Year ending 31 December | | | Year ending 31 December | |
| | | | | 2023 | 2024 | | 2023 | 2024 |
| | | | | | | | *RMB million* | *RMB million* |
| Shenzhen | Head of centre | At least eight years of experience in IT solutions market | University degree or with relevant experience | 1 | — | **[REDACTED]** | [REDACTED] | [REDACTED] |
| | Senior engineer | At least five years of experience in IT solutions market | University degree or with relevant experience | 3 | — | **[REDACTED]** | [REDACTED] | [REDACTED] |
| | Engineer | At least three years of experience in IT research and development | College degree or with relevant experience | 10 | 2 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| | Product manager | At least three years of experience in IT product management | University degree or with relevant experience | 2 | — | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Chengdu | Senior engineer | At least five years of experience in IT solutions market | University degree or with relevant experience | 1 | — | **[REDACTED]** | [REDACTED] | [REDACTED] |
| | Engineer | At least four years of experience in IT research and development | College degree or with relevant experience | 5 | 1 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Total | | | | | | | [REDACTED] | [REDACTED] |

- **Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to RMB[REDACTED]), of the [REDACTED] from the [REDACTED] will be used to recruit additional staff in our sales and marketing team, project management team and technical team in support of our business expansion;**

The following table sets forth the details of our intended recruitments:

| Department | Function | Field of experience | Qualifications | Number of recruits | | Estimated range of annual salary | Total salary | |
|---|---|---|---|---|---|---|---|---|
| | | | | Year ending 31 December | | | Year ending 31 December | |
| | | | | 2023 | 2024 | | 2023 | 2024 |
| | | | | | | | *RMB million* | *RMB million* |
| Management | General manager | At least ten years of experience in corporate management | University degree or with relevant experience | 1 | — | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Sales and marketing | Sales manager | At least five years of experience in sales and marketing | University degree or with relevant experience | 5 | 1 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Project management | Pre-sales engineer | At least five years of experience in project management | University degree or with relevant experience | 3 | 1 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Project management | Project manager | At least five years of experience in sales and marketing | University degree or with relevant experience | 4 | 1 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Technical | Internet maintenance engineer | At least six years of experience in internet maintenance | University degree or with relevant experience | — | 1 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Technical | After-sales technician | At least three years of experience in after sales maintenance | University degree or with relevant experience | — | 1 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Finance | Finance manager | At least eight years of experience in financing | University degree or with relevant experience | — | 1 | **[REDACTED]** | [REDACTED] | [REDACTED] |
| Total | | | | | | | [REDACTED] | [REDACTED] |

- **Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to RMB[REDACTED]), of the [REDACTED] from the [REDACTED] will be used to upgrade our IT infrastructure including (i) upgrading and optimising our existing IT infrastructure including hardware and software which encompass functions of data storage, electronic documentation, communication technology network, computer systems and information security to enable us to effectively monitor and control our operations and (ii) setting up interactive information kiosks in our offices which will serve as direct access points to allow our existing and/or potential local customers to gain first-hand experience in the usage and functionality of our IT solutions services and products offered by us;**

The following table sets forth the breakdown of the estimated costs of hardware and equipment, software and accessories to be acquired, with reference to the quotations obtained for purchasing the relevant hardware, software, equipment and accessories:

| | Number | Amount |
|---|---|---|
| | *(set)* | *RMB'000* |
| **Hardware and equipment** | | |
| — Computer equipment | 39 | **[REDACTED]** |
| — Projecting equipment | 5 | **[REDACTED]** |
| — Printing equipment | 14 | **[REDACTED]** |
| **Software** | | |
| — Centralised server room monitoring and managing system | 3 | **[REDACTED]** |
| **Accessories** (e.g. office equipment) | — | **[REDACTED]** |
| **Interactive information kiosks** | | |
| — Product displaying equipment (e.g. audio equipment, cabling equipment, network equipment) | — | **[REDACTED]** |
| — Display system | — | **[REDACTED]** |
| **Total** | | **[REDACTED]** |

- **Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to RMB[REDACTED]), of the [REDACTED] from the [REDACTED] will be used to optimise our capital structure and improve our liquidity profile by repaying part of our bank borrowings; and**

As at 30 June 2023, we had bank and other loans of RMB153.9 million. We intend to use **[REDACTED]** to repay all or part of the following loans, which were used for our working capital requirements:

| **Lending bank** | **Amount** | **Effective interest rate per annum** | **Due date** | **Amount expected to be repaid by the [REDACTED]** |
|---|---|---|---|---|
| | *RMB'000* | % | | *RMB'000* |
| Guilin Bank Nanning Branch . . . . . . . | **[REDACTED]** | 7% | 26/09/2023 | **[REDACTED]** |
| China Guangfa Bank Nanning Branch | **[REDACTED]** | 2.52% | 30/10/2023 | **[REDACTED]** |
| | | | | **[REDACTED]** |

- **The remaining balance of approximately [REDACTED]%, or HK$[REDACTED] (equivalent to RMB[REDACTED]), of the [REDACTED] from the [REDACTED] will be used for working capital and general corporate purposes.**

If the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share, being the high-end of the indicative **[REDACTED]** range, and given that the **[REDACTED]** is not exercised, we will receive additional **[REDACTED]** of HK$**[REDACTED]**. If the **[REDACTED]** is fixed at HK$**[REDACTED]** per Share, being the low-end of the indicative **[REDACTED]** range, and given that the **[REDACTED]** is not exercised, the **[REDACTED]** we receive will be reduced by HK$**[REDACTED]**. In such events, we intend to apply the additional amounts to, or reduce the amounts allocated to the above uses on a pro rata basis.

If the **[REDACTED]** is exercised in full, we estimate that the additional **[REDACTED]** from the **[REDACTED]** of these additional Shares will be HK$**[REDACTED]**, after deducting the **[REDACTED]** commissions and other estimated expenses payable by us in connection with the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range. We intend to use such additional **[REDACTED]** for the above uses on a pro rata basis.

To the extent that the **[REDACTED]** from the **[REDACTED]** are not immediately applied to the above purposes, we will only deposit such **[REDACTED]** into short-term interest-bearing bank deposits with licensed banks (as defined under the SFO or other applicable laws and regulations in the PRC).

We will issue an appropriate announcement if there is any material change in the aforementioned **[REDACTED]**.

## REASONS FOR THE [REDACTED]

The followings are our main purposes for seeking the **[REDACTED]**:

- **[REDACTED]** provides us with additional access of equity funding by means of the issuance of new Shares. Our Directors believe that a combination of equity financing, debt financing and internal resources will provide a suitable capital structure to support our long term growth. Our operating cash flow mainly comprised of cash received from our customers net of operating expenses paid. Accordingly, we believe that external financings are beneficial to our future expansion plans as detailed in "Business — Our Business Strategies". Despite the cost of equity funding by way of the **[REDACTED]** after taking into account the **[REDACTED]** expenses might not be lower than debt financing, our Directors considered that:

  — the **[REDACTED]** will broaden our capital base and provide a platform for us to raise fund, on a recurring basis which is not limited to the amount of **[REDACTED]** to be raised in the **[REDACTED]**, to finance our future business expansion and long-term development;

  — equity financing is a more feasible fund raising method than debt financing to finance our long term future plans because financial institutions might request a significant amount of deposits, securities and properties to be pledged as a condition for obtaining debt financing. We may be subject to various covenants contained in relevant debt instruments that may restrict us from obtaining additional financing, conducting our business activities and distributing dividends;

— interest expenses will be incurred when we pursue debt financing exercise which will affect our financial performance. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, our finance costs amounted to RMB5.5 million, RMB8.2 million, RMB8.9 million and RMB3.0 million, respectively; and

— the use of equity financing to finance our long term expansion plan would be a better alternative than debt financing to optimise our long term capital structure. As at 31 December 2020, 2021 and 2022 and 30 April 2023, our bank and other loans amounted to RMB86.1 million, RMB120.2 million, RMB157.9 million and RMB136.8 million, respectively. As our debt level increases, the cash outflow to repay principal and interest, and in turns the risk of bankruptcy will increase, leading to increasing implicit cost of financing from debt financing. As such, financial institutions will require higher interest rate for any new debt sought by us. As a result, the overall cost of debt, and in turns the average cost of capital will increase. Accordingly, despite none of our currently available cash on hand and unutilised banking facilities are restricted in their usage or have been earmarked for designated purpose, we do not intend to use our unutilised banking facilities to finance our expansion plans in light of our existing gearing ratio.

In addition, it is our intention to minimise connected transactions and related party transactions in order to achieve operational and financial independence from our Controlling Shareholders, executive Directors and their respective associates and to attain sustainable growth. Our Directors consider that a group of private companies, our Company, without a **[REDACTED]** status, would be difficult to obtain bank borrowings with commercially acceptable terms without guarantees to be provided by the Controlling Shareholders. However, continuous reliance on our Controlling Shareholders, executive Directors and their respective associates for any form of financial assistance is a great hindrance to us in achieving financial independence. Our Directors therefore consider that it would not be in our interest to rely on debt financing that involve personal guarantees and/or collaterals provided by our Controlling Shareholders, executive Directors and their respective associates and advance from our Controlling Shareholders;

- providing a platform for us to access the capital markets for future secondary fund-raising through either (i) the issuance of shares or (ii) for debt securities, depending on the prevailing market condition at the time of capital needs. It can also provide additional funding sources to cater for our further expansion plans (other than those future plans stated in this document) and when opportunities arise. Furthermore, the ability to obtain bank financing is generally easier with a **[REDACTED]** as compared to a private entity and our Directors believe that a **[REDACTED]** status will allow us to gain leverage in obtaining bank financing with relatively more favourable terms in the PRC and Hong Kong, in which the latter in general has a lower interest rate than in the PRC;

- broadening our shareholder base and enhancing the liquidity of the Shares, as compared to the limited liquidity of the Shares that are privately held before the **[REDACTED]**;

- by way of the **[REDACTED]**, we can elevate our corporate image and status and provide reassurance and confidence to our customers and suppliers, which in turn provides a stronger bargaining position when exploring new business opportunities with our customers and suppliers; and

- enhancing employee incentive and commitment. As an integrated IT solutions services provider, experienced and quality staff are vital to our business operations and future development, being a **[REDACTED]** can help to attract, recruit and retain our valued management personnel, employees and skilled professionals to provide additional incentive. To this end, we have also put in place the Share Option Scheme for our employees in order to attract and retain talents. See "Statutory and General Information — D. Share Option Scheme" in Appendix IV to this document for a summary of principal terms of the scheme.