You should read this section in conjunction with our Group's consolidated financial statements, including the notes thereto, included in the Accountants' Report set out in Appendix I to this document. Our Group's consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by our Group in light of our Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, where actual outcomes and developments will meet our Group's expectations and projections depend on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk Factors" in this document.

OVERVIEW

We are an integrated IT solution services provider in the education and government IT solutions market in Guangxi with an operating history of over 20 years. Leveraging advanced technologies such as big data analytics, IoT, cloud computing and AI, we primarily focus on the provision of customised integrated IT solutions services to customers in the education sector for the purpose of smart campus development.

During the Track Record Period, we derived our revenue from (i) the provision of integrated IT solutions services where we assess our customers' needs and their existing IT environment, and design IT solutions for our customers. It involves development of customised software or procurement of third-party software, and its implementation with hardware products; (ii) sales of hardware and/or software where we advise our customers on the suitable hardware and software that their IT environment would require and procure the relevant hardware and software products; and (iii) standalone IT services. Our contracts for the provision of integrated IT solutions services are obtained on a project basis. We may engage certain ancillary service providers for fitting-out services and cabling works to avoid incurring extra cost for employing a large number of staff or specialised technicians and thereby increase our operating efficiency. The majority of our revenue was generated from provision of integrated IT solutions services which accounted for 91.5%, 83.9%, 81.6% and 57.6% of our total revenue for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, respectively. Our revenue remained relatively stable at RMB207.1 million and RMB201.7 million for the years ended 31 December 2020 and

2021, respectively. Our revenue then increased by RMB41.6 million or 20.6% from RMB201.7 million for the year ended 31 December 2021 to RMB243.3 million for the year ended 31 December 2022. Our revenue increased by RMB0.6 million or 7.5% from RMB8.0 million for the four months ended 30 April 2022 to RMB8.6 million for the four months ended 30 April 2023.

Our profit for the year increased from RMB39.4 million for the year ended 31 December 2020 to RMB46.3 million for the year ended 31 December 2021, and further increased to RMB49.1 million for the year ended 31 December 2022, representing a CAGR of 11.6%. Our loss for the period decreased by RMB2.8 million or 14.2% from RMB19.7 million for the four months ended 30 April 2022 to RMB16.9 million for the four months ended 30 April 2023.

The insignificant amount of revenue recorded for the four months as compared with the full year, and the net losses recorded for the four months ended 30 April 2022 and 30 April 2023 were primarily due to the seasonality effect on our business operations.

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 set out below:

Government policy on education IT solutions in China

Our business and results of operations are affected by general factors affecting the industries we operate in. Such general factors include China's economic growth, the rate of education informatisation, changing government policies and government spending on education. The IT solutions market for IT technologies, such as big data analytics, IoT, cloud computing and AI, have a relatively short history and have experienced rapid growth in recent years. Our customers, who were primarily financed by government funds, may reduce their spending on IT solutions due to limitation in public expenditure. See "Risk Factors — Risks Relating to Our Business and Industry — Changes in government policies would affect the demand of our services and products and create uncertainty as to our future revenue streams". In addition, our business and results of operations are also affected by government policies and regulations applicable to our industries. For example, the PRC Government has promoted favourable policies to support the development of the education informatisation. We believe we are uniquely positioned to benefit from such industry trends and regulatory changes.

Seasonality

During the Track Record Period, our customers were mainly education institutions, and many of which were primarily financed by government funds. These customers usually adopt a pre-approval management system and centralised procurement system, with the annual budget and procurement plan formulated and design of tendering scheme carried out at the beginning of each year, followed by tendering process starting from the second quarter of the year. For integrated IT solutions services provided to education institutions, as our project execution generally involving installation of hardware and data transfer in various campuses which may disrupt the normal operation of the education institutions, project execution generally starts around the summer breaks of education institutions in the third quarter of the year and to minimise such disruption. Our projects are normally completed within approximately one to three month(s). After the project execution are completed, user acceptance tests are carried out and normally completed in the fourth quarter of the year.

Since a majority of our revenue derived from integrated IT solutions services is recognised upon the user acceptance tests are passed, and a majority of our revenue was derived from integrated IT solutions services during the Track Record Period, a majority of our revenue is recognised during the fourth quarter of the year. There is no assurance that project completion, acceptance and settlement will not be delayed, which may lead to an adverse impact on our financial performance and financial position. As a result of such seasonality effect, we also generally recorded a less significant amount of outstanding contract value of our integrated IT solutions services projects as at the beginning of the year during the Track Record Period, given that a substantial number of projects would normally be completed in the fourth quarter of the preceding year, while the projects for the upcoming year would normally be awarded in the second half of the year. As at 1 January 2020, 2021 and 2022, the outstanding contract value of our integrated IT solutions services projects only amounted to RMB13.4 million, RMB19.1 million and RMB6.6 million, respectively, whereas we recorded revenue of RMB189.5 million, RMB169.3 million and RMB198.5 million from our integrated IT solutions services projects for the years end 31 December 2020, 2021 and 2022, respectively.

Our cash flow was also affected by such seasonality effect during the Track Record Period. We generally receive payment from customers after user acceptance tests of the projects and incur cash payment upfront throughout the execution of projects, such as for the procurement of hardware, equipment and software, service costs for IT and supporting services and staff costs. As project execution starts from the third quarter of the year and the user acceptance tests are carried out in the fourth quarter of the corresponding year, we normally record net cash outflow from operating activities during the first three quarters of the year. For the four months ended 30 April 2022 and 2023, we had net cash outflow from operating activities of RMB24.4 million and RMB31.6 million, respectively.

Accordingly, various aspects of our results of operations, including revenue, trade receivables, working capital and operating cashflow, are exposed to the seasonal fluctuations in demand for our services. Our Directors will continue to expand integrated IT solution services, sales or hardware and/or software and standalone IT services in the first three quarters of a year in order to make our revenue less concentrated in the fourth quarter in a year.

Pricing policy

We generally determine the prices of our services and products on a cost-plus basis with reference to the following factors: (i) types of services provided; (ii) complexity of the project; (iii) prevailing market rates of similar services or products offered by our competitors; (iv) payment terms; (v) cost; and (vi) track record and relationship with our customers.

In particular, we continuously keep ourselves abreast of changes in the prevailing market rates of similar services or products and adjust our pricing policy in a timely manner. At the beginning stage of our new services or products, we may offer a more competitive price than the prevailing market rates of similar services or products offered by our competitors in order to increase the penetration rate of our new services or products in the market. We shall keep refining and upgrading the products after receiving feedbacks from our customers and we may then adjust the price of the services or products to increase our profitability.

Ability to manage costs and expenses

Our ability to manage and control our costs and expenses, particularly our procurement cost of the relevant hardware and software for our integrated IT solutions services and sales of hardware and software is a major component of our cost of sales. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, our procurement cost for the relevant hardware and software accounted for 84.0%, 73.9% and 89.5%, 86.4% and 94.5% of our cost of sales respectively. Any fluctuation in the procurement cost of the relevant hardware and software and our ability to pass such cost escalations to our customers may affect our profitability.

The procurement cost of the relevant hardware and software is typically subject to volatility caused by external conditions such as market supply and demand. As a result, we are exposed to the market risk of price fluctuation. Any unexpected increases in market prices of the hardware and software may have a material and adverse effect on our business, results of operations and financial condition if we are unable to transfer the increased procurement cost to our customers.

For demonstration purpose, the following sensitivity analysis illustrates the impacts of hypothetical fluctuations of our procurement cost of the relevant hardware and software 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 5% and 10% for procurement cost of the relevant hardware and software in performing the below sensitivity analysis. Our Directors confirm that the below hypothetical fluctuations in our procurement cost for hardware and software commensurate with the historical fluctuations during the Track Record Period.

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	Change in gross profit margin	Change in profit before tax	Change in gross profit margin	Change in profit before tax	Change in gross profit margin	Change in profit before tax	Chang in gross profit margin	Change in profit before tax	Change in gross profit margin	Change in profit before tax
		RMB'000		*RMB'000*		*RMB'000*		*RMB'000*		*RMB'000*
Change in procurement cost for hardware and software										
+/-5%	-/+2.7%	-/+5,529	-/+1.9%	-/+3,801	-/+2.6%	-/+6,205	-/+3.6%	-/+289	-/+3.8%	-/+330
+/-10%	-/+5.3%	-/+11,059	-/+3.8%	-/+7,601	-/+5.1%	-/+12,409	-/+7.2%	-/+577	-/+7.6%	-/+660

[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 the actual effect.

Our ability to keep up with rapid changes in technological advancements

Our results of operations and long-term growth prospects will depend on our ability to develop and improve our integrated IT solutions services and we are determined to continuously make significant investments in our research and development activities. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, our research and development expenses amounted to RMB6.7 million, RMB6.9 million, RMB5.7 million, RMB3.1 million and RMB1.4 million, respectively. We will continue to strengthen our research and development capability and invest in building and maintaining a dedicated and experienced research and development team. See "Business — Our Business Strategies" for further details regarding our research and development initiatives. Such initiatives may increase our research and development expenses and impact our results of operations.

The risk of uncertainty and potential volatility with respect to our project-based revenue

We provide integrated IT solutions services to our customers on a project basis which is non-recurring in nature. Our customers may further engage us to provide standalone IT services such as technical and maintenance services for the IT solutions that we completed after the expiry of the original warranty period. However, we cannot guarantee that our customers will engage us for continuous IT services or continue to provide us with new businesses. In general, we do not have long-term contracts with our customers, which creates uncertainty to our future revenue streams. Our business and future revenue will be likely adversely affected if we are unable to secure new engagements with our customers or our existing customers do not continue to engage us.

It is also difficult to forecast future purchases of our customers as we provide customised integrated IT solutions services to meet the specific needs of our customers on a project basis. The contract sum is determined by various factors including but not limited to the complexity of the integrated IT solutions, technical specification requirements on hardware and software and the duration of the integrated IT solutions project. As such, the revenue generated from each customer varies for each contract. There is no assurance that there are future engagements with contract sum comparable with the engagements during the Track Record Period. As such, our financial performance is uncertain and may therefore fluctuate from year to year.

Credit risks of our outstanding trade receivables and increasing trade receivables turnover days during the Track Record Period

Our financial performance is subject to the risk of payment deferrals and/or defaults by our customers. We are normally required to make prepayments for costs associated with a project, primarily the procurement costs of hardware and software, before user acceptance tests and receiving payments from our customers.

We typically grant our customers a credit period of 30 days from the date of billing after the receipt of forms of acceptance from our customers. Our customers are mainly education institutions and normally have longer internal payment and settlement processes of which may also be affected by the school holidays, which have led to a longer payment cycle of such customers. As at 31 December 2020, 2021 and 2022 and 30 April 2023, our trade receivables aged more than 30 days amounted to RMB27.1 million, RMB105.7 million, RMB85.1 million and RMB164.0 million, respectively, representing 21.8%, 52.6%, 42.8% and 97.9% of our trade receivables as at the same dates, respectively. Our trade receivables turnover days for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023 were 177 days, 295 days, 300 days and 2,543 days, respectively. As at 31 December 2020, 2021 and 2022 and 30 April 2023, we recorded loss allowance on trade receivables of RMB9.2 million, RMB10.2 million, RMB18.5

million and RMB25.1 million, respectively. We are also exposed to credit risk to significant individual customers. As at 31 December 2020, 2021 and 2022 and 30 April 2023, 44.0%, 45.8%, 38.5% and 2.2% of the total trade receivables and contract assets, respectively, were due from our largest customer, and 52.7%, 61.6%, 50.6% and 2.9% of the total trade receivables and contract assets, respectively, were due from the top five largest customers. For more details, see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade and Other Receivables".

As such, we are exposed to the risk that customers may delay or even be unable to pay upon completion of projects. These may put our cash flow and working capital under pressure. If we fail to receive such outstanding amounts from customers in full amounts or in a timely manner, or at all, our financial conditions will be materially and adversely affected.

BASIS OF PRESENTATION

Our consolidated financial information has been prepared in accordance with all applicable HKFRSs, which comprise all applicable standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing our consolidated financial information, the Group has adopted all applicable new and revised HKFRSs consistently throughout the Track Record Period. See Note 1 to the Accountants' Report in Appendix I to this document.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ESTIMATES AND JUDGEMENTS

We have identified certain accounting policies that are material to the preparation of our Group's financial information. Our material accounting policies, accounting judgements and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 2 and Note 3 of the Accountants' Report set out in Appendix I to this document, respectively. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future periods. When reviewing our financial information, you should consider: (i) our selection of accounting policies; and (ii) the results to changes in conditions and assumptions. We believe the material accounting policies of "impairment of trade receivables and contract assets", "recoverability of development costs", "recognition of deferred tax assets", "fair value measurement of convertible bond" and "fair value measurement of FVOCI" as set forth in details in Note 2 and Note 3 to the Accountants' Report in Appendix I to this document, are critical and involve the most significant estimates and judgement used in the preparation of our financial statements.

RESULTS OF OPERATIONS

The following table summarises the consolidated statements of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document.

	Years ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue	207,074	201,742	243,255	7,996	8,641
Cost of sales	(131,701)	(102,863)	(138,624)	(6,682)	(6,988)
Gross profit	75,373	98,879	104,631	1,314	1,653
Other net income	5,130	4,839	3,955	1,313	2,336
Selling expenses	(4,633)	(7,928)	(6,828)	(1,603)	(2,342)
Administrative expenses	(19,783)	(25,802)	(30,818)	(18,254)	17,164
Research and development expenses	(6,668)	(6,863)	(5,748)	(3,075)	(1,378)
Profit/(loss) from operations	49,419	63,125	65,192	(20,305)	(16,895)
Finance costs	(5,514)	(8,180)	(8,907)	(2,834)	(2,952)
Share of profit/(loss) of an associate	929	(131)	—	—	—
Share of loss of a joint venture	—	(33)	(88)	(66)	(14)
Profit/(loss) before taxation	44,834	54,781	56,197	(23,205)	(19,861)
Income tax	(5,396)	(8,498)	(7,141)	3,463	2,977
Profit/(loss) for the year/period	39,438	46,283	49,056	(19,742)	(16,884)
Attributable to:					
Equity shareholders of the company	39,438	45,978	48,774	(19,502)	(16,676)
Non-controlling interests	—	305	282	(240)	(208)
Profit/(loss) for the year/period	39,438	46,283	49,056	(19,742)	(16,884)
Other comprehensive income for the year/period					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of operations outside the mainland China	—*	117	(936)	(345)	159
Total comprehensive income for the year/period	39,438	46,400	48,120	(20,087)	(16,725)

	Years ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Attributable to:					
Equity shareholders of the company	39,438	46,095	47,838	(19,847)	(16,517)
Non-controlling interests	—	305	282	(240)	(208)
Total comprehensive income for the year/period	39,438	46,400	48,120	(20,087)	(16,725)

* This balance represents any amount of less than RMB500.

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our revenue is generated from (i) integrated IT solutions services, (ii) sales of hardware and/or software, and (iii) standalone IT services. We recognise our revenue at a point in time or over time by performance obligations in accordance with the contracts with customers. For the provision of integrated IT solution services, with reference to the charges of goods and services as respectively stated in the relevant contracts, revenue related to sales of goods is recognised when the goods are accepted by customers (i.e. at a point in time), while revenue related to provision of service is recognised when the services are provided (i.e. overtime). For the sales of hardware and/or software, revenue is recognised when the customer takes possession of and accepts the hardware and/or receives the licences to use the software (i.e. at a point in time). For standalone IT services, revenue from warranty contract is recognised over the term of the warranty (i.e. over time), while revenue from other information technology service, which is one-off in nature, is recognised when the service is accepted by the customers (i.e. at a point in time).

Our revenue is recognised either on gross or net basis. When determining whether the revenue should be recognised on gross or net basis, it would depend on an assessment of whether we act as an agent or as a principal in the contract. If we are regarded as an agent pursuant to the relevant accounting standards and polices, the net amount retained is recognised as revenue — i.e. the difference between the amount we receive from our customers for providing the products/services and the amount that we pay to our suppliers to supply products/services. Several factors would be taken into consideration for the principal-agent assessment, including but not limited to whether we are primarily responsible for fulfilling the commitment to provide the products/services, whether we have inventory risk before and after the products/services have been transferred to our customers and whether we have any discretion in establishing the price for the products/services.

The following table sets forth the breakdown of our revenue by operating segment for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Integrated IT solutions services	189,485	91.5	169,337	83.9	198,491	81.6	1,690	21.1	4,976	57.6
Sales of hardware and/or software	12,225	5.9	26,834	13.3	40,980	16.8	5,662	70.8	2,924	33.8
Standalone IT services	5,364	2.6	5,571	2.8	3,784	1.6	644	8.1	741	8.6
Total	207,074	100.0	201,742	100.0	243,255	100.0	7,996	100.0	8,641	100.0

Integrated IT solutions services

Our integrated IT solutions services mainly involves (i) the assessment on customer's needs and their existing IT environment and the design of IT solutions; (ii) the development of solution based software and/or its implementation with hardware products; and (iii) provision of technical and maintenance supporting services. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, our provision of integrated IT solutions services amounted to RMB189.5 million, RMB169.3 million, RMB198.5 million, RMB1.7 million and RMB5.0 million, respectively, representing 91.5%, 83.9%, 81.6%, 21.1% and 57.6% of our total revenue during the respective years/periods. The smaller revenue contribution from this segment for the four months ended 30 April 2022 and 2023 was mainly due to the seasonality effects of this segment. For the year ended 31 December 2021, our revenue generated from integrated IT solutions services decreased mainly because (i) the number of projects tendered and accepted in the education sector decreased as a result of the devotion of our significant resource in the increased workload in the government sector during the year which was led by the business opportunities given by customer F-1 arisen at the material time; and (ii) a larger portion of revenue derived from the government sector was recognised on net basis under the Customer F-1 Tripartite Agreements as we acted as an agent for the sales of software on behalf of the third-party software suppliers to Customer F-1 during the year. See "Business — Tripartite agreements — Customer F-1 Tripartite Agreements" for details. Our revenue generated from integrated IT solutions services then increased by 17.2% to RMB198.5 million for the year ended 31 December 2022, primarily attributable to a smaller portion of revenue recognised from the Customer F-1 Tripartite Agreements which was recognised on net basis and the increase in market size of the education IT solutions industry in Guangxi, resulting in an increase in number and contract value of projects available and awarded to us during the year ended 31 December 2022. Our revenue generated from integrated IT solutions services increased by 194.1% from RMB1.7 million for the four months ended 30 April 2022 to RMB5.0 million for the four months ended 30 April 2023, mainly because we secured a new project from a customer in the education sector being an end user in late 2022 who contributed revenue of RMB4.4 million for the period ("**Project U**").

During the Track Record Period, there were a total of five Customer F-1 Tripartite Agreements with total contract value (including VAT) of RMB116.9 million which were mainly for the provision of IT solutions services to Customer F-1 including (i) provision of IT service; and (ii) sales of software on behalf of third-party suppliers. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, the revenue generated under the Customer F-1 Tripartite Agreements amounted to RMB8.6 million, RMB13.3 million, RMB0.8 million, RMB0.1 million and RMB41,000, respectively. In particular, some of the relevant revenue was recognised on net basis as we acted as an agent for the sales of software on behalf of the third-party software suppliers to Customer F-1 and such revenue amounted to RMB4.4 million, RMB5.1 million, RMB0.5 million, nil and nil for the corresponding years/periods.

The following table sets forth a breakdown of revenue of our integrated IT solutions projects by whether or not our self-developed products were involved for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Integrated IT solutions projects										
— our self-developed products involved (Note)	22,159	11.7	37,566	22.2	26,855	13.5	—	—	376	7.6
— our self-developed products not involved	167,326	88.3	131,771	77.8	171,636	86.5	1,690	100.0	4,600	92.4
Total	189,485	100.0	169,337	100.0	198,491	100.0	1,690	100.0	4,976	100.0

Note: A project is regarded to have our self-developed products involved if our self-developed products in the project contribute more than 50% of the total revenue of software sold within the project. Such threshold on the level of involvement was determined by our management with reference to their industry knowledge and experience.

Sales of hardware and/or software

Sales of hardware and/or software mainly represented sourcing and procurement of hardware for our customers or sales of our self-developed software to our customers on a standalone basis. During the Track Record Period, our revenue generated from sales of hardware and/or software amounted to RMB12.2 million, RMB26.8 million, RMB41.0 million, RMB5.7 million and RMB2.9 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, representing 5.9%, 13.3%, 16.8%, 70.8% and 33.8% of our total revenue during the respective years/periods. The increase in our revenue from sales of hardware and/or software continuously increased during the three years ended 31 December 2022, which was incidental to our increased market presence as a result of our business expansion in our integrated IT solutions services business, which is our main business, and our continuous marketing effort under the expanding market backdrop. As a result, we have secured orders from new customers in 2021 and 2022 for sales of hardware and/or software. In particular, the increase in our revenue from sales of hardware and/or software for the year ended 31 December 2021 was also due to (i) the expansion of distribution channel to industry related online procurement platforms for the sales of hardware; and (ii) the increase in sales of self-developed software during the year, as a result of our continuous research and development effort. Our revenue from sales of hardware and/or software decreased by 49.1% from RMB5.7 million for the four months ended 30 April 2022 to RMB2.9 million for the four months ended 30 April 2023, primarily due to the absence of contracts with contract sum of over RMB2.0 million in the four months ended 30 April 2023, as opposed to there being two contracts with such contract sum for the corresponding period in the preceding year.

Standalone IT services

Standalone IT services mainly represented the provision of IT implementation services, maintenance and/or support services on our customers' IT system on a standalone basis. Our revenue generated from standalone IT services amounted to RMB5.4 million, RMB5.6 million, RMB3.8 million, RMB0.6 million and RMB0.7 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, representing 2.6%, 2.8%, 1.6%, 8.1% and 8.6% of our total revenue during the respective years/periods. The revenue generated from standalone IT services remained relatively stable for the year ended 31 December 2021. Our revenue generated from standalone IT services then decreased by 32.1% from RMB5.6 million for the year ended 31 December 2021 to RMB3.8 million for the year ended 31 December 2022, mainly because several warranty contracts in 2022 were entered into close to the year end, where the revenue is recognised over the term of the warranty which goes beyond 2022. Our revenue generated from standalone IT services remained relatively stable at RMB0.6 million and RMB0.7 million for the four months ended 30 April 2022 and 2023, respectively.

Revenue by types of customers

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

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
End users	118,632	57.3	99,662	49.4	188,333	77.4	2,275	28.5	5,914	68.4
IT services providers	88,442	42.7	102,080	50.6	54,922	22.6	5,721	71.5	2,727	31.6
Total	207,074	100.0	201,742	100.0	243,255	100.0	7,996	100.0	8,641	100.0

Our customers are mainly divided into two categories, namely (i) end users and (ii) IT services providers. IT services providers are generally customers which (i) may assign us all or part of their project works to the end users by engaging us for the provision of integrated IT solutions services; or (ii) purchase hardware and software and standalone IT services from us while end users include mainly include education institutions and government authorities.

During the Track Record Period, our revenue derived from end users amounted to RMB118.6 million, RMB99.7 million, RMB188.3 million, RMB2.3 million and RMB5.9 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, representing 57.3%, 49.4%, 77.4%, 28.5% and 68.4% of our total revenue during the respective year/period. The decrease in revenue from end users for the year ended 31 December 2021 was primarily attributable to the decreased number of projects tendered and accepted in relation to services provided to end users, after taking into account our capacity at the material time, as we undertook projects secured from Customer F-1 who is an IT services provider, which resulted in an increase in workload and devotion of our significant resource in providing services to IT services providers during the year. The increase in revenue from end users for the year ended 31 December 2022 was mainly due to our continuous effort in expanding our market share in the education IT solutions market under the expanding market backdrop, thereby securing integrated IT solutions projects with larger contract sum from end users in the education sector. The increase in revenue from end users by 156.5% from RMB2.3 million for the four months ended 30 April 2022 to RMB5.9 million for the four months ended 30 April 2023 was mainly because of Project U as mentioned above.

During the Track Record Period, our revenue derived from IT services providers amounted to RMB88.4 million, RMB102.1 million, RMB54.9 million, RMB5.7 million and RMB2.7 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, representing 42.7%, 50.6%, 22.6%, 71.5% and 31.6% of our total revenue during the respective years/periods. The increase in revenue derived from IT services providers for the year ended 31 December 2021 was mainly due to the increase in revenue generated from Customer F-1 which was led by the business opportunities given by Customer F-1 arisen at the material time. The decrease in revenue from IT services providers for the year ended 31 December 2022 was mainly due to the substantial completion of projects secured from Customer F-1 by 2021.

Our projects are non-recurring in nature. We believe that the business opportunities from Customer F-1 are incidental but natural to our business operation. However, we take into account different factors, such as its profit margin and our capacity at the material time, and will only tender for and undertake projects which are in general in the interest of our Group. We also have no intention to limit ourselves to mainly serving any particular major customer, including Customer F-1. As a result, since there is no suitable project opportunities available to our Group, revenue contribution from Customer F-1 for the year ended 31 December 2022 decreased significantly as we have devoted our significant resource to our other projects. Subsequent to the Track Record Period and as at the Latest Practicable Date, we did not have any ongoing projects nor undergo pre-tendering or tendering of any potential projects with Customer F-1.

The decrease in revenue from IT services providers by 52.6% from RMB5.7 million for the four months ended 30 April 2022 to RMB2.7 million for the four months ended 30 April 2023 was mainly because revenue from sales of hardware and/or software decreased.

Revenue by industry sectors of end users

The following table sets forth the breakdown of our revenue by industry sectors of end users for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Education	171,558	82.8	115,340	57.2	197,667	81.3	2,061	25.8	7,245	83.8
Government	23,907	11.5	63,832	31.6	8,998	3.7	361	4.5	201	2.4
Others	11,609	5.7	22,570	11.2	36,590	15.0	5,574	69.7	1,195	13.8
Total	207,074	100.0	201,742	100.0	243,255	100.0	7,996	100.0	8,641	100.0

Note: Others generally refer to IT services providers, corporate customers and individual customers who purchase hardware and/or software, and standalone IT services from us and do not specify the end users of the products or services.

During the Track Record Period, the majority of our revenue was generated from the education and government sectors which primarily use public expenditure.

During the Track Record Period, our revenue derived from the education sector amounted to RMB171.6 million, RMB115.3 million, RMB197.7 million, RMB2.1 million and RMB7.2 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, representing 82.8%, 57.2%, 81.3%, 25.8% and 83.8% of our total revenue during the respective years/periods. The relatively low revenue contribution from the education sector for the year ended 31 December 2021 was mainly due to the decreased number of projects tendered and accepted during the year as a result of the devotion of our significant resource in the increased workload in the government sector during the year which was led by the business opportunities given by Customer F-1 arisen at the material time which contributed 23.2% of our total revenue for the year ended 31 December 2021. Our Directors considered such business opportunities to be in our general interest, having considered that, among others, (i) we could derive considerable revenue and gross profit from the projects; and (ii) we planned to further expand our customer base throughout the Track Record Period, especially in the government sector. The increase in revenue derived from education sector by 71.5% from RMB115.3 million for the year ended 31 December 2021 to RMB197.7 million for the year ended 31 December 2022 was primarily due to our continuous effort in expanding our market share in the education IT solutions market under the expanding market backdrop, thereby securing integrated IT solutions services projects with larger contract sum from customers in the education sector. The increase in revenue derived from education sector by 242.9% from RMB2.1 million for the four months ended 30 April 2022 to RMB7.2 million for the four months ended 30 April 2023 was primarily because of Project U as mentioned above.

During the Track Record Period, our revenue derived from government sector amounted to RMB23.9 million, RMB63.8 million, RMB9.0 million, RMB0.4 million and RMB0.2 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, representing 11.5%, 31.6%, 3.7%, 4.5% and 2.4% of our total revenue during the respective years/periods. The increase in revenue derived from government sector for the year ended 31 December 2021 was mainly due to the increase in revenue generated from Customer F-1 of RMB38.2 million during the year. Revenue derived from government sector decreased by 85.9% from RMB63.8 million for the year ended 31 December 2021 to RMB9.0 million for the year ended 31 December 2022, primarily owing to substantial completion of projects secured from Customer F-1 by 2021. Revenue derived from government sector remained relatively stable at RMB0.4 million and RMB0.2 million for the four months ended 30 April 2022 and 2023, respectively.

During the Track Record Period, our revenue derived from others amounted to RMB11.6 million, RMB22.6 million, RMB36.6 million, RMB5.5 million and RMB1.1 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, representing 5.7%, 11.2%, 15.0%, 69.7% and 13.8% of our total revenue during the respective years/periods. The increase in revenue derived from others for the year ended 31 December 2021 was mainly due to the revenue contribution of corporate customers resulted from our provision of integrated IT solutions services and sales of hardware and/or software to them. The increase in revenue derived from others from RMB22.6 million for the year ended 31 December 2021 to RMB36.6 million for the year ended 31 December 2022 was mainly because we secured business from two new corporate customers in late 2021 and 2022 who contributed revenue of RMB4.8 million and RMB5.6 million, respectively, for the year ended 31 December 2022 for the sales of hardware and/or software, as a result of our continuous effort to secure orders from new customers under the expanding market backdrop. The decrease in revenue derived from others from RMB5.5 million for the four months ended 30 April 2022 to RMB1.1 million for the four months ended 30 April 2023 was mainly because revenue from sales of hardware and/or software decreased.

Cost of sales

The following table sets forth the breakdown of our cost of sales by nature for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Procurement costs for hardware and software	110,585	84.0	76,012	73.9	124,094	89.5	5,774	86.4	6,598	94.5
Service costs for IT and supporting services	15,573	11.8	17,728	17.2	6,779	4.9	198	3.0	261	3.7
Staff costs	1,931	1.5	3,257	3.2	2,155	1.6	216	3.2	60	0.9
Amortisation costs	2,259	1.7	5,201	5.1	4,270	3.1	—	—	—	—
Others	1,353	1.0	665	0.6	1,326	0.9	494	7.4	69	0.9
Total	131,701	100.0	102,863	100.0	138,624	100.0	6,682	100.0	6,988	100.0

Procurement costs for hardware and software represented the procurement cost of relevant software and hardware for our integrated IT solutions services and our sales of hardware and/or software. Our procurement costs for hardware and software is our largest component in our cost of sales, amounted to RMB110.6 million, RMB76.0 million, RMB124.1 million, RMB5.8 million and RMB6.6 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, accounting for 84.0%, 73.9%, 89.5%, 86.4% and 94.5% of our total cost of sales during the respective years/periods. The decrease in our procurement costs for hardware and software for the year ended 31 December 2021 was mainly due to the relevant procurement costs incurred under the Customer F-1 Tripartite Agreements not being accounted in cost of sales as we recognised the relevant revenue on net revenue basis. The increase in our procurement costs for hardware and software by 63.3% from RMB76.0 million for the year ended 31 December 2021 to RMB124.1 million for the year ended 31 December 2022 was mainly due to the increase in revenue generated from integrated IT solutions services and the sales of hardware and/or software. The increase in our procurement costs for hardware and software by 13.8% from RMB5.8 million for the four months ended 30 April 2022 to RMB6.6 million for the four months ended 30 April 2023 was mainly due to the increase in revenue generated from integrated IT solutions services.

Service costs for IT and supporting services represented service fee paid for IT services and ancillary services to support the implementation of integrated IT solution such as fitting-out and cabling services. Our service costs for IT and supporting services amounted to RMB15.6 million, RMB17.7 million, RMB6.8 million, RMB0.2 million and RMB0.3 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, accounted for 11.8%, 17.2%, 4.9%, 3.0% and 3.7% of our total cost of sales during the respective years/periods. For the year ended 31 December 2021, the service costs for IT and supporting services increased by 13.5% from RMB15.6 million for the year ended 31 December 2020 to RMB17.7 million for the year ended 31 December 2021 as we subcontracted certain IT services of the integrated IT solutions projects during the year. The decrease in service costs for IT and supporting services by 61.6% from RMB17.7 million for year ended 31 December 2021 to RMB6.8 million for the year ended 31 December 2022 was mainly due to the substantial completion of integrated IT solutions projects secured from Customer F-1 by 2021 which required more subcontracting service costs. Our service costs for IT and supporting services remained relatively stable at RMB0.2 million and RMB0.3 million for the four months ended 30 April 2022 and 2023, respectively.

Staff costs primarily consisted of salaries, bonuses and social insurance contributions paid to our employees directly involved in our project planning and implementation. We generally assign our technical staff on a project-by-project basis based on project needs and employees' expertise. Our staff costs amounted to RMB1.9 million, RMB3.3 million and RMB2.2 million, RMB0.2 million and RMB60,000, and accounted for 1.5%, 3.2%, 1.6%, 3.2% and 0.9% of our total cost of sales during the respective years/periods. The increase of staff costs for the year ended 31 December 2021 was attributable to the increased number of headcount of our Group. The decrease in staff costs for the year ended 31 December 2022 was mainly due to the substantial completion of integrated IT solutions projects secured from Customer F-1 by 2021 which required more staff costs due to complexity of the projects. We recorded insignificant staff costs of RMB0.2 million and RMB60,000 for the four months ended 30 April 2022 and 2023, respectively.

Amortisation costs are related to the amortisation of capitalised development costs arising on research and development projects. Our amortisation cost, amounted to RMB2.3 million, RMB5.2 million, RMB4.3 million, nil and nil for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, accounted for 1.7%, 5.1%, 3.1%, nil and nil of our total cost of sales during the respective years/periods. The increase in amortisation costs for the year ended 31 December 2021 was in line with our increased number of self-developed software. Amortisation costs decreased to RMB4.3 million for the year ended 31 December 2022, mainly due to the decrease in sales of self-developed software.

Others represent the sales tax and surcharges. It amounted to RMB1.4 million, RMB0.7 million, RMB1.3 million, RMB0.5 million and RMB69,000 for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, accounted for 1.0%, 0.6%, 0.9%, 7.4% and 0.9% of our total cost of sales during the respective years/periods.

Gross profit and gross profit margin

Our gross profit was RMB75.4 million, RMB98.9 million, RMB104.6 million, RMB1.3 million and RMB1.7 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, and our gross profit margin was 36.4%, 49.0%, 43.0%, 16.4% and 19.1% for the corresponding years/periods.

The following table sets forth the breakdown of our gross profit and gross profit margin by operating segment for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	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
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
Integrated IT solutions services	69,130	36.5	84,121	49.7	94,775	47.7	549	32.5	846	17.0
Sales of hardware and/or software	1,901	15.6	10,382	38.7	7,346	17.9	331	5.8	252	8.6
Standalone IT services	4,342	80.9	4,376	78.5	2,510	66.3	434	67.4	555	74.9
Total	75,373	36.4	98,879	49.0	104,631	43.0	1,314	16.4	1,653	19.1

Integrated IT solutions services

During the Track Record Period, our gross profit generated from provision of integrated IT solutions services amounted to RMB69.1 million, RMB84.1 million, RMB94.8 million, RMB0.5 million and RMB0.8 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively.

During the Track Record Period, our related gross profit margin was 36.5%, 49.7%, 47.7%, 32.5% and 17.0% for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. During the Track Record Period, integrated IT solutions projects incorporating self-developed products generally recorded higher gross profit margin than those without self-developed products as the Group was able to reduce the procurement costs incurred on third party software which therefore improved the profitability of integrated IT solutions projects with self-developed products. The relatively lower gross profit margin of 36.5% for the year ended 31 December 2020 was mainly due to the lower profit margin derived from two major projects secured from Shuguang Maiyue. For details, see "Business — Strategic partnerships — Shuguang Maiyue". For the year ended 31 December 2021, our gross profit margin increased to 49.7% mainly due to (i) revenue of RMB5.1 million, out of the revenue of RMB13.3 million, from the Customer F-1 Tripartite Agreements, was recognised on net basis after deducting the relevant software supplier cost which resulted in a higher gross profit margin of 95.8% recognised for the year; and (ii) our effort in pursuing additional integrated IT solutions projects incorporating our self-developed software with higher gross profit margin of 78.5% as we were able to reduce the procurement costs incurred in purchasing software from third parties. For the year ended 31 December 2022, our gross profit margin remained relatively stable at 47.7%. The decrease in gross profit margin by 15.5 percentage points from 32.5% for the four months ended 30 April 2022 to 17.0% for the four months ended 30 April 2023 was primarily attributable to the lower gross profit margin of 9.1% derived from Project U. Our Directors considered that the project was not technically complicated and it mainly involved the sales and installation of hardware with transparent selling price in the market, rather than the involvement of our self-developed products.

The following table sets forth a breakdown of gross profit and gross profit margin of our integrated IT solutions projects by whether or not our self-developed products were involved for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	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
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Integrated IT solutions projects										
— our self-developed products involved (Note)	15,040	67.9	29,472	78.5	19,821	73.8	—	—	359	95.5
— our self-developed products not involved	54,090	32.3	54,649	41.5	74,954	43.7	549	32.5	487	10.6
Total	69,130	36.5	84,121	49.7	94,775	47.7	549	32.5	846	17.0

Note: A project is regarded to have our self-developed products involved if our self-developed products in the project contribute to more than 50% of the total revenue of software sold within the project. Such threshold on the level of involvement was determined by our management with reference to their industry knowledge and experience.

Sales of hardware and/or software

During the Track Record Period, our gross profit generated from sales of hardware and/or software amounted to RMB1.9 million, RMB10.4 million, RMB7.3 million, RMB0.3 million and RMB0.3 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively.

During the Track Record Period, our related gross profit margin were 15.6%, 38.7%, 17.9%, 5.8% and 8.6% for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The increase in gross profit margin by 23.1% for the year ended 31 December 2021 due to an increase in sales of self-developed software and provision of installation services to customers, both of which render a higher profitability, during the year. The decrease in gross profit margin by 20.8% from 38.7% for the year ended 31 December 2021 to 17.9% for the year ended 31 December 2022 was mainly due to the lower gross profit margin derived from two new customers secured in late 2021 and 2022 for sales of hardware and/or software which did not require us to carry out ancillary installation services. The gross profit margin for the four months ended 30 April 2022 was relatively low because the two contracts secured from a new customer in late 2021 and 2022 which contributed revenue for the four months ended 30 April 2022 did not require ancillary installation services. We normally could charge a higher gross profit margin for providing ancillary installation services as our customers normally rely on our professional skill set and knowledge of our IT technicians for these services.

Standalone IT services

During the Track Record Period, our gross profit generated from provision of standalone IT services amounted to RMB4.3 million, RMB4.4 million, RMB2.5 million, RMB0.5 million and RMB0.6 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively.

During the Track Record Period, our related gross profit margin was 80.9%, 78.5%, 66.3%, 67.4% and 74.9% for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The decrease in gross profit margin by 12.2 percentage points from 78.5% for the year ended 31 December 2021 to 66.3% for the year ended 31 December 2022 was mainly due to the incurrence of more staff cost as more projects required stationed staff for the year ended 31 December 2022. The increase in gross profit margin by 7.5 percentage points from 67.4% for the four months ended 30 April 2022 to 74.9% for the four months ended 30 April 2023 was primarily owing to the decrease in the staff cost incurred in respect of stationed staff for providing standalone IT services for the fourth months ended 30 April 2023.

Higher gross profit margins for standalone IT services were recorded as compared to integrated IT solutions services and sales of hardware and/or software was mainly attributable to (i) the prices we procure our hardware and software for integrated IT solutions services and sales of hardware and/or software are generally determined with reference to the price guidance set by the product vendors; (ii) higher profit margin could generally be generated for standalone IT services as our customers normally rely on our professional skill set and knowledge of our IT technicians in providing customised and standalone services.

Type of customers

The following table sets forth the breakdown of our gross profit and gross profit margin by type of customers for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	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
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)			
End users	50,025	42.2	44,215	44.4	87,094	46.2	904	39.7	1,256	21.2
IT services providers	25,348	28.7	54,664	53.6	17,537	31.9	410	7.2	397	14.6
Total	75,373	36.4	98,879	49.0	104,631	43.0	1,314	16.4	1,653	19.1

During the Track Record Period, our gross profit was mainly generated from end users which amounted to RMB50.0 million, RMB44.2 million, RMB87.1 million, RMB0.9 million and RMB1.3 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively.

During the Track Record Period, our gross profit margin of end users was 42.2%, 44.4%, 46.2%, 39.7% and 21.2% for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. Our gross profit margin of end users remained relatively stable for the years ended 31 December 2020, 2021 and 2022. The decrease in gross profit margin by 18.4 percentage points from 39.7% for the four months ended 30 April 2022 to 21.2% for the four months ended 30 April 2023 was primarily attributable to the lower gross profit margin of 9.1% derived from Project U. Our Directors considered that the project was not technically complicated and it mainly involved the sales and installation of hardware with transparent selling price in the market, rather than the involvement of our self-developed products.

During the Track Record Period, our gross profit margin of IT services providers was 28.7%, 53.6%, 31.9%, 7.2% and 14.6% for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The increase in gross profit margin by 24.9 percentage points for the year ended 31 December 2021 was mainly due to (i) the higher gross profit margin derived from the Customer F-1 Tripartite Agreements; and (ii) the higher gross profit margin derived from the sales of self-developed software. The decrease in gross profit margin by 21.7 percentage points from 53.6% for the year ended 31 December 2021 to 31.9% for the year ended 31 December 2022 was mainly due to (i) the substantial completion of projects secured from Customer F-1 with revenue recognised on net basis by 2021; and (ii) the lower gross profit margin derived from two new customers secured in late 2021 and 2022 for sales of hardware and/or software which did not require us to carry out ancillary installation services. The increase in gross profit margin by 7.4 percentage points from 7.2% for the four months ended 30 April 2022 to 14.6% for the four months ended 30 April 2023 was primarily owing to the increase of gross profit margin in sales of hardware and/or software.

Industry sector of end users

The following table sets forth the breakdown of our gross profit and gross profit margin by industry sector of end users for the years/periods indicated:

	Years ended 31 December						Four months ended 30 April			
	2020		2021		2022		2022		2023	
	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
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(Unaudited)			
Education	57,195	33.3	54,606	47.3	91,337	46.2	720	34.9	1,339	18.5
Government	13,446	56.2	34,304	53.7	4,354	48.4	316	87.5	158	78.6
Others	4,732	40.8	9,969	44.2	8,940	24.4	278	5.0	156	13.1
Total	75,373	36.4	98,879	49.0	104,631	43.0	1,314	16.4	1,653	19.1

During the Track Record Period, our gross profit was mainly generated from education sector which amounted to RMB57.2 million, RMB54.6 million, RMB91.3 million, RMB0.7 million and RMB1.3 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively.

During the Track Record Period, our gross profit margin of the education sector was 33.3%, 47.3%, 46.2%, 34.9% and 18.5% for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The gross profit margin of the education sector increased by 14.0 percentage points for the year ended 31 December 2021 mainly due to the increase in sales of our self-developed software. The gross profit margin of the education sector remained relatively stable at 46.2% for the year ended 31 December 2022. The gross profit margin of the education sector decreased by 16.4 percentage points from 34.9% for the four months ended 30 April 2022 to 18.5% for the four months ended 30 April 2023, primarily owing to the lower gross profit margin of 9.1% derived from Project U. Our Directors considered that the project was not technically complicated and it mainly involved the sales and installation of hardware with transparent selling price in the market, rather than the involvement of our self-developed products.

Our gross profit margin of government sector was 56.2%, 53.7%, 48.4%, 87.5% and 78.6% for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The gross profit margin of government sector remained relatively stable at 53.7% for the year ended 31 December 2021. The gross profit margin of government sector decreased by 5.3 percentage points from 53.7% for the year ended 31 December 2021 to 48.4% for the year ended 31 December 2022, which was mainly due to the substantial completion of projects secured from Customer F-1 with some of the relevant revenue recognised on net basis by 2021. The gross profit margin of government sector decreased by 8.9 percentage points from 87.5% for the four months ended 30 April 2022 to 78.6% for the four months ended 30 April 2023, mainly due to the decrease in revenue contribution from provision of standalone IT services which had a relatively higher gross profit margin. See "— Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive income — Gross profit and gross profit margin — Standalone IT services" above for further details.

Other net income

During the Track Record Period, other net income primarily included government grants, interest income, net foreign exchange gain/(loss), loss on disposal of property, plant and equipment, gain on disposals of assets and liabilities held for sale arising from the transfer of property right to Guangxi Qianyue and others.

The following table sets forth the breakdown of our other net income for the years/periods indicated:

	Years ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Government grants	5,015	4,931	2,585	931	1,062
Interest income	67	50	63	26	732
Net foreign exchange (loss)/gain	(3)	(157)	986	309	(152)
(Loss)/gain on disposal of property, plant and equipment	—	(9)	294	27	—
Gain on disposals of assets and liabilities held for sale	—	—	—	—	676
Others	51	24	27	20	18
Total	5,130	4,839	3,955	1,313	2,336

A government grant is recognised when there is reasonable assurance that we will comply with the conditions attaching to it and that the grant will be received. Government grants that become receivable as compensation for expenses or for the purpose of giving immediate financial support to us with no future related costs are recognised in profit or loss in the period in which they become receivable. The government grants were non-recurring in nature.

Our government grants amounted to RMB5.0 million, RMB4.9 million, RMB2.6 million, RMB0.9 million and RMB1.1 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The decrease in government grants by RMB2.3 million or 46.9% from RMB4.9 million for the year ended 31 December 2021 to RMB2.6 million for the year ended 31 December 2022 was mainly due to the absence of non-recurring interest subsidy received from a local government authority.

Selling expenses

Our selling expenses consisted primarily of staff costs, tendering fee, warranty expenses and others.

The following table sets forth the breakdown of our selling expenses for the years/periods indicated:

	Years ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	2,177	4,399	3,843	1,158	1,356
Tendering fee	1,393	926	1,179	106	17
Warranty expenses	886	1,403	1,091	201	660
Advertising and promotion expenses	23	408	49	3	147
Travelling expenses	91	415	230	76	116
Others	63	377	436	59	46
Total	4,633	7,928	6,828	1,603	2,342

Our selling expenses amounted to RMB4.6 million, RMB7.9 million, RMB6.8 million, RMB1.6 million and RMB2.3 million for the years ended 31 December 2020, 2021 and 2022, respectively, which accounted for 2.2%, 3.9% 2.8%, 20.0% and 27.1% of our total revenue for the corresponding year/period.

Administrative expenses

Our administrative expenses consisted primarily of staff costs, impairment losses recognised for trade and other receivables and contract assets, **[REDACTED]** expenses, entertainment expenses, depreciation and amortisation, travelling expenses, legal and professional fee and other expenses incurred in relation to the general operation of our Group.

The following table sets forth the breakdown of our administrative expenses for the years/periods indicated:

	Years ended 31 December			Four months ended 30 April	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	5,251	6,783	8,345	4,640	3,532
Impairment losses recognised for trade and other receivables and contract assets	3,821	820	6,391	5,082	6,489
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Entertainment expenses	1,704	2,007	1,526	483	727
Depreciation and amortisation	1,219	1,260	1,369	479	508
Travelling expenses	597	919	1,009	304	296
Legal and professional fees	520	779	1,187	351	407
Short-term and low-value assets lease charges	181	1,035	620	483	160
Vehicle fees	130	165	119	58	34
Others	2,480	3,488	4,034	2,882	2,452
Total	19,783	25,802	30,818	18,254	17,164

Our administrative expenses amounted to RMB19.8 million, RMB25.8 million, RMB30.8 million, RMB18.3 million and RMB17.2 million for the years ended 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, which accounted for 9.6%, 12.8%, 12.7%, 228.3% and 198.6% of our total revenue for the corresponding year/period. **[REDACTED]** expenses comprise fees incurred in connection with the **[REDACTED]**. **[REDACTED]** amounted to RMB**[REDACTED]**, RMB**[REDACTED]**, RMB**[REDACTED]**, RMB**[REDACTED]** and RMB **[REDACTED]** for the years ended 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively.

Research and development expenses

Our research and development expenses consisted primarily of staff costs, project development expenses, depreciation and others.

The following table sets forth the breakdown of our research and development expenses for the years/periods indicated:

	Years ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Staff costs	5,324	4,990	2,338	1,647	937
Project development expenses[1]	946	1,432	2,195	1,256	95
Depreciation and amortisation	42	143	216	11	25
Others	356	298	999	161	321
Total	6,668	6,863	5,748	3,075	1,378

Note:

(1) Project development expenses primarily include costs of materials and inspection fee for trial products which were directly attributable to research and development projects.

Our research and development expenses amounted to RMB6.7 million, RMB6.9 million, RMB5.7 million, RMB3.1 million and RMB1.4 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively, which accounted for 3.2%, 3.4%, 2.4%, 38.5% and 15.9% of our total revenue for the corresponding year/period.

Finance costs

The following table sets forth the breakdown of our finance costs for the years/periods indicated:

	Years ended 31 December			Four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank and other loans	5,086	7,897	8,845	2,820	2,945
Fair value loss on convertible bond	348	226	—	—	—
Interest on lease liabilities	80	57	62	14	7
	5,514	8,180	8,907	2,834	2,952

Our finance costs consisted of (i) interest expenses on bank and other loans; (ii) fair value loss on convertible bond; and (iii) interest expenses on lease liabilities which amounted to RMB5.5 million, RMB8.2 million, RMB8.9 million, RMB2.8 million and RMB3.0 million for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2022 and 2023, respectively. The increasing trend of interest on bank and other loans during the Track Record Period was mainly due to our increase in average bank and other loans balances for the respective years/periods.

Share of profit/(loss) of an associate

Our share of profit/(loss) of an associate represented profit or loss shared from our associate, Shuguang Maiyue, which was established in Guangxi on 10 October 2019. Our Group held 49% equity interest in Shuguang Maiyue and the remaining 51% equity interest is owned by Digital Guangxi since its establishment and up till 20 April 2021.

On 21 April 2021, our Group entered into a capital injection agreement with Digital Guangxi in relation to a capital injection of RMB2,041,000 into Shuguang Maiyue. Our Group's shareholding in Shuguang Maiyue changed from 49% to 51%. Our Group obtained control over it and it became a non-wholly owned subsidiary of our Group.

Share of loss of a joint venture

Our share of loss of a joint venture represented loss shared from our joint venture, Fangchenggang City Investment Digital incorporated on 25 November 2020, for software development and provision of integrated IT solutions, where our Group held 65% equity interest in the joint venture.

Income tax expense

Our Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdiction in which members of our Group domicile or operate.

Our income tax expense amounted to RMB5.4 million, RMB8.5 million and RMB7.1 million for the years ended 31 December 2020, 2021 and 2022, respectively. We recorded income tax credit of RMB3.5 million and RMB3.0 million for the four months ended 30 April 2022 and 2023, respectively.

During the Track Record Period, our operating subsidiaries were subject to 25% corporate income tax in accordance with the EIT Law, except for (i) Nanning Maiyue which was qualified as High and New Technology Enterprise and was entitled to a preferential tax rate of 15% and (ii) Guangxi Silunjie which engaged in the national encouraged industries in the PRC western region and national autonomous area, and was entitled to preferential tax rates of 9% (from 2019 to 2021) and 15% (since 2022) during the Track Record Period. See Note 7 in the Accountants' Report as set out in Appendix I to this document for further details.

Our effective tax rate was 12.0%, 15.5% and 12.7% for the years ended 31 December 2020, 2021 and 2022, respectively. Our effective tax rate was not applicable for the four months ended 30 April 2022 and 2023 as we recorded loss before taxation of RMB23.2 million and RMB19.9 million, respectively. The difference between our effective tax rates and the applicable corporate income tax rates for the three years ended 31 December 2022 was primarily due to the majority of our profits was contributed by our operating subsidiaries, Nanning Maiyue and Guangxi Silunjie, which were subjected to preferential tax treatment of 15% and 9% or 15% respectively as discussed above.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute or unresolved with the relevant tax authorities.

Profit/(loss) for the year/period

Our profit for the year amounted to RMB39.4 million, RMB46.3 million and RMB49.1 million for the years ended 31 December 2020, 2021 and 2022, respectively. Our net profit margin was 19.0%, 22.9% and 20.2% for the corresponding years. Our net profit margin was not applicable for the four months ended 30 April 2022 and 2023 as we recorded loss for the period of RMB19.7 million and RMB16.9 million for the corresponding periods.

REVIEW OF HISTORICAL RESULTS OF OPERATIONS

Four months ended 30 April 2023 compared to four months ended 30 April 2022

Revenue

Our revenue increased by 7.5% from RMB8.0 million for the four months ended 30 April 2022 to RMB8.6 million for the four months ended 30 April 2023, which was mainly due to the increase in our revenue generated from the provision of integrated IT solutions services from RMB1.7 million to RMB5.0 million, partially offset by the decrease in revenue generated from sales of hardware and software from RMB5.7 million to RMB2.9 million, for the respective periods.

— *Integrated IT solutions services.* Our revenue generated from the provision of integrated IT solutions services increased by 194.1% from RMB1.7 million for the four months ended 30 April 2022 to RMB5.0 million for the four months ended 30 April 2023, primarily because we secured Project U.

— *Sales of hardware and/or software.* Our revenue generated from the sales of hardware and/or software decreased by 49.1% from RMB5.7 million for the four months ended 30 April 2022 to RMB2.9 million for the four months ended 30 April 2023, primarily due to the absence of contracts with contract sum of over RMB2.0 million in the four months ended 30 April 2023, as opposed to there being two contracts with such contract sum in the corresponding period of the preceding year.

— *Standalone IT services.* Our revenue generated from the provision of standalone IT services remained relatively stable at RMB0.6 million and RMB0.7 million for the four months ended 30 April 2022 and 2023, respectively.

Cost of sales

Our cost of sales increased by 4.5% from RMB6.7 million for the four months ended 30 April 2022 to RMB7.0 million for the four months ended 30 April 2023. The increase was primarily due to the increase in procurement costs for hardware and software by RMB0.8 million as a result of the increase in revenue generated from the provision of integrated IT solutions services.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 23.1% from RMB1.3 million for the four months ended 30 April 2022 to RMB1.7 million for the four months ended 30 April 2023. Our gross profit margin increased from 16.4% for the four months ended 30 April 2022 to 19.1% for the four months ended 30 April 2023, primarily due to (i) the completion of two relatively low gross profit margin contracts which did not require ancillary installation services in sales of hardware and/or software for the four months ended 30 April 2022; and (ii) the decrease in staff cost incurred in standalone IT services.

Other net income

Our other net income increased by 76.9% from RMB1.3 million for the four months ended 30 April 2022 to RMB2.3 million for the four months ended 30 April 2023, which was mainly attributable to (i) the increase in interest income of RMB0.7 million which was mainly derived from Project R due to the long repayment period as stipulated in the contract; and (ii) the increase in gain on disposal of assets and liabilities held for sale arising from the transfer of property right to Guangxi Qianyue, partially offset by the net foreign exchange loss recognised for the period as a result of the appreciation of Hong Kong dollar against Renminbi.

Selling expenses

Our selling expenses increased by 43.8% from RMB1.6 million for the four months ended 30 April 2022 to RMB2.3 million for the four months ended 30 April 2023, which was mainly attributable to (i) the increase in warranty expenses of RMB0.5 million due to the increase in expenditure for after-sales product maintenance; (ii) the increase in staff costs of RMB0.2 million as a result of the increase in salary of certain employees; and (iii) the increase in advertising and promotion expenses of RMB0.1 million for the promotion of our brand.

Administrative expenses

Our administrative expenses decreased by 6.0% from RMB18.3 million for the four months ended 30 April 2022 to RMB17.2 million for the four months ended 30 April 2023, which was mainly attributable to (i) the decrease in **[REDACTED]** of RMB**[REDACTED]**; and (ii) the decrease in staff costs of RMB1.1 million as a result of the decrease in headcount, partially offset by the increase in impairment losses recognised for trade and other receivables and contract assets of RMB1.4 million as a result of the increase in aged receivables during the period.

Research and development expenses

Our research and development expenses decreased by 54.8% from RMB3.1 million for the four months ended 30 April 2022 to RMB1.4 million for the four months ended 30 April 2023, mainly due to (i) the decrease in staff costs; and (ii) the decrease in outsourced service.

Finance costs

Our finance costs remained relatively stable at RMB2.8 million and RMB3.0 million for the four months ended 30 April 2022 and 2023, respectively.

Share of loss of a joint venture

We recorded insignificant share of loss of a joint venture of RMB66,000 and RMB14,000 for the four months ended 30 April 2022 and 2023, respectively.

Income tax credit

Our Group recorded income tax credit of RMB3.5 million and RMB3.0 million for the four months ended 30 April 2022 and 2023, respectively. The effective tax rate was not applicable for the corresponding periods as we recorded loss before taxation during such periods.

Loss for the period

As a result of the foregoing, our loss for the period amounted to RMB19.7 million and RMB16.9 million for the four months ended 30 April 2022 and 2023, respectively. The net profit margin was not applicable for the corresponding periods as we recorded losses during such periods.

Year ended 31 December 2022 compared to year ended 31 December 2021

Revenue

Our revenue increased by 20.6% from RMB201.7 million for the year ended 31 December 2021 to RMB243.3 million for the year ended 31 December 2022, which was mainly due to (i) the increase in our revenue from the provision of integrated IT solutions services from RMB169.3 million to RMB198.5 million; and (ii) the increase in revenue generated from sales of hardware and/or software from RMB26.8 million to RMB41.0 million, partially offset by the decrease in revenue from the provision of standalone IT services from RMB5.6 million to RMB3.8 million.

- *Integrated IT solutions services.* Our revenue generated from the provision of integrated IT solutions services increased by 17.2% from RMB169.3 million for the year ended 31 December 2021 to RMB198.5 million for the year ended 31 December 2022, primarily due to our continuous effort in expanding our market share in the education IT solutions market under the expanding market backdrop, thereby securing integrated IT solutions services projects with larger contract sum from customers in the education sector.

- *Sales of hardware and/or software.* Our revenue generated from the sales of hardware and/or software increased by 53.0% from RMB26.8 million for the year ended 31 December 2021 to RMB41.0 million for the year ended 31 December 2022, primarily because of our increased market presence as a result of our business expansion in our integrated IT solutions services business, which is our main business, and our continuous marketing effort under the expanding market backdrop. As a result, we have secured orders from new customers in 2022 for sales of hardware and/or software.

- *Standalone IT services.* Our revenue generated from the provision of standalone IT services decreased by 32.1% from RMB5.6 million for the year ended 31 December 2021 to RMB3.8 million for the year ended 31 December 2022, primarily because several warranty contracts in 2022 were entered into close to the year end, where the revenue is recognised over the term of the warranty which goes beyond 2022.

Cost of sales

Our cost of sales increased by 34.7% from RMB102.9 million for the year ended 31 December 2021 to RMB138.6 million for the year ended 31 December 2022. The increase was primarily due to the increase in procurement costs for hardware and software by RMB48.1 million as a result of the increase in revenue from integrated IT solutions services and sales of hardware and/or software.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 5.9% from RMB98.9 million for the year ended 31 December 2021 to RMB104.7 million for the year ended 31 December 2022. Our gross profit margin decreased from 49.0% for the year ended 31 December 2021 to 43.0% for the year ended 31 December 2022, primarily due to (i) the substantial completion of projects secured from Customer F-1 with some of the relevant revenue recognised on net basis by 2021; (ii) the lower gross profit margin derived from two new customers secured in late 2021 and 2022 for sales of hardware and/or software which did not require provision of installation services; and (iii) the incurrence of more staff cost for our standalone IT services as more projects required stationed staff for the year ended 31 December 2022.

Other net income

Our other net income decreased by 16.7% from RMB4.8 million for the year ended 31 December 2021 to RMB4.0 million for the year ended 31 December 2022, which was mainly attributable to (i) the decrease in government grant of RMB2.3 million mainly as a result of the absence of non-recurring interest subsidy received from a local government authority, partially offset by net foreign exchange gain of RMB1.0 million arising from depreciation of Renminbi against Hong Kong dollar.

Selling expenses

Our selling expenses decreased by 13.9% from RMB7.9 million for the year ended 31 December 2021 to RMB6.8 million for the year ended 31 December 2022, which was mainly attributable to (i) the decrease in staff costs of RMB0.6 million mainly as a result of the decrease in average monthly headcount of sales and marketing staff from 47 for the year ended 31 December 2021 to 32 for the year ended 31 December 2022; and (ii) the decrease in warranty expenses of RMB0.3 million as the projects required fewer warranty services.

Administrative expenses

Our administrative expenses increased by 19.4% from RMB25.8 million for the year ended 31 December 2021 to RMB30.8 million for the year ended 31 December 2022, which was mainly attributable to (i) the increase in impairment losses recognised for trade and other receivables and contract assets of RMB5.6 million mainly as a result of the increase in trade receivables, particularly those past due 6 months or above; and (ii) the increase in staff costs of RMB1.6 million as a result of the increase in average salary, partially offset by the decrease in **[REDACTED]** expenses of RMB**[REDACTED]**.

Research and development expenses

Our research and development expenses decreased by 17.4% from RMB6.9 million for the year ended 31 December 2021 to RMB5.7 million for the year ended 31 December 2022, mainly due to the decrease in staff costs as a result of the decrease in headcount of research and development staff during the year and the decrease in subcontracting labour cost, partially offset by the increase in project development expenses as a result of outsourcing adaptation services such that our self-developed software can be compatible with a third party system.

Finance costs

Our finance costs remained relatively stable at RMB8.2 million and RMB8.9 million for the year ended 31 December 2021 and 2022, respectively.

Share of loss of an associate

Our share of loss of an associate amounted to RMB0.1 million and nil for the years ended 31 December 2021 and 2022, respectively. The decrease was mainly because the relevant associate became a non-wholly owned subsidiary of our Group on 21 April 2021.

Share of loss of a joint venture

We recorded insignificant share of loss of a joint venture of RMB33,000 and RMB88,000 for the years ended 31 December 2021 and 2022, respectively.

Income tax expense

Our income tax expense decreased by 16.5% from RMB8.5 million for the year ended 31 December 2021 to RMB7.1 million for the year ended 31 December 2022 and our effective tax rate decreased from 15.5% for the year ended 31 December 2021 to 12.7% for the year ended 31 December 2022, mainly attributable to (i) preferential tax treatment of 15% enjoyed by Guangxi Silunjie and Nanning Maiyue; and (ii) the effect on deferred tax balances resulting from a change in tax rate from 9% to 15% of Guangxi Silunjie.

Profit for the year

As a result of the foregoing, our profit for the year increased by 6.0% from RMB46.3 million for the year ended 31 December 2021 to RMB49.1 million for the year ended 31 December 2022. Our net profit margin decreased from 22.9% to 20.2% for the corresponding years, primarily due to the decrease in gross profit margin.

Year ended 31 December 2021 compared to year ended 31 December 2020

Revenue

Our revenue slightly decreased by 2.6% from RMB207.1 million for the year ended 31 December 2020 to RMB201.7 million for the year ended 31 December 2021, which was mainly due to the decrease in our revenue from the provision of integrated IT solutions services from RMB189.5 million to RMB169.3 million, partially offset by the increase in our revenue generated from sales of hardware and/or software from RMB12.2 million to RMB26.8 million for the respective period.

- *Integrated IT solutions services.* Our revenue generated from the provision of integrated IT solutions services decreased by 10.7% from RMB189.5 million for the year ended 31 December 2020 to RMB169.3 million for the year ended 31 December 2021, primarily due to (i) the decreased number of projects tendered and accepted in the education sector as a result of the devotion of our significant resource in the increased workload in the government sector during the year; and (ii) certain revenue derived from the government sector was recognised on net basis under the Customer F-1 Tripartite Agreements as we acted as an agent for the sales of software on behalf of the third-party software suppliers to Customer F-1 during the year.

- *Sales of hardware and/or software.* Our revenue generated from the sales of hardware and/or software increased by 119.7% from RMB12.2 million for the year ended 31 December 2020 to RMB26.8 million for the year ended 31 December 2021, primarily due to (i) the increase in the number of customers purchasing hardware from us due to our increased market presence as a result of our business expansion in our integrated IT solutions services business, which is our main business, and our continuous marketing effort under the expanding market backdrop; (ii) the expansion of distribution channel to industry related online procurement platforms for the sales of hardware; and (iii) the increase in sales of self-developed software during the year, as a result of our continuous research and development effort.

- *Standalone IT services.* Our revenue generated from the provision of standalone IT services remained relatively stable at RMB5.4 million and RMB5.6 million for the years ended 31 December 2020 and 2021, respectively.

Cost of sales

Our cost of sales decreased by 21.9% from RMB131.7 million for the year ended 31 December 2020 to RMB102.9 million for the year ended 31 December 2021. The decrease was primarily due to the decrease in procurement costs for hardware and software by RMB34.6 million resulted from the relevant procurement costs for hardware and software incurred under the Customer F-1 Tripartite Agreements not being accounted in cost of sales as we recognised the relevant revenue on net revenue basis, partially offset by the increase in amortisation costs of RMB2.9 million which was in line with our increased number of self-developed software.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by 31.2% from RMB75.4 million for the year ended 31 December 2020 to RMB98.9 million for the year ended 31 December 2021. Our gross profit margin increased from 36.4% to 49.0% for the corresponding years. Our increased gross profit margin was primarily due to (i) out of the revenue of RMB13.3 million from the Customer F-1 Tripartite Agreements, revenue of RMB5.1 million was recognised on net basis after deducting the relevant software supplier cost which resulted in a higher gross profit margin of 95.8% recognised for the year; (ii) our effort in pursuing additional integrated IT solutions projects incorporating our self-developed software with higher gross profit margin of 78.5% as we were able to reduce the procurement costs incurred on purchasing software from third parties; and (iii) the higher gross profit margin derived from the sales of hardware and/or software from 15.6% to 38.7% for the corresponding years as there was an increase in sales of self-developed software and provision of installation services to customers, both of which render a higher profitability, during the year.

Other net income

Our other net income remained relatively stable at RMB5.1 million and RMB4.8 million for the years ended 31 December 2020 and 2021, respectively.

Selling expenses

Our selling expenses increased significantly by 71.7% from RMB4.6 million for the year ended 31 December 2020 to RMB7.9 million for the year ended 31 December 2021, which was mainly attributable to (i) the increase in staff costs of RMB2.2 million resulted from an increase in number of headcount of selling personnel; (ii) the increase in advertising and promotion expenses of RMB0.4 million; and (iii) the increase in travelling expenses of RMB0.3 million.

Administrative expenses

Our administrative expenses increased by 30.3% from RMB19.8 million for the year ended 31 December 2020 to RMB25.8 million for the year ended 31 December 2021, which was mainly attributable to (i) the increase in **[REDACTED] [REDACTED]** of RMB**[REDACTED]**; and (ii) increase in staff costs of RMB1.5 million resulted from an increase in number of headcount of administrative personnel, partially offset by the decrease in impairment losses recognised for trade and other receivables and contract assets of RMB3.0 million due to (i) the seasonality effect of our integrated IT solutions services which resulted in majority of revenue being recognised in the fourth quarter of the year and the relevant trade receivables being considered current and not yet due for payment; (ii) our acceleration of aged receivables collection during the year; and (iii) the receivable balance derived from Customer F-1 not yet due for payment as the contract value would be settled by instalments. See "Business — Tripartite agreements — Customer F-1 Tripartite agreements" for details.

Research and development expenses

Our research and development expenses increased by 3.0% from RMB6.7 million for the year ended 31 December 2020 to RMB6.9 million for the year ended 31 December 2021, which was mainly attributable to the increase in project development expenses of RMB0.5 million.

Finance costs

Our finance costs increased by 49.1% from RMB5.5 million for the year ended 31 December 2020 to RMB8.2 million for the year ended 31 December 2021, which was mainly attributable to the increase in interest on bank and other loans of RMB2.8 million due to the increase in bank and other loans by RMB34.2 million as at 31 December 2021.

Share of loss of an associate

Our share of loss of an associate amounted to RMB0.1 million for the year ended 31 December 2021. The share of loss of an associate was attributable to the loss recorded by the associate resulted from the administrative expenses incurred during the year.

Share of loss of a joint venture

Our share of loss of a joint venture amounted to RMB33,000 for the year ended 31 December 2021. Such loss was attributable to the administrative expenses incurred in commencement of operating Fangchenggang City Investment Digital in December 2021.

Income tax expense

Our income tax expense increased by 57.4% from RMB5.4 million for the year ended 31 December 2020 to RMB8.5 million for the year ended 31 December 2021, which was attributable to an increase of our profit before taxation from RMB44.8 million to RMB54.8 million for the corresponding years. Our effective tax rates were 12.0% and 15.5% for the corresponding years. The effective tax rate slightly increased to 15.5% for the year ended 31 December 2021 was mainly attributable to the increased loss for year derived from our Company while our Group is not subject to any income tax in the Cayman Islands.

Profit for the year

As a result of the foregoing, our net profit increased by 17.5% from RMB39.4 million for the year ended 31 December 2020 to RMB46.3 million for the year ended 31 December 2021. Our net profit margin increased from 19.0% to 22.9% for the corresponding years, primarily due to the higher gross profit margin recorded for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

The following table sets forth our current assets and current liabilities as at the dates indicated, respectively:

	As at 31 December			As at 30 April	As at 30 June
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
CURRENT ASSETS					
Inventories	3,346	2,287	4,460	8,559	6,876
Contract assets	7,413	7,871	22,630	19,278	17,684
Trade and other receivables	151,051	235,010	261,369	257,096	250,394
Pledged bank deposits	—	79	2,743	1,365	1
Cash and cash equivalents	56,116	49,156	62,601	3,864	10,019
	217,926	294,403	353,803	290,162	284,974
Non-current assets classified as held for sale	—	—	96,192	—	—
Total	217,926	294,403	449,995	290,162	284,974
CURRENT LIABILITIES					
Trade and other payables	84,756	149,638	75,111	57,554	41,982
Contract liabilities	597	937	3,018	1,122	1,182
Lease liabilities	771	1,128	421	453	456
Bank and other loans	32,537	68,617	86,057	61,988	95,685
Convertible bond	8,022	—	—	—	—
Current taxation	9,040	8,544	5,169	4,757	4,762
	135,723	228,864	169,776	125,874	144,067
Liabilities directly associated with non-current assets classified as held for sale	—	—	58,932	—	—
Total	135,723	228,864	228,708	125,874	144,067
NET CURRENT ASSETS	82,203	65,539	221,287	164,288	140,907

We recorded net current assets of RMB82.2 million, RMB65.5 million, RMB221.3 million, RMB164.3 million and RMB140.9 million as at 31 December 2020, 2021 and 2022, 30 April 2023 and 30 June 2023, respectively.

Our net current assets decreased from RMB82.2 million as at 31 December 2020 to RMB65.5 million as at 31 December 2021, which was mainly due to (i) the increase in trade and other payables of RMB64.9 million; and (ii) the increase in bank and other loans of RMB36.1 million, partially offset by the increase in trade and other receivables of RMB84.0 million.

Our net current assets increased from RMB65.5 million as at 31 December 2021 to RMB221.3 million as at 31 December 2022, which was mainly due to (i) the increase in non-current assets classified as held for sale of RMB96.2 million; (ii) the decrease in trade and other payables of RMB74.5 million; (iii) the increase in trade and other receivables of RMB26.4 million; (iv) the increase in contract assets of RMB14.8 million; and (v) the increase in cash and cash equivalents of RMB13.4 million, partially offset by (i) the increase in liabilities directly associated with non-current assets classified as held for sale of RMB58.9 million; and (ii) the increase in bank and other loans of RMB17.5 million.

Our net current assets decreased from RMB221.3 million as at 31 December 2022 to RMB164.3 million as at 30 April 2023, which was mainly due to (i) the decrease in non-current assets classified as held for sale of RMB96.2 million; and (ii) the decrease in cash and cash equivalents of RMB58.7 million, partially offset by (i) the decrease in liabilities directly associated with non-current assets classified as held for sale of RMB58.9 million; (ii) the decrease in bank and other loans of RMB24.1 million; and (iii) the decrease in trade and other payables of RMB17.6 million.

Our net current assets slightly decreased from RMB164.3 million as at 30 April 2023 to RMB140.9 million as at 30 June 2023, which was mainly due to (i) the increase in bank and other loans of RMB33.7 million; and (ii) the decrease in trade and other receivables of RMB6.7 million, partially offset by (i) the decrease in trade and other payables of RMB15.6 million; and (ii) the increase in cash and cash equivalents of RMB6.2 million.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment consisted mainly of buildings, motor vehicles, leasehold land, rights-of-use assets and construction in progress. As at 31 December 2020, 2021 and 2022 and 30 April 2023, the net carrying amount of our property, plant and equipment were RMB40.5 million, RMB106.2 million, RMB10.9 million and RMB10.6 million, respectively. Our property, plant and equipment increased from RMB40.5 million as at 31 December 2020 to RMB106.2 million as at 31 December 2021 which was mainly due to additions to construction in progress. See "Business — Properties — Owned properties" for details. Our property, plant and equipment decreased to RMB10.9 million as at 31 December 2022 which was mainly due to the reclassification of construction in progress to assets classified as held for sale according to the capital contribution agreement signed with Guangxi Qianlong. Our property, plant and equipment remained relatively stable at RMB10.6 million as at 30 April 2023.

Intangible assets

Our intangible assets were capitalised development costs which amounted to RMB6.3 million, RMB8.6 million, RMB10.8 million and RMB12.0 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. The increase in our intangible assets in 2020, 2021 and 2022 and 30 April 2023 was primarily due to the additions on capitalised development costs through our internal development, which was generally in line with the increased number of self-developed software. The capitalised development costs refer to the expenditure incurred on projects to develop software for customers. The capitalised development costs will be amortised on the straight-line basis over its estimated useful lives of two years, commencing from the date when the software is put into commercial use.

Interest in an associate

Our interest in an associate refers to the share of net assets of Shuguang Maiyue which amounted to RMB5.8 million, nil, nil and nil as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. Our Group held 49% of equity interest in the associate who principally engaged in the provision of integrated IT solutions services since its establishment to 20 April 2021.

On 21 April 2021, our Group entered into a capital injection agreement with Digital Guangxi under which our Group increased its investments by RMB2,041,000 to RMB26,541,000, our Group owned 51% of equity in Shuguang Maiyue since the date of the agreement. Since our Group obtained control over Shuguang Maiyue, it is accounted as a non-wholly owned subsidiary from 21 April 2021. The capital injection into Shuguang Maiyue constituted an acquisition of major subsidiary on 21 April 2021.

Interest in a joint venture

Our interest in a joint venture refers to our investment in Fangchenggang City Investment Digital which was established on 25 November 2020. Our Group held 65% of equity interest in the joint venture but we are only able to exercise common control in the joint venture. The joint venture has started operation in December 2021.

Our interest in a joint venture amounted to RMB2.0 million, RMB1.9 million, RMB1.8 million and RMB1.8 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

Disposal group

Our disposal group comprised the following assets and liabilities as at 31 December 2022.

	As at 31 December 2022
	RMB'000
Non-current assets classified as held for sale	
Construction in progress	87,216
Leasehold land	8,976
	96,192
Liabilities directly associated with non-current assets classified as held for sale	
Other payables related to business park	(58,932)

On 8 April 2021, our Group made capital contribution to Guangxi Qianyue based on the value of land use right and construction in progress of the Business Park net of the payables for the construction. As at 31 December 2022, the procedures of transferring property right to Guangxi Qianyue are not yet completed, and our Group had reclassified the disposal group as non-current assets classified as held for sale and liabilities directly associated with non-current assets classified as held for sale separately.

The procedures of transferring property right have been completed in April 2023 and our Group designated the investment in Guangxi Qianyue at equity securities designated at fair value through other comprehensive income ("**FVOCI**").

Equity securities designated at fair value through other comprehensive income

The FVOCI represents investment in **[REDACTED]** equity interest of Guangxi Qianyue which is established in the PRC and principally engaged in the development of a business park. Our Group holds 19% of Guangxi Qianyue's equity interest and completed the capital injection on 26 April 2023. In accordance with the memorandum and article of Guangxi Qianyue, relevant activities of the entity require consent with simple majority of shareholding. Our Group has no right to appoint any director and does not participate in the operation of Guangxi Qianyue, therefore our Group cannot exercise significant influence over Guangxi Qianyue.

Our Group designated its investment in Guangxi Qianyue at FVOCI (non-recycling), as the investment is held for strategic purposes. No dividends were received and no significant gains or loss recognised in other comprehensive income on this investment during the Track Record Period.

Inventories

The following table sets forth the breakdown of our inventories as at the dates indicated:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Software	257	581	858	2,221
Hardware	3,089	1,706	3,602	6,338
	3,346	2,287	4,460	8,559

Our inventories consist of software products and hardware products. We generally place orders with our suppliers upon receiving confirmation of orders from our customers to reduce risk exposure to obsolete or slow-moving stock. Hence, majority of our inventories as at year end represents orders to be delivered to our customers after year end. Our inventories amounted to RMB3.3 million, RMB2.3 million, RMB4.5 million and RMB8.6 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. Our inventories decreased to RMB2.3 million as at 31 December 2021, primarily due to our Group's strategy to reduce inventory level. Our inventories then increased to RMB4.5 million as at 31 December 2022, primarily due to stocking-up of hardware for ongoing projects as a result of the increase in the number of ongoing projects. Our inventories increased to RMB8.6 million as at 30 April 2023, primarily due to the increase in the number of ongoing projects that are subject to the stage of user acceptance test, which generally takes place in the fourth quarter of the year.

The following table sets forth the turnover days of inventories for the years/period indicated:

	Years ended 31 December			Four months ended 30 April
	2020	**2021**	**2022**	**2023**
Average inventory turnover days*(Note)*	12	10	9	112

Note: Average inventory turnover days is derived from dividing the arithmetic mean of the opening and closing balances of inventories by our total cost of sales in the respective years/period and multiplying by the number of days in that year/period.

Our average inventory turnover days were 12 days, 10 days, 9 days and 112 days for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, respectively. The decrease of our inventories for the year ended 31 December 2021 was primarily due to our Group's strategy to reduce inventory level. The inventory turnover days remained relatively stable at 9 days for the year ended 31 December 2022. The increase in inventory turnover days from 9 days for the year ended 31 December 2022 to 112 days for the four months ended 30 April 2023 was mainly due to the increase in the number of ongoing projects that are subject to the stage of user acceptance test, which generally take places in the fourth quarter of the year.

As at the Latest Practicable Date, RMB4.1 million or 47.8% of the inventories as at 30 April 2023 were utilised or sold. Nonetheless, since a substantial part of the remaining inventories had already been allocated to our ongoing projects and their utilisations are only subject to the user acceptance tests by the customers, our Directors were of the view that there was no recoverability issue in respect of the unutilised inventories.

Contract assets

Contract assets represented revenue earned from the provision of services that can be recognised as at year end yet the receipt of consideration is conditional on the end of the retention period after the completion of the project or reaching the billing milestones. Upon the end of the retention period or reaching the billing milestones when the rights to the payments become unconditional, the amount recognised as contract assets are reclassified to trade receivables.

Our Group typically agrees to retention money for 1% to 10% of the contract value. The retention period normally ranges from one to six years upon the completion of work. The amount is included in contract assets until the end of the retention period as our Group's entitlement to final payment is conditional on our Group's projects keep properly functioning throughout the retention period.

The following table sets forth the breakdown of our contract assets by nature as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Arising from performance under provision of integrated IT solution services contracts				
— Retention money	10,606	10,861	6,016	5,478
— Rights to consideration for work completed but not yet reached the billing milestone	—	—	17,698	14,782
Less: loss allowance	(3,193)	(2,990)	(1,084)	(982)
	7,413	7,871	22,630	19,278

The following table sets forth the breakdown of our contract assets from related parties and independent third parties as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Arising from performance under provision of integrated IT solution services contracts				
— Independent third parties	9,876	9,062	21,752	18,298
— Related parties	730	1,799	1,962	1,962
Less: loss allowance	(3,193)	(2,990)	(1,084)	(982)
	7,413	7,871	22,630	19,278

Our contract assets consisted of retention money and rights to consideration for work completed but not yet reached the billing milestones which amounted to RMB7.4 million, RMB7.9 million, RMB22.6 million and RMB19.3 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. Our contract asset remained relatively stable at RMB7.9 million as at 31 December 2021. Our contract assets significantly increased by 186.1% to RMB22.6 million as at 31 December 2022, which was mainly due to the rights to consideration of RMB17.7 million for work completed in 2022 but not yet reached the billing milestone by the end of 2022.

Such rights to consideration of RMB17.7 million involves four integrated IT solution projects with independent third parties customers. For two of these projects with a total contract sum of RMB10.1 million, we recognised revenue when the customers had accepted the products sold and services provided by us upon passing of the respective user acceptance tests during the year ended 31 December 2022. However, the relevant customers were only required to pay us upon receipt of payment from the end users pursuant to the contract terms. As such, our rights to consideration were not unconditional as at 31 December 2022 and therefore contract assets were recognised. For the period from 1 January 2023 to the Latest Practicable Date, the relevant customers settled RMB6.5 million of the total contract sum, the remaining contract sum of RMB3.6 million is expected to be settled in August 2023.

For the remaining two projects with a total contract sum of RMB11.6 million while the customers have accepted the products sold by us during the respective initial user acceptance tests conducted during the year ended 31 December 2022, we are required to perform some follow-up integration work after passing of the initial user acceptance tests in accordance with the contract terms, and such work is expected to be completed by December 2023. While the revenue in relation to the products sold was recognised when the products had been accepted by the customers, part of the amount is only required to be settled upon completion of our follow-up integration work according to the contract terms, and such outstanding performance obligation on the part of us constitutes a condition to our rights to receive that part of the consideration. As a result, our rights to such amount of consideration were not unconditional as at 31 December 2022 and therefore the respective amount of contract assets was recognised.

Our contract assets decreased by 14.6% to RMB19.3 million as at 30 April 2023, which was mainly due to settlement from an IT service provider for two of the projects mentioned above.

As at 31 December 2020, 2021 and 2022 and 30 April 2023, contract assets amounted to RMB5.0 million, RMB5.4 million, RMB14.1 million and RMB7.7 million, which accounted for 66.9%, 68.9%, 62.4% and 39.9% of contract assets, respectively, is expected to be recovered after more than one year.

As at the Latest Practicable Date, RMB3.8 million or 18.9% of the contract assets as at 30 April 2023 were certified. Nonetheless, as illustrated above, since most of the remaining contract assets are only conditional on the end of the retention period after the completion of the project or reaching the billing milestones and there is no circumstances suggesting that the end of the retention period or the billing milestones cannot be reached, our Directors were of the view that there was no recoverability issue in respect of the uncertified contract assets.

Trade and other receivables

Our trade and other receivable primarily consisted of trade receivables, loss allowance, amounts due from shareholders, amounts due from other related parties, and other deposits, prepayments and receivables. The following table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
— third parties	70,867	110,080	209,469	190,855
— related parties	62,597	100,875	7,672	1,673
Less: loss allowance	(9,161)	(10,184)	(18,481)	(25,072)
	124,303	200,771	198,660	167,456
Amounts due from shareholders	13,914	—	—	—
Amounts due from other related parties	—	55	6,093	6,093
Other deposits, prepayments and receivables	12,834	34,184	56,616	83,547
	151,051	235,010	261,369	257,096

Trade receivables

Our trade receivables primarily represented the outstanding amounts receivable from our customers for our integrated IT solutions services, sales of hardware and/or software and standalone IT services. Our trade receivables amounted to RMB133.5 million, RMB211.0 million, RMB217.1 million and RMB192.5 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

Ageing

The following table sets forth the ageing analysis of our trade receivables based on the invoice date/transaction date and after the recognition of impairment loss as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	97,159	95,106	113,535	3,482
Over 1 month but within 3 months	12,479	2,198	1,801	261
Over 3 months but within 6 months	6,776	73,242	41,548	103,727
Over 6 months but within 1 year	2,811	2,299	3,490	31,166
Over 1 year but within 2 years	2,968	24,998	29,399	22,595
Over 2 years but within 3 years	790	1,901	5,877	1,497
Over 3 years	1,320	1,027	3,010	4,728
	124,303	200,771	198,660	167,456

The following table sets forth the ageing analysis of our gross trade receivables from related parties and independent third parties based on the invoice date/transaction date as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Independent third parties				
Within 1 month	35,357	74,490	116,164	5,622
Over 1 month but within 3 months	12,838	2,260	1,848	221
Over 3 months but within 6 months	7,097	14,386	38,619	107,007
Over 6 months but within 1 year	3,043	2,407	4,044	33,768
Over 1 year but within 2 years	5,390	9,655	33,167	31,170
Over 2 years but within 3 years	3,370	3,947	11,514	5,010
Over 3 years	3,772	2,935	4,113	8,057
	70,867	110,080	209,469	190,855
Related parties				
Within 1 month	62,597	21,884	30	30
Over 1 month but within 3 months	—	—	60	60
Over 3 months but within 6 months	—	60,496	5,454	90
Over 6 months but within 1 year	—	—	—	1,493
Over 1 year but within 2 years	—	18,495	2,128	—
Over 2 years but within 3 years	—	—	—	—
Over 3 years	—	—	—	—
	62,597	100,875	7,672	1,673
	133,464	210,955	217,141	192,528

Our trade receivables increased by 58.1% from RMB133.5 million as at 31 December 2020 to RMB211.0 million as at 31 December 2021 which was primarily attributable to (i) the increase in receivables balance by RMB62.2 million derived from Customer F-1, who is a related party and to whom our Group granted longer payment period; and (iii) majority of our projects were merely completed around the 2021 year end and those trade receivables were not yet due as at 31 December 2021. See "— Trade Receivable due from Customer F-1" below in this subsection for further details.

Our trade receivables slightly increased from RMB211.0 million as at 31 December 2021 to RMB217.1 million as at 31 December 2022, mainly because of the increase in trade receivables balance due from independent third parties, offset by the decrease of the amount due from Customer F-1. The increase in trade receivables balance due from independent third parties was mainly due to (i) the increase in revenue from independent third parties for the year ended 31 December 2022 and majority of our projects were merely completed around the 2022 year end and those trade receivables were not yet due as at 31 December 2022; and (ii) the long-aged trade receivables, in particular trade receivables aged over one year, increased as a result of (a) the receivable balance of RMB13.4 million in total derived from two independent third parties to whom we granted longer payment period, under which certain receivables will be settled after the final inspection of the customers and (b) slower settlement of trade receivables due from certain independent third parties during the year ended 31 December 2022. See "— Recoverability" below for further details of the recoverability of our long-aged trade receivables.

Our trade receivables decreased by 11.3% from RMB217.1 million as at 31 December 2022 to RMB192.5 million as at 30 April 2023, primarily attributable to the seasonality effect which resulted in larger amount of trade receivables recorded at the year end as recognition of revenue is concentrated during the last quarter of the year.

Due to the seasonality of our Group, most of the revenue was recognised upon the passing of user acceptance tests in the fourth quarter of each year. Our Group's revenue is generated from contracts with credit terms generally of 30 days from the date of billing after the receipt of forms of acceptance from customers for both third parties and related parties customers. Such credit period is granted by our Group to our customers as a standard term under our contracts. To establish long-term business relationship with educational institutions, governmental authorities and IT services providers of strategic importance who are not financially distressed based on the communication with the customers by our project managers, a credit period longer than 30 days or payment by instalments could be allowed based on commercial consideration which we believe has allowed us to cope with the expansion and development of our business. As a result, most of the trade receivables as at 31 December 2020, 2021 and 2022 were considered current and not due for payment at the end of each financial year. As at 31 December 2020, 2021 and 2022, trade receivables (other than retention money) which were past due amounted to RMB28.7 million, RMB55.8 million and RMB79.1 million, respectively, representing approximately 21.5%, 26.5% and 36.4% of trade receivables balance as at the end of each year. The increase in the past due amount as at 31 December 2021 was mainly due to the past due amount from Customer F-1, which was mostly settled by the end of 2022. See "— Trade Receivables due from Customer F-1" for further details. The increase in the past due amount as at 31 December 2022 was mainly due to the increase in past due amount from independent third parties as a result of slower settlement of trade receivables due from certain independent third parties during the year ended 31 December 2022. See "— Recoverability" below for further details of the recoverability of our long-aged trade receivables.

Trade Receivables due from Customer F-1

During the Track Record Period, we entered into (i) five Customer F-1 Tripartite Agreements with Customer F-1 and our respective suppliers; and (ii) several other projects with Customer F-1. As illustrated below, we granted longer payment period to Customer F-1 whose contract value would be settled by instalments. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, the revenue generated under the Customer F-1 Tripartite Agreements amounted to RMB8.6 million, RMB13.3 million, RMB0.8 million and RMB41,000, respectively, while revenue generated under those other projects with Customer F-1 amounted to nil, RMB33.5 million, RMB4.3 million and nil. The following table sets forth the breakdown of our trade receivables due from Customer F-1 based on the type of contract as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer F-1 Tripartite Agreements	37,584	76,378	683	802
Other projects	—	23,381	6,659	871
	37,584	99,759	7,342	1,673

- Customer F-1 Tripartite Agreements

  As detailed in "Business — Our Customers — Tripartite Agreements — Customer F-1 Tripartite Agreements", similar arrangements were adopted under the five Customer F-1 Tripartite Agreements. In essence, our projects under these Customer F-1 Tripartite Agreements were part of government master projects which involved work done by different service providers other than us and we were not responsible for any work done under the government master projects other than those under the Customer F-1 Tripartite Agreements. The user acceptance test on our work done under each of the Customer F-1 Tripartite

Agreements (collectively, "**Tripartite Acceptance Tests**") had been conducted before the completion and overall acceptance of the government master projects ("**Master Project Acceptance**"). As Customer F-1 had accepted the products sold and services provided by us (save for maintenance works after project completion) upon passing of the Tripartite Acceptance Tests, revenue was recognised in accordance with the relevant accounting policies adopted by us, despite a significant portion of the contract sum was only required to be settled after the Master Project Acceptance.

For the avoidance of doubt, after the passing of the Tripartite Acceptance Tests, we were only responsible for provision of maintenance service for the work done under the Customer F-1 Tripartite Agreements. The Master Project Acceptance was merely considered as a routine procedure conducted upon the completion of each of the government master projects for payment of the contract value in respect of our work done under the relevant Customer F-1 Tripartite Agreement, instead of substantive examination of our work done. Therefore, the Master Project Acceptance only served as a milestone for the settlement of the relevant contract value.

The following table sets forth the dates of commencement, Tripartite Acceptance Test and Master Project Acceptance of, as well as our revenue recognised during the Track Record Period for, each of the five Customer F-1 Tripartite Agreements:

				Revenue recognised during			
				Year ended 31 December			Four months ended 30 April
	Date of commencement	Date of Tripartite Acceptance Test	Date of Master Project Acceptance	2020	2021	2022	2023
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer F-1 Tripartite Agreement A	November 2020	December 2020	September 2022	8,581	1,764[(1)]	216[(1)]	72[(1)]
Customer F-1 Tripartite Agreement B	March 2021	September 2021	September 2022	—	8,316	75[(1)]	26[(1)]
Customer F-1 Tripartite Agreement C	March 2021	September 2021	September 2022	—	1,385	40[(1)]	13[(1)]
Customer F-1 Tripartite Agreement D	March 2021	September 2021	September 2022	—	1,005	28[(1)]	9[(1)]

				Revenue recognised during			
				Year ended 31 December			Four months ended 30 April
	Date of commencement	Date of Tripartite Acceptance Test	Date of Master Project Acceptance	2020	2021	2022	2023
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer F-1 Tripartite Agreement E	March 2021	September 2021	June 2022	—	847	27[(1)]	9[(1)]

Note:

1. These represent or include revenue attributable to maintenance works after the completion of the projects.

The increase in receivables balance derived from Customer F-1 as at 31 December 2020 and 2021 was greater than the revenue generated for the years ended 31 December 2020 and 2021 mainly because a portion of the revenue of RMB8.6 million and RMB13.3 million generated from the Customer F-1 Tripartite Agreements was recognised on net basis after deducting the relevant software supplier cost, while the entire trade receivables of RMB37.6 million and RMB76.4 million were recorded on gross basis i.e. without deduction of any supplier costs.

We recognised a portion of revenue on net basis because, under the Customer F-1 Tripartite Agreements, in relation to the sale of software, we were regarded as an agent pursuant to the relevant accounting standards and policies. We do not control the specified software before the software are transferred to Customer F-1, and we have no discretion in establishing price and are not responsible for the quality of the software. On the other hand, since we had unconditional rights to the gross amount of consideration from Customer F-1, we recorded the entire trade receivables on gross basis according to the relevant accounting policies.

Turnover days

The following table sets forth the turnover days of trade receivables and contract assets for the years/period indicated:

	Years ended 31 December			Four months ended 30 April
	2020	2021	2022	2023
Trade receivables turnover days [(1)]	177	295	300	2,543
Trade receivables turnover days excluding the Customer F-1 Tripartite Agreements[(2)]	150	205	244	2,571
Trade receivables and contract assets turnover days[(3)]	190	308	323	2,834

Notes:

(1) Trade receivables turnover days was derived from dividing the arithmetic mean of the opening and closing balances of trade receivables by our total revenue in the respective years/period and multiplying by the number of days in that year/period.

(2) Trade receivables turnover days was derived from dividing the arithmetic mean of the opening and closing balance of trade receivables excluding the Customer F-1 Tripartite Agreements for the relevant years/period by our total revenue excluding the Customer F-1 Tripartite Agreements in the respective years/period and multiplying by the number of days in that year/period.

(3) Trade receivables and contract assets turnover days was derived from dividing the arithmetic mean of the opening and closing balances of trade receivables and contract assets by our total revenue in the respective years/period and multiplying by the number of days in that year/period.

Our average trade receivables turnover days were 177 days, 295 days, 300 days and 2,543 days for the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, respectively.

Due to the inherent seasonality of our business, a majority of our revenue and the corresponding trade receivables is recognised during the fourth quarter, in particular, December of the year. As a result, due to the credit period granted to customers, a majority of the trade receivables recognised during the fourth quarter of the year has not been due nor settled as at year end yet and we therefore recorded an overall long trade receivables turnover days during the Track Record Period.

Our trade receivables turnover days increased from 177 days for the year ended 31 December 2020 to 295 days for the year ended 31 December 2021, primarily attributable to the increase in revenue generated from Customer F-1 Tripartite Agreements in 2021 and some of the revenue of which was recognised on net basis while the entire relevant trade receivables was recorded on gross basis. Moreover, our Group granted longer payment period to Customer F-1 whose contract value would be settled by instalments. Excluding the trade receivables derived from the Customer F-1 Tripartite Agreements for the years ended 31 December 2020 and 2021, our trade receivables turnover days were 150 days and 205 days respectively and such increase in turnover days was due to an increase in amount of revenue recognised close to year end of 2021 and those receivables have not been due as at year end yet.

Our trade receivables turnover days remained relatively stable at 295 days and 300 days for the years ended 31 December 2021 and 2022, respectively, while our trade receivables turnover days excluding the Customer F-1 Tripartite Agreements increased from 205 days for the year ended 31 December 2021 to 244 days for the year ended 31 December 2022, mainly due to the increase in trade receivables due from the independent third parties as explained under the paragraph headed "Ageing" above.

Our trade receivables turnover days further increased from 300 days for the year ended 31 December 2022 to 2,543 days for the four months ended 30 April 2023. While our trade receivables turnover days (excluding the Customer F-1 Tripartite Agreements) increased from 244 days for the year ended 31 December 2022 to 2,571 days for the four months ended 30 April 2023. Our Directors are of the view that the trade receivables turnover days for the four months ended 30 April 2023 has no specific reference value as our revenue is highly subject to seasonality effect, leading to a larger amount of trade receivables carried forward from year end while the amount of revenue recognised for the first four months is insignificant as compared with the full year. For comparison, we recorded trade receivables turnover days of 2,772 days for the four months ended 30 April 2022, which was approximate to the amount for the four months ended 30 April 2023.

The fluctuation of our trade receivables and contract assets turnover days was generally in line with the fluctuation of our trade receivables turnover days.

Recoverability

The loss allowance of our trade receivables increased slightly from RMB9.2 million as of 31 December 2020 to RMB10.2 million as at 31 December 2021, primarily due to the increase in our trade receivables aged more than six months but within two years. The loss allowance of our trade receivables further increased to RMB18.5 million as at 31 December 2022, primarily due to the increase in long-aged trade receivables, particularly those past due more than six months. The loss allowance of our trade receivables further increased to RMB25.1 million as at 30 April 2023, primarily because trade receivables past due over three months increased. We assess the recoverability of trade receivables and perform impairment analysis at each reporting date using a loss rate approach to measure expected credit losses. The loss rates are based on groupings of ageing. We develop loss rate statistics on the basis of actual loss experience over the recent past years. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, we write off trade receivables when there is any information indicating that the customer is in severe financial difficulty and there is no realistic prospect of future recovery. Please see Note 2 of the Accountants' Report set out in Appendix I to this document for details of measurement of expected credit losses.

As public expenditure is the major source of funding for our customers in the education and government sector and given the historical record of collection of the trade receivable of our Group, our Directors considered that the credit risk of these customers did not change significantly and the historical loss data based on ageing information of trade receivables with similar credit risk characteristics, still reflects our Directors' expected credit loss for customers with longer credit periods and longer payment cycles. Thus, our Directors were of the view that the allowance of expected credit loss based on the historical loss data using provision matrix reflects our Group's credit risk of the trade receivables including the overdue balances for the projects with larger size and longer credit terms.

As at the Latest Practicable Date, 97.4%, 87.5%, 33.1% and 23.7% of the trade receivables as at 31 December 2020, 2021 and 2022 and 30 April 2023 were settled, respectively. In particular, none of our trade receivables due from related parties as at 30 April 2023 were settled, while RMB45.5 million or 23.9% of our trade receivables due from independent third parties as at 30 April 2023 were settled.

Our Directors were of the view that there shall be no issue in respect of the unsettled receivables and no further impairment was necessary, having considered that (i) over 77% of the trade receivables as at 30 April 2023 was mainly due from education institutions and government authorities primarily financed by government funds; (ii) our outstanding trade receivables were sustained by contracts and the regulation as further elaborated below; (iii) with reference to our historical collection experience, the trade receivables balances as at 30 April 2021, 2022 and 2023 had similar level of settlement around four months after the respective period end; (iv) despite only less than 23% of the trade receivables as at 31 December 2020 and 2021 were settled within four months after the respective year end, 97.4% and 87.5% of such trade receivables had been subsequently settled as at the Latest Practicable Date, respectively; (v) more than half of our trade receivables as at 30 April 2023 was not past due since we granted longer payment period to Customer X, which is a government authority responsible for educational matters, for Project R which was only completed close to year end of 2022 with outstanding contract value (excluding VAT) of RMB84.4 million to be settled by instalments; and (vi) there should be no recoverability issue in respect of those overdue balances as illustrated below. In particular, we granted a longer payment period to Customer X by instalments over a period of four years from the date of user acceptance test (i.e. December 2022) until 2026. Such payment period is a request by Customer X stated in the tender documents and, to the best knowledge of our Directors after reasonable enquiries, such request was made due to the large amount of contract value (excluding VAT) of RMB86.9 million. According to the F&S Report, it is not uncommon in the education IT solution markets that customers would request for such long payment period in their tender documents.

The following table sets forth the ageing analysis of our trade receivables as at 30 April 2023 which were past due, not impaired and not subsequently settled as at the Latest Practicable Date:

	As at 30 April 2023				
	Gross trade receivables (Other than retention money)	**Less: Loss allowance**	**Net trade receivables (Other than retention money)**	**Subsequent settlement as at the Latest Practicable Date**	**Net trade receivables (Other than retention money) not subsequently settled as at the Latest Practicable Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Less than 3 months past due	41,747	3,207	38,540	2	38,538
More than 3 months but less than 6 months past due	35,059	3,938	31,121	25,965	5,156
More than 6 months but less than 12 months past due	1,835	342	1,493	327	1,166
More than 1 year but less than 2 years past due	19,331	9,370	9,961	10,601	—
More than 2 years past due	3,786	3,786	—	2,211	—
	101,758	20,643	81,115	39,106	44,860

Among the abovementioned trade receivables of RMB44.9 million as at 30 April 2023 which were past due, not impaired and not subsequently settled as at the Latest Practicable Date, RMB1.5 million was past due for less than 6 months and was attributable to Customer F-1 who is a related party, which is considered recoverable due to its historical payment record.

Regarding the remaining overdue balances, other than the abovementioned trade receivable of RMB1.5 million attributable to Customer F-1, our Directors were of the view that no recoverability issue arose as:

- among the remaining trade receivables of RMB43.4 million as at 30 April 2023 which were past due, not impaired and not subsequently settled as at the Latest Practicable Date,

  (a) RMB42.6 million was directly due from our customers being either education institutions or government authorities. Payments by education institutions and government authorities which are primarily financed by government funds may take longer processing time as these customers may need to undergo certain procedures for obtaining approval regarding public expenditure. As advised by the PRC Legal Advisers, these customers are regulated under and governed by "The Regulation on Ensuring Payments to Small and Medium-sized Enterprises"《保障中小企業款項支付條例》issued by the State Council of the PRC in September 2020 in terms of their payments to us and therefore their credit risks are relatively low. In particular, education institutions normally have longer internal payment and settlement processes, which may also be affected by school holidays and exam periods, and have in turn led to a longer payment cycle of such customers, but they are normally considered as lower credit risk customers in the industry. We also understand that the local government in Guangxi is also assisting us to collect the outstanding payments from certain customers that are primarily financed by government funds by issuing notices and requesting them to accelerate payment; and

  (b) the remaining insignificant amount of RMB0.8 million of the overdue balances was due from IT services providers which are neither education institutions nor government authorities, majority of which have historical payment record;

- we experienced no major historical default in payment from our customers according to our historical collection record. With reference to our historical collection experience. Despite only less than 23% of the trade receivables as at 31 December 2020 and 2021 had been settled within four months after the respective year end, 97.4% and 87.5% of such trade receivables were subsequently settled as at the Latest Practicable Date, respectively;

- we did not have any material disagreement or disputes with our customers on trade receivables; and

- there had not been any significant change in creditability of our customers and the balances were still considered to be fully recoverable.

Credit control policies

Our Group maintains strict control over our outstanding trade receivables and has credit control policies to minimise the credit risk. Overdue balances are reviewed regularly by our senior management, our sales and marketing representatives and Accounting and Finance Department closely follow up with our customers on payment status. We have strictly followed and will continue to follow the steps and measures stipulated in our credit control policies to manage our receivables and maintain our working capital. As required under our credit control policies, our sales and marketing representatives make collection calls to customers periodically whose bills have become overdue; for customers whose bills have become overdue or aged for more than 90 days, our Accounting and Finance Department escalate the matter to our senior management and both our sales and marketing representatives and our management make collection calls to our customers; and for customers whose bills were overdue as at each calendar quarter end, reconciliation statement is sent to the customers and remind them to settle. To manage our receivables, we also plan to strengthen the cooperation of our technical team and sales and marketing team to conduct more efficient collection, and take into account the collection speed in the performance assessment and benefits of our sales and marketing representatives. Our management seeks to maintain strict control over our outstanding trade receivables and monitor outstanding trade receivables to expedite the recovery of the trade receivables. Our Directors analyse our trade receivables collection process from time to time. Our management reviews the trade receivables balances and any overdue balances on an ongoing basis, and assessments are made by our management on the timing and recoverability of overdue balances. If the customer delays settlement without valid reason, our Directors and project managers will assess the financial status of the customer and negotiate with them for settlement of trade receivables.

Amounts due from shareholders and other related parties

The amounts due from shareholders and other related parties are unsecured, interest-free and repayable on demand. The Directors has confirmed that the amounts due from shareholders had fully settled before the submission of **[REDACTED] [REDACTED]** and the **[REDACTED]**.

Other deposits, prepayments and other receivables

The following table sets forth the breakdown of our other deposits, prepayments and receivables as at the dates indicated:

	As at 31 December			As at 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments to suppliers				
— for project executions	1,389	11,461	26,926	48,459
— for research and development	—	228	5,777	7,210
Deposits to suppliers	856	1,980	955	899
Deposits to existing/potential customers				
— Retention money and performance bond	2,951	2,340	3,175	3,405
— Tender deposits	324	461	1,516	1,347
Refund receivable from suppliers	3,977	5,398	7,316	6,716
Advances to staff	836	6,294	1,904	2,271
Prepaid **[REDACTED]** expenses which will be deducted from equity	1,668	4,251	6,121	6,844
Others	833	1,771	2,926	6,396
Total	**12,834**	**34,184**	**56,616**	**83,547**

Our other deposits, prepayments and receivables mainly comprise (i) prepaid expenses to suppliers for the purchase of hardware and/or software for existing or potential projects; (ii) prepaid expenses to suppliers for research and development purposes; (iii) deposits to suppliers as security for hiring equipment for testing purposes; (iv) retention money and performance bond receivable from existing customers as security for the due performance and observance of our obligations under the contracts entered into between our customers and us; (v) refund receivable from suppliers due to return of hardware and/or software as a result of the change of suppliers; (vi) advances to staff for work purposes; and (vii) prepaid **[REDACTED]** **[REDACTED]** which will be deducted from equity.

The following table sets forth the ageing analysis of our other deposits, prepayments and receivables as at 30 April 2023, which were not impaired and not subsequently settled as at the Latest Practicable Date:

	As at 30 April 2023				
	Gross other deposits, prepayments and receivables	**Less: Loss allowance**	**Net other deposits, prepayments and receivables**	**Subsequent utilisation as at the Latest Practicable Date**	**Net other deposits, prepayments and receivables not subsequently utilised as at the Latest Practicable Date**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	5,877	—	5,877	830	5,045
Over 1 month but within 3 months	2,657	—	2,657	259	2,398
Over 3 months but within 6 months	49,311	—	49,311	6,668	42,643
Over 6 months but within 1 year	11,193	—	11,193	2,240	8,953
Over 1 year but within 2 years	7,851	—	7,851	215	7,636
Over 2 years but within 3 years	5,606	—	5,606	—	5,606
Over 3 years	1,052	—	1,052	—	1,052
	83,547	—	83,547	10,212	73,333

In particular, the following table sets forth the ageing analysis of our prepayments to suppliers as at 30 April 2023, which were not impaired and not subsequently settled as at the Latest Practicable Date:

	As at 30 April 2023			Subsequent utilisation as at the Latest Practicable Date	Net prepayments to suppliers not subsequently utilised as at the Latest Practicable Date
	Gross prepayments/ deposits to suppliers	**Less: Loss allowance**	**Net prepayments to suppliers**		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	2,803	—	2,803	477	2,326
Over 1 month but within 3 months	1,897	—	1,897	47	1,850
Over 3 months but within 6 months	38,666	—	38,666	—	38,666
Over 6 months but within 1 year	5,960	—	5,960	—	5,960
Over 1 year but within 2 years	3,564	—	3,564	—	3,564
Over 2 years but within 3 years	2,270	—	2,270	—	2,270
Over 3 years	509	—	509	—	509
	55,669	—	55,669	524	55,145

Other deposits, prepayments and receivables amounted to RMB12.8 million, RMB34.2 million, RMB56.6 million and RMB83.5 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

The other deposits, prepayments and receivables increased by RMB21.4 million to RMB34.2 million as at 31 December 2021, mainly attributable to (i) the increase in prepayment made to the suppliers under the Customer F-1 Tripartite Agreements; prepayment made to a supplier for a potential project to be tendered in 2022; prepayment made to Supplier A for the purchase of hardware and prepayment made to a supplier for the processing of our self-developed product; (ii) the increase in advance to staff of RMB5.5 million for work purpose; (iii) the increase in refund receivable from suppliers of RMB1.4 million; and (iv) the increase in prepaid **[REDACTED] [REDACTED]** of RMB**[REDACTED]**.

The other deposits, prepayments and receivables increased by RMB22.4 million to RMB56.6 million as at 31 December 2022, mainly attributable to the increase in prepayment made to the suppliers of RMB15.5 million for our project execution and the increase in prepayment of RMB5.5 million for the research and development purposes, partially offset by the decrease in advance to staff of RMB4.4 million following their repayment or utilisation.

In particular, the increase in prepayment made to the suppliers for project execution as at 31 December 2022 was mainly attributable to a prepayment of RMB18.0 million for the purchase of the hardware and software for a potential project to be tendered in 2023. The relevant potential customer is a university in Guilin City, Guangxi and such potential project is related to the provision of integrated IT solutions services for the establishment of the engineering training centre, public class learning centre and language learning centre in the university. Contract value (including tax) is estimated to be around RMB70 million and the gross profit margin of such potential project is estimated to be around 30% to 40%. The tender of such project has been announced in April 2023 and awarded to us in June 2023, followed by the project commencement in July 2023 and its completion in November 2023.

The relevant supplier is a PRC company established in 2021 which principally engages in sales of computer hardware and software. To the best knowledge of our Directors after reasonable enquires, such supplier (or its shareholders/beneficial owners and directors/controllers) does not have any past or present relationship (including, without limitation, employment, business or trust relationship) with us, our shareholders, directors, senior management or any of their respective associate.

We usually consider whether to procure in advance and make prepayment on a case-by-case basis depending on the circumstances of each project. Based on the communication with the relevant supplier, the relevant hardware which includes automatic machine tool requires a production period of at least six months. Therefore, in order to cope with the expected project schedule, we ordered in advance and make prepayment for the relevant hardware. Since the relevant prepayment would only be utilised when the hardware is accepted by the customer after the commencement of the project, the relevant prepayment has not been subsequently utilised as at the Latest Practicable Date. It is agreed between the relevant supplier and us, in the event that we fail to secure the potential project, we can elect to refund the relevant prepayment without incurring any extra charges. According to the F&S Report, given that a long production period is required for certain hardware, it is not uncommon for IT solution providers to purchase hardware and software before securing the projects.

In addition, as at 31 December 2022, other deposits, prepayments and receivables of RMB8.7 million were aged over one year, which mainly include (i) the prepaid **[REDACTED] [REDACTED]** of RMB**[REDACTED]** which will be deducted from equity; and (ii) a prepayment of RMB2.0 million to a supplier for processing our self-developed product.

The other deposits, prepayments and receivables increased by RMB26.9 million from RMB56.6 million as at 31 December 2022 to RMB83.5 million as at 30 April 2023, mainly attributable to (i) the increase in prepayment made to the suppliers of RMB21.5 million for our project execution; and (ii) the increase in prepayment of RMB1.4 million for research and development purposes.

As at the Latest Practicable Date, RMB10.2 million or 12.2% of our other deposits, prepayments and receivables as at 30 April 2023 were utilised, among which RMB0.5 million or 0.9% of our prepayments to suppliers as at 30 April 2023 were utilised.

Cash and cash equivalents

Our cash and cash equivalents as at 31 December 2020, 2021 and 2022 and 30 April 2023 amounted to RMB56.1 million, RMB49.2 million, RMB62.6 million and RMB3.9 million, respectively.

Our cash and cash equivalents decreased by 12.3% from RMB56.1 million as at 31 December 2020 to RMB49.2 million as at 31 December 2021, primarily attributable to the repayment of convertible bond and the payment incurred in ongoing construction of the Business Park.

Our cash and cash equivalents increased by 27.2% from RMB49.2 million as at 31 December 2021 to RMB62.6 million as at 31 December 2022, primarily attributable to settlement of trade receivables by Customer F-1.

Our cash and cash equivalents decreased by 93.8% from RMB62.6 million as at 31 December 2022 to RMB3.9 million as at 30 April 2023, primarily attributable to (i) the net cash used in our operating activities; and (ii) net repayment of bank and other loans.

Trade and other payables

Our trade and other payables primarily consisted of trade payables, accrued payroll, amounts due to an associate, amounts due to a joint venture, amounts due to shareholders, payables for construction of a business park, other tax payables which mainly included taxes other than EIT such as VAT payable, educational surcharge and urban maintenance and construction tax, and other payables and accruals. The following table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	51,895	59,993	46,448	29,033
Accrued payroll	2,042	1,793	2,046	2,079
Amounts due to an associate	4,410	—	—	—
Amounts due to a joint venture	1,950	1,448	1,342	1,342
Amounts due to shareholders	191	178	109	64
Payables for construction of a business park	2,995	59,096	84	2,037
Other tax payables	15,070	22,408	22,077	19,670
Other payables and accruals	6,203	4,722	3,005	3,329
	84,756	149,638	75,111	57,554

Our trade payables amounted to RMB51.9 million, RMB60.0 million, RMB46.4 million and RMB29.0 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. The trade payables increased to RMB60.0 million as at 31 December 2021, which was mainly due to the increase in procurement costs for hardware and software that was not yet due as at year end. The trade payables then decreased to RMB46.4 million as at 31 December 2022, primarily owing to the settlement of trade payables. The trade payables decreased to RMB29.0 million as at 30 April 2023, mainly due to settlement of our trade payables.

The amounts due to an associate represented the unsettled capital injection payable to Shuguang Maiyue which are unsecured and interest-free.

The amounts due to a joint venture mainly represented the unsettled capital injection payable to Fangchenggang City Investment Digital which was unsecured, interest-free and repayable within 12 months after the incorporation or on demand. However, our joint venture partner experienced changes in management in 2021 and 2022, and it had not made its capital contribution to Fangchenggang City Investment Digital. On 26 April 2023, we were informed by the joint venture partner that, due to its internal restructuring and change of business plans, it intended to transfer its 35% interests in Fangchenggang City Investment Digital to Nanning Maiyue.

The amounts due to shareholders mainly represented the advances from the shareholders for general working capital of our Group. The continuous decrease during the Track Record Period was mainly due to repayment of the amounts due to shareholders. The Directors has confirmed that our Group will fully settle the amounts due to shareholders before **[REDACTED]**.

Our other payables and accruals decreased to RMB4.7 million as at 31 December 2021 was mainly attributable to the decrease in accrued **[REDACTED] [REDACTED]** of RMB**[REDACTED]**. Our other payables and accruals decreased to RMB3.0 million as at 31 December 2022, mainly attributable to (i) payment of interest originated from bank and other loans; and (ii) payment of **[REDACTED] [REDACTED]** and other operating expenses payable. Our other payables and accruals remained relatively stable at RMB3.3 million as at 30 April 2023.

The following table sets forth the ageing analysis of our trade payables based on the invoice date/transaction date as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	50,396	44,258	27,582	7,857
Over 1 year but within 2 years	1,402	14,635	8,309	19,511
Over 2 years but within 5 years	97	1,100	10,557	1,635
Over 5 years	—	—	—	30
	51,895	59,993	46,448	29,033

Our supplier generally granted us credit period ranging from 0 to 90 days.

Our trade payables aged over 1 year increased from RMB1.5 million as at 31 December 2020 to RMB15.7 million as at 31 December 2021, and further increased to RMB18.9 million as at 31 December 2022 and RMB21.2 million as at 30 April 2023, mainly due to trade payables aged over 1 year to Supplier F of RMB14.0 million, RMB14.8 million and RMB16.3 million as at 31 December 2021 and 2022 and 30 April 2023, respectively, who entered into Customer F-1 Tripartite Agreements with our Group and Customer F-1. According to the relevant Customer F-1 Tripartite Agreements, payment to Supplier F would be settled by instalments, see "Business — Tripartite agreements — Customer F-1 Tripartite agreements" for details. Excluding the trade payables aged over 1 year to Supplier F, our trade payables aged over 1 year amounted to RMB1.5 million, RMB1.7 million, RMB4.1 million and RMB4.9 million as at 31 December 2020, 2021 and 2022 and 30 April 2023 respectively.

The following table sets forth the average turnover days of trade payables for the years/period indicated:

	Years ended 31 December			Four months ended 30 April
	2020	**2021**	**2022**	**2023**
Average turnover days of trade payables *(Note)*	117	199	141	649

Note: Average turnover days of trade payables is derived from dividing the arithmetic mean of the opening and closing balances of trade payables by our total cost of sales in the respective years/period and multiplying by the number of days in that years/period.

Our average trade payables turnover days were 117 days, 199 days, 141 days and 649 days for the years ended 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. The trade payables turnover days increased from 117 days for the year ended 31 December 2020 to 199 days for the year ended 31 December 2021, primarily attributable to (i) the increase in trade payable balance resulted from the increased purchase from the third-party software suppliers which was not yet due as at year end; and (ii) the relevant procurement costs incurred under the Customer F-1 Tripartite Agreements not being accounted in cost of sales. The trade payables turnover days decreased from 199 days for the year ended 31 December 2021 to 141 days for the year ended 31 December 2022, mainly because the supplier of a sizeable project we secured in 2022 did not grant us credit term. The trade payables turnover days increased from 141 days for the year ended 31 December 2022 to 649 days for the four months ended 30 April 2023. Our Directors are of the view that the trade payables turnover days for the four months ended 30 April 2023 has no specific reference value as our revenue and the relevant cost of sales are highly subject to seasonality effect, leading to a larger amount of trade payables carried forward from year end while the amount of cost of sales recognised for the first four months is insignificant as compared with the full year.

As at the Latest Practicable Date, RMB20.0 million or 68.8% of our trade payables outstanding as at 30 April 2023 were settled.

Contract liabilities

The following table sets forth the breakdown of our contract liabilities as at the dates indicated:

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Billings in advance of performance . . .	597	937	3,018	1,122

Contract liabilities are recognised when our Group receives advances before the provision of underlying products and services. Our contract liabilities solely related to short-term advances received from customers, which amounted to RMB0.6 million, RMB0.9 million, RMB3.0 million and RMB1.1 million as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. The contract liabilities remained stable at RMB0.6 million and RMB0.9 million as at 31 December 2020 and 2021, respectively. The contract liabilities increased to RMB3.0 million as at 31 December 2022 which was primarily due to the advance receipt from two education customers for the provision of our products and services. The contract liabilities then decreased to RMB1.1 million as at 30 April 2023, primarily because a project secured from a customer in education sector reached the stage of user acceptance test.

As at the Latest Practicable Date, RMB0.7 million or 60.9% of our contract liabilities outstanding as at 30 April 2023 were recognised as revenue.

Financial Resources

During the Track Record Period, our principal sources of fund have been our equity capital, cash generated from our business operations and bank and other loans. Our primary liquidity requirements are to finance our working capital and fund our capital expenditure and growth of our operations. After the **[REDACTED]**, we expect to meet our liquidity needs and finance our working capital requirements from cash generated from our operations, debt and equity financings, and the **[REDACTED]** from the **[REDACTED]**, details of which please refer to the section headed "Future Plans and **[REDACTED]**" in this document.

CONSOLIDATED CASH FLOW STATEMENTS

The following table sets forth a summary of our consolidated cash flow information for the years/periods indicated:

	For the years ended 31 December			For the four months ended 30 April	
	2020	2021	2022	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Operating cash flows before movements in working capital	56,767	70,694	79,428	(12,535)	(8,604)
Changes in working capital	(50,179)	(53,984)	(58,221)	(11,625)	(22,629)
Income tax paid	(1,091)	(10,035)	(11,093)	(217)	(412)
Net cash generated from/(used in) operating activities	5,497	6,675	10,114	(24,377)	(31,645)
Net cash used in investing activities	(26,509)	(17,993)	(17,921)	(1,235)	(2,017)
Net cash generated from/(used in) financing activities	40,590	4,358	21,252	(15,964)	(25,075)
Net increase/(decrease) in cash and cash equivalents	19,578	(6,960)	13,445	(41,576)	(58,737)
Cash and cash equivalents at the beginning of the year/period	36,538	56,116	49,156	49,156	62,601
Effect of foreign exchange rate changes	—	—*	—*	(36)	—*
Cash and cash equivalents at the end of the year/period	56,116	49,156	62,601	7,544	3,864

* *This balance represents any amount of less than RMB500.*

Net cash generated from/(used in) operating activities

Our net cash generated from/(used in) operating activities comprised profit or loss before taxation adjusted mainly for non-cash items, such as depreciation, amortisation, finance costs, impairment losses recognised on trade and other receivables and contract assets, share of profits of an associate, and adjusted for the change in working capital. Our cash flow generated from operating activities was principally from profit generated from our business, the receipt for sales of our inventories, increase in trade and other payables and decrease in trade and other receivables. Our cash flow used in operating activities was principally consisted of loss generated from our business payment of procurement costs for hardware and software and service cost for IT and supporting services.

For the year ended 31 December 2020, we had net cash generated from operating activities of RMB5.5 million. This represented our profit before taxation of RMB44.8 million, adjusted mainly for non-operating cash items and our operating cash flows before movements in working capital amounted to RMB56.8 million. Changes in working capital primarily reflected increase in trade and other receivables of RMB61.8 million, decrease in contract liabilities of RMB3.0 million and increase in contract assets of RMB0.5 million, partially offset by the increase in trade and other payables of RMB13.1 million and decrease in inventories of RMB2.0 million.

For the year ended 31 December 2021, we had net cash generated from operating activities of RMB6.7 million. This represented our profit before taxation of RMB54.8 million, adjusted mainly for non-operating cash items and our operating cash outflows before movements in working capital amounted to RMB70.7 million. Changes in working capital primarily reflected increase in trade and other receivables of RMB78.9 million, partially offset by the increase in trade and other payables of RMB22.6 million.

For the year ended 31 December 2022, we had net cash generated from operating activities of RMB10.1 million. This represented our profit before taxation of RMB56.2 million, adjusted mainly for non-operating cash items and our operating cash flows before movements in working capital amounted to RMB79.4 million. Changes in working capital primarily reflected (i) increase in trade and other receivables of RMB32.5 million mainly as a result of (a) the increase in prepayment made to the suppliers for the purchase of software and hardware products for a potential project to be tendered in 2023 and prepayment for the research and development purposes; (ii) the increase in contract assets of RMB12.9 million as a result of the projects of certain new customers completed in 2022 had billing milestones which had not been reached yet by the end of 2022; and (iii) the decrease in trade and other payables of RMB12.5 million mainly as a result of settlement of trade payables.

For the four months ended 30 April 2023, we had net cash used in operating activities of RMB31.6 million. This represented our loss before taxation of RMB19.9 million, adjusted mainly for non-operating cash items and our operating cash outflows before movements in working capital amounted to RMB8.6 million. Changes in working capital primarily reflected (i) the decrease in trade and other payables of RMB19.3 million as a result of settlement of our trade payables; and (ii) the increase in inventories of RMB4.1 million as a result of the increase in the number of our ongoing projects which have not reached the stage of user acceptance test.

Net cash used in investing activities

Our cash flow generated from investing activities consisted of uplift of pledged bank deposits. Our cash flow used in investing activities comprised of purchase of property, plant and equipments, payment for the development costs, placement of pledged bank deposits and payment for the investment cost in the associate Shuguang Maiyue.

For the year ended 31 December 2020, we had net cash used in investing activities of RMB26.5 million, which mainly reflected the payment of the construction costs of the Business Park of RMB17.3 million, payment for the leasehold land of the Business Park of RMB7.6 million, payment for items of property, plant and equipment of RMB0.2 million, expenditure on development costs of RMB5.2 million, investment cost in the associate Shuguang Maiyue of RMB490,000, placement of pledged bank deposits of RMB672,000, partially offset by the uplift of pledged bank deposits of RMB4.9 million.

For the year ended 31 December 2021, we had net cash used in investing activities of RMB18.0 million, which mainly reflected the payment for the purchase of property, plant and equipment of RMB10.9 million, expenditure on development costs of RMB7.1 million, investment in a joint venture of RMB0.7 million and payment for software license of RMB0.6 million, partially offset by the acquisition of subsidiary, net of cash acquired of RMB0.9 million.

For the year ended 31 December 2022, we had net cash used in investing activities of RMB17.9 million, which mainly reflected the expenditure on development costs of RMB8.8 million, the payment for the purchase of property, plant and equipment of RMB6.7 million and placement of pledged bank deposits of RMB2.7 million.

For the four months ended 30 April 2023, we had net cash used in investing activities of RMB2.0 million, which mainly reflected the expenditure on development costs of RMB3.2 million, partially offset by the uplift of pledged bank deposits of RMB1.4 million.

Net cash generated from/(used in) financing activities

Our cash flow generated from financing activities mainly consisted of capital injected from shareholders, new bank and other loan and the issue of the convertible bond in 2020. Our cash flow used in financing activities mainly consisted of repayment of bank and other loans, interest paid on bank and other loans and payment of **[REDACTED] [REDACTED]**.

For the year ended 31 December 2020, we had net cash generated from financing activities of RMB40.6 million, which mainly reflected the new bank and other loans of RMB74.8 million and proceeds from the issue of convertible bond of RMB8.0 million, partially offset by the repayment of bank and other loans of RMB41.0 million, payment for re-organisation of RMB2.6 million, interest paid on bank and other loans of RMB1.3 million and payment of **[REDACTED] [REDACTED]** of RMB**[REDACTED]**.

For the year ended 31 December 2021, we had net cash generated from financing activities of RMB4.4 million, which mainly reflected the proceeds from new loans and borrowings of RMB65.0 million, partially offset by the repayment of loans and borrowings of RMB41.6 million, repayment of convertible bond of RMB8.0 million, interest paid of RMB8.0 million and payment of **[REDACTED] [REDACTED]** of RMB**[REDACTED]**.

For the year ended 31 December 2022, we had net cash generated from financing activities of RMB21.3 million, which mainly reflected proceeds from new bank and other loans of RMB108.4 million, partially offset by the repayment of bank and other loans of RMB75.0 million, interest paid of RMB8.5 million and payment of **[REDACTED] [REDACTED]** of RMB**[REDACTED]**.

For the four months ended 30 April 2023, we had net cash used in financing activities of RMB25.1 million, which mainly reflected the repayment of bank and other loans of RMB28.5 million, partially offset by proceeds from new bank and other loans of RMB6.0 million.

WORKING CAPITAL SUFFICIENCY

Our Directors confirm that, taking into consideration the financial resources presently available to us, which including primarily our internal resources, bank borrowings 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.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital expenditures

During the Track Record Period, our capital expenditure principally consisted of (i) purchase of motor vehicle, (ii) purchase of furniture, office equipment and others; (iii) purchase of leasehold land for the Business Park and (iv) construction in progress for the business park, which is set forth in the table below for the years/period indicated.

	Years ended 31 December			Four months ended 30 April
	2020	**2021**	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment				
Motor vehicles	—	343	812	—
Furniture, office equipment and others	172	409	937	170
Construction in progress	20,456	66,744	—	—
Right-of-use assets	—	—	1,100	51
	20,628	67,496	2,849	221

Capital commitments

We had capital commitment amounted to RMB141.5 million, RMB1.5 million, nil and nil as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. We recorded capital commitment of RMB141.5 million as at 31 December 2020, primarily due to the commitment arisen from the construction contract of the Business Park. In April 2021, the Group entered into an agreement with Nanning Julehui Network Technology Co., Ltd ("**Nanning Julehui**") in relation to the construction and operation of the Business Park, while the agreement was terminated in March 2022 in light that there was an adjustment of Nanning Julehui's internal business strategies and thus it might not have enough resources to cope with the development of the Business Park. In April 2022, our Group entered into a new agreement with, among others, Guangxi Qianlong Education Technology Co., Ltd ("**Guangxi Qianlong**") for the development and operation of the Business Park. According to the new agreements, our Group and Guangxi Qianlong set up Guangxi Qianyue. Our Group made the capital contribution based on the value of land use right and construction in progress of the Business Park net of the payables for the construction. In accordance with the memorandum and article of Guangxi Qianyue, relevant activities of the entity require consent with simple majority of shareholding. The Group owns 19% of Guangxi Qianyue's equity interest and treats it as a financial asset as our Group cannot exercise significant influence over Guangxi Qianyue. See "Business — Properties — Business park development" for details.

	As at 31 December			As at 30 April
	2020	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract fee	141,537	1,459	—	—

INDEBTEDNESS

Statement of indebtedness

Our indebtedness during the Track Record Period consisted primarily of lease liabilities, bank and other loans and convertible bond. The following table sets out a breakdown of our indebtedness as at 31 December 2020, 2021 and 2022, 30 April 2023 and 30 June 2023, being the latest practicable date for the purpose of this statement of indebtedness in this document.

	As at 31 December			As at 30 April	As at 30 June
	2020	2021	2022	2023	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Non-current					
Lease liabilities	569	—	126	16	16
Bank and other loans	53,516	51,613	71,874	74,850	58,169
	54,085	51,613	72,000	74,866	58,185
Current					
Lease liabilities	771	1,128	421	453	456
Bank and other loans	32,537	68,617	86,057	61,988	95,685
Convertible bond	8,022	—	—	—	—
	41,330	69,745	86,478	62,441	96,141
Total	95,415	121,358	158,478	137,307	154,326

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed below, we did not have any bank and other loan, or any loan capital issued and outstanding or agreed to be issued, bank overdraft, borrowing or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases or finance lease commitments, guarantees or other material contingent liabilities as of the Latest Practicable Date for our indebtedness statement. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

As at the Latest Practicable Date, we had aggregate banking facilities of RMB220.6 million, of which RMB133.2 million was utilised and RMB87.4 million was unutilised.

Bank and other loans

Our bank and other loans amounted to RMB86.1 million, RMB120.2 million, RMB157.9 million, RMB136.8 million and RMB153.9 million as at 31 December 2020, 2021 and 2022, 30 April 2023 and 30 June 2023, respectively. The following table sets forth the breakdown of our bank and other loans as at the dates indicated:

	As at 31 December			As at 30 April	As at 30 June
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Non-current					
Secured and guaranteed	165	119	29,193	29,169	29,169
Unsecured and guaranteed	—	31,494	—	3,000	9,000
Unsecured and unguaranteed	53,351	20,000	42,681	42,681	20,000
	53,516	51,613	71,874	74,850	58,169
Current					
Secured and guaranteed	10,241	87	46,030	19,314	18,816
Secured and unguaranteed	—	10,000	17,869	19,119	13,420
Unsecured and guaranteed	21,370	22,165	21,000	21,000	21,000
Unsecured and unguaranteed	926	36,365	1,158	2,555	42,449
	32,537	68,617	86,057	61,988	95,685
Total	86,053	120,230	157,931	136,838	153,854

The unsecured other loans represented loans due to an independent third party of our Group and borne interest at fixed rate of 10% per annum. The purpose of the unsecured other loans were for general working capital and it was unsecured and non-guaranteed.

As at 31 December 2020, 2021 and 2022, 30 April 2023 and 30 June 2023, bank and other loans of RMB31.8 million, RMB0.2 million, RMB0.1 million, RMB3.1 million and RMB9.1 million were guaranteed by the Shareholders of our Group of which will be released or fully repaid before the **[REDACTED]**.

As at 31 December 2020, 2021, 2022 and 30 April 2023, bank and other loans of RMB10,000,000, RMB5,000,000, RMB8,000,000 and RMB8,000,000 are guaranteed by third parties.

The bank and other loans increased from RMB86.1 million as at 31 December 2020 to RMB120.2 million as at 31 December 2021, primarily attributable to (i) the increase in the size of projects, resulting in more substantial cash flow mismatch; and (ii) the increase in **[REDACTED] [REDACTED]** for the respective year. The bank and other loans further increased to RMB157.9 million as at 31 December 2022, mainly due to cash flow mismatch where fundings are required for cash payment upfront throughout execution of projects, while projects are normally completed in the fourth quarter of the year and payments from customers are generally received after that. The bank and other loans then decreased to RMB136.8 million as at 30 April 2023, mainly due to repayment of bank and other loans.

As at 31 December 2020, a secured bank loan of RMB10.0 million with duration of one year was subject to certain of Nanning Maiyue's financial ratios. The secured bank loan would become payable on demand if our Group breached the covenants. Our Directors confirm that, during the Track Record Period, none of the covenants relating to drawn down facilities had been breached. The aforementioned bank loan has been fully repaid in June 2021.

Lease liabilities

The following table sets forth the breakdown of our lease liabilities in respect of our leased properties as at the dates indicated:

	As at 31 December			**As at 30 April**	**As at 30 June**
	2020	**2021**	**2022**	**2023**	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Non-current	569	—	126	16	16
Current.	771	1,128	421	453	456
	1,340	1,128	547	469	472

During the Track Record Period and up to the Latest Practicable Date, we leased various properties for the use of office and staff quarter. As at 31 December 2020, 2021 and 2022, 30 April 2023 and 30 June 2023, lease liabilities of RMB0.8 million, RMB1.1 million, RMB0.4 million, RMB0.5 million and RMB0.5 million would be due within one year.

Convertible bond

We issued a convertible bond with a face value of RMB8.0 million to Guangxi Honggui Emergency Relief Investment Fund Partnership on 10 July 2020 for additional liquidity. Our convertible bond amounted to RMB8.0 million, nil, nil, nil and nil as at 31 December 2020, 2021 and 2022, 30 April 2023 and 30 June 2023, respectively. The convertible bond had never been redeemed and was fully repaid before maturity on 22 April 2021. Please see Note 27 of the Accountants' Report in Appendix I to this document for details.

Contingent liabilities

As at the Latest Practicable Date, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENT

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

As at 31 December 2020, 2021 and 2022 and 30 April 2023, bank and other loans of RMB31.8 million, RMB0.1 million, RMB0.1 million and RMB3.1 million were guaranteed by the Shareholders of our Group of which will be released or fully repaid before the **[REDACTED]**.

For the year ended 31 December 2020, we have provided integrated IT solutions services to Shuguang Maiyue which generated RMB41.9 million. We had received property management services of RMB202,000 and RMB191,000 for the years ended 31 December 2020 and 2021, respectively, by Nanning City Wanjin Enterprise Investment Co., Ltd (南寧市萬錦企業投資有限公司) of which Mr. Ye is a shareholder and supervisor. For the years ended 31 December 2020, 2021 and 2022 and the four months ended 30 April 2023, we had provided integrated IT solutions services of RMB8.6 million, RMB46.8 million, RMB5.2 million and RMB41,000, respectively, to Digital Guangxi. For the year ended 31 December 2021, we had provided integrated IT solutions services of RMB1.0 million, respectively, to Fangchenggang City Investment Digital.

As at 31 December 2020, we had amounts due to an associate of RMB4.4 million, primarily due to the unsettled capital injection into the associate. As at 31 December 2020, 2021 and 2022 and 30 April 2023, we had amounts due to a joint venture of RMB2.0 million, RMB1.4 million, RMB1.3 million and RMB1.3 million, respectively, primarily due to the unsettled capital injection into the joint venture. The amounts due from/to related parties (excluded balances with the associate and the joint venture) are unsecured, interest-free and repayable on demand. For details of the non-recurring and non-trade related party transactions and amounts due from/to related parties, please refer to the Note 34 to the Accountants' Report in the Appendix I to this document. The non-trade related balances with related parties (excluded balances with the joint venture and the amount due from Digital Guangxi for Shuguang Maiyue) will be settled before **[REDACTED]**.

Our related party transactions were conducted during the Track Record Period in accordance with terms as agreed between us and the respective related parties. Our Directors confirmed that all related party transactions during the Track Record Period were conducted on normal commercial terms that are reasonable and in the interest of our Group as a whole. Our Directors further confirmed that these related party transactions would not distort our results of operations for the Track Record Period or make our historical result not reflective of our future performance.

KEY FINANCIAL RATIOS

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

	Years ended 31 December			Four months ended 30 April
	2020	2021	2022	2023
Net profit margin (%)[1]	19.0	22.9	20.2	N/A
Return on equity (%)[2]	47.2	35.2	27.3	N/A
Return on total assets (%)[3]	14.4	11.2	10.2	N/A
Interest coverage (times)[4]	9.1	7.7	7.3	N/A

	As at 31 December			As at 30 April
	2020	2021	2022	2023
Current ratio (times)[5]	1.6	1.3	2.0	2.3
Quick ratio (times)[6]	1.6	1.3	1.9	2.2
Debt asset ratio (%)[7]	34.7	29.3	32.9	37.5
Gearing ratio (%)[8]	114.2	92.4	88.3	84.4
Net debt to equity ratio (%)[9]	47.0	54.9	51.9	81.2

Notes:

(1) The calculation of net profit margin is based on profit for the year/period attributable to equity shareholders of the Company divided by revenue for the respective years/period and multiplied by 100%.

(2) The calculation of return on equity is based on profit for the year/period attributable to equity shareholders of the Company for the respective years/period divided by total equity attributable to equity shareholders of the Company as at the respective dates and multiplied by 100%.

(3) The calculation of return on total assets is based on profit for the year/period for the respective years/period divided by total assets as at the respective dates and multiplied by 100%.

(4) The interest coverage is based on profit before interest and tax divided by finance cost for the respective years/period and multiplied by 100%.

(5) The calculation of current ratio is based on current assets divided by current liabilities as at the respective dates.

(6) The calculation of quick ratio is based on current assets (net of inventories) divided by total current liabilities as at the respective dates.

(7) The calculation of debt asset ratio is based on total interest-bearing debt divided by total assets as at the respective dates and multiplied by 100%.

(8) The calculation of gearing ratio is based on total interest-bearing debt divided by total equity as at the respective dates and multiplied by 100%.

(9) The calculation of net debt to equity ratio is based on net debt (being total interest-bearing debt net of cash and cash equivalents and pledged bank deposits) divided by total equity as at the respective dates and multiplied by 100%.

Net profit margin

Our net profit margin was 19.0%, 22.9% and 20.2% for the year ended 31 December 2020, 2021 and 2022, respectively. The net profit margin was not applicable for the four months ended 30 April 2023 as we recorded loss for the period.

Our net profit margin increased from 19.0% for the year ended 31 December 2020 to 22.9% for the year ended 31 December 2021, which was primarily attributable to the increase in our gross profit of RMB23.5 million resulted from (i) the increase in revenue generated from the sales of self-developed software; and (ii) our improved gross profit margin derived from the provision of integrated IT solutions services during the year. Our net profit margin decreased to 20.2% for the year ended 31 December 2022, mainly owing to the decrease in gross profit margin.

Return on equity

Our return on equity was 47.2%, 35.2% and 27.3% for the years ended 31 December 2020, 2021 and 2022, respectively. The return on equity was not applicable for the four months ended 30 April 2023 as we recorded loss for the period.

Our return on equity decreased from 47.2% for the year ended 31 December 2020 to 35.2% for the year ended 31 December 2021, which was primarily attributable to the increase in our gross profit of RMB23.5 million resulted from (i) the increased revenue generated from the sales of self-developed software; and (ii) our improved gross profit margin derived from the provision of integrated IT solutions services during the year. Our return on equity further decreased to 27.3% for the year ended 31 December 2022, mainly due to the increase in equity outweighing the increase in profit for the year.

Return on total assets

Our return on total assets was 14.4%, 11.2% and 10.2% for the years ended 31 December 2020, 2021 and 2022, respectively. The return of total assets was not applicable for the four months ended 30 April 2023 as we recorded loss for the period.

Our return on total asset decreased from 14.4% for the year ended 31 December 2020 to 11.2% for the year ended 31 December 2021, which was primarily attributable to the increase in our gross profit of RMB23.5 million resulted from (i) the increase in revenue generated from the sales of self-developed softwares; and (ii) our improved gross profit margin derived from the provision of integrated IT solutions services during the year. Our return on total assets further decreased to 10.2% for the year ended 31 December 2022, mainly due to the increase in total assets outweighing the increase in profit for the year.

Interest coverage

Our interest coverage was 9.1 times, 7.7 times and 7.3 times for the years ended 31 December 2020, 2021 and 2022, respectively. The interest coverage was not applicable for the four months ended 30 April 2023 as we recorded loss before taxation.

The continuous decrease in interest coverage for the years ended 31 December 2020, 2021 and 2022 was mainly due to the increase in finance costs resulted from the increase in bank and other loans outweighing the profit before interest and tax for the year.

Current ratio

Our current ratio was 1.6 times, 1.3 times, 2.0 times and 2.3 times which remained relatively constant as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

Quick ratio

Our quick ratio was 1.6 times, 1.3 times, 1.9 times and 2.2 times which remained relatively constant as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively.

Debt asset ratio

Our debt asset ratio remained relatively stable at 34.7%, 29.3% and 32.9% as at 31 December 2020, 2021 and 2022, respectively. Our debt ratio increased from 32.9% as at 31 December 2022 to 37.5% as at 30 April 2023, mainly due to the decrease in total assets outweighed the decrease in total interest-bearing debt.

Gearing ratio

Our gearing ratio was 114.2%, 92.4%, 88.3% and 84.4% as at 31 December 2020, 2021 and 2022 and 30 April 2023, respectively. Our high level of gearing ratio during the Track Record Period was mainly attributable to our utilisation of bank and other loans for our projects due to cash flow mismatch as we incur substantial amount of cash upfront throughout the execution of projects such as for the procurement of hardware, equipment and software, service costs for IT and supporting services and staff costs, while we generally receive payment from our customers after completion of the projects.

The Group obtained unsecured and unguaranteed loans of RMB25.0 million in 2020, from an independent third party for general working capital purpose. The interest rate of the unsecured and unguaranteed loans from the independent third party was similar to that of bank loans. It offered flexibility to our Group as it did not require guarantee money. Our gearing ratio decreased from 114.2% as at 31 December 2020 to 92.4% as at 31 December 2021, which was mainly due to the increase in our total equity by RMB47.8 million as our total assets increased by RMB139.5 million as at the year end. Our gearing ratio remained relatively stable at 88.3% and 84.4% as at 31 December 2022 and 30 April 2023, respectively.

Net debt to equity ratio

Our net debt to equity ratio increased from 47.0% as at 31 December 2020 to 54.9% as at 31 December 2021, which was primarily attributable to the increase in interest-bearing loans for business operation during the year. Our net debt to equity ratio decreased to 51.9% as at 31 December 2022, mainly due to the increase in cash and cash equivalents and pledged bank deposits. Our net debt to equity ratio increased to 81.2% as at 30 April 2023, primarily attributable to the decrease in cash and cash equivalents.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to a variety of financial risk including credit risk, liquidity risk and interest rate risk. Details of the risks to which we are exposed are set out in Note 32 to the Accountants' Report in Appendix I to this document.

[REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** range of HK$**[REDACTED]** to HK$**[REDACTED]** per Share, the total estimated **[REDACTED]** expenses in connection with the **[REDACTED]** (including **[REDACTED]** commission for all **[REDACTED]**) was RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**), representing **[REDACTED]**% of the estimated gross **[REDACTED]** from the **[REDACTED]** if the **[REDACTED]** is not exercised.

For the years ended 31 December 2019, 2020, 2021 and 2022 and the four months ended 30 April 2023, **[REDACTED]** of RMB**[REDACTED]**, RMB**[REDACTED]**, RMB**[REDACTED]**, RMB**[REDACTED]** and RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**, HK$**[REDACTED]**, HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]**), respectively, were charged to our profit or loss, while RMB**[REDACTED]**, RMB**[REDACTED]**, RMB**[REDACTED]**, RMB**[REDACTED]** and RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**, HK$**[REDACTED]**, HK$**[REDACTED]**, HK$**[REDACTED]** and HK$**[REDACTED]**), respectively, are directly attributable to the issuance of Shares and is expected to be accounted for as a deduction from equity upon completion of the **[REDACTED]**. For the year ending 31 December 2023, we expect to incur additional **[REDACTED]** of RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**), of which an estimated amount of RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**) will be charged to profit or loss and RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**), being directly attributable to the issuance of Shares, will be accounted for as a deduction from equity upon successful **[REDACTED]** under relevant accounting standards.

The **[REDACTED] [REDACTED]** consist of (i) **[REDACTED]**-**[REDACTED]**, including **[REDACTED]** commission, of RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**); and (ii) non-**[REDACTED]** related expenses of RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**), including (a) fees and expenses of legal advisers and Reporting Accountants of RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**); and (b) other fees and expenses of RMB**[REDACTED]** (equivalent to HK$**[REDACTED]**).

The **[REDACTED] [REDACTED]** above are the best estimate as at the Latest Practicable Date and for reference only and the actual amount may differ from this estimate.

DIVIDENDS AND DIVIDEND POLICY

No dividends were paid or declared by the Company or any of its subsidiaries during the Track Record Period. We do not have any fixed dividend policy or pre-determined dividend payout ratio. The declaration of dividends is subject to the discretion of our Board. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a Shareholders' meeting. Our Directors may recommend a payment of dividends in the future after taking into account our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, shareholders' interests and other factors which they may deem relevant at such time. Any declaration and payment as well as the amount of the dividends will be subject to constitutional documents, any applicable laws and regulations, including the Cayman Companies Act. Historical dividend distributions are not indicative of our future dividend distribution. 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 was incorporated on 21 March 2019 and is an investment holding company. There were no reserves available for distribution to our Shareholders as at the Latest Practicable Date.

[REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section "**[REDACTED]** Financial Information" in Appendix II for our **[REDACTED]** adjusted consolidated net tangible assets.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Save as disclosed in "Summary", our Directors confirm that there have not been any material adverse changes in our financial or trading position or prospects subsequent to the Track Record Period and up to the date of this document. As far as we are aware, there was no material change in the general market conditions that had affected or would affect our business operations or financial conditions materially and adversely.