OVERVIEW

We are a PRC provider for (i) data transmission and processing services for IoT applications and (ii) telecommunication equipment, serving a broad range of industrial customers. During the Track Record Period, we mainly provided customized data transmission and processing services to customers in manufacturing, municipal services and other industries in the PRC, and researched, developed and sold telecommunication equipment. To a lesser extent, we also generated revenue from provision of other services during the Track Record Period, such as telecommunication equipment maintenance and telecommunication consulting services.

Our data transmission and processing services for IoT applications assist our customers to realize and optimize their digitalizations. Catering to customers' specific needs, we are flexible in providing either integrated services or software services. In the integrated services, we primarily embed telecommunication equipment for data transmission and deploy centralized data platform, namely Universal IoT Platform, for data processing. In the software services, we primarily provide customized centralized data platform for data processing according to our customers' demands. In return, our customers pay us service fees for such services. In particular, supporting by our R&D capabilities in 5G radio frequency area, we are able to diversify the network connectivity mode in our services by introducing 5G telecommunication equipment. We have been offering our customers with private 5G network services since 2020. During the Track Record Period and up to the Latest Practicable Date, we had accomplished a total of 98 projects of data transmission and processing services for IoT applications, among which 18 projects were private 5G network service projects.

We also sold 5G and other telecommunication equipment in the PRC and export antennas to the United States and Russia during the Track Record Period. We offer a wide range of telecommunication equipment that can be adapted in various wireless communication networks, including but not limited to 4G and 5G. During the Track Record Period and up to the Latest Practicable Date, we had sold telecommunication equipment of 344 SKUs.

We have established double-centered R&D teams in Nanjing and Shenzhen primarily for hardware and software design, respectively, which enables us to provide integrated options to our customers with telecommunication equipment and data management platform. During the Track Record Period, we successfully developed our proprietary 5G telecommunication equipment with certain self-developed core module and software embedded, such as front end module, digital front-end algorithm and protocol stack. As of the Latest Practicable Date, we had 93 utility model patents, 17 patents for invention, two patents for industrial design and 80 copyrights registered in the PRC in relation to our data transmission and processing services for IoT applications and telecommunication equipment. We have continuously expanded our R&D department, which comprised 47 R&D professionals as of May 31, 2022, representing 58.0% of our total employees as of the same date.

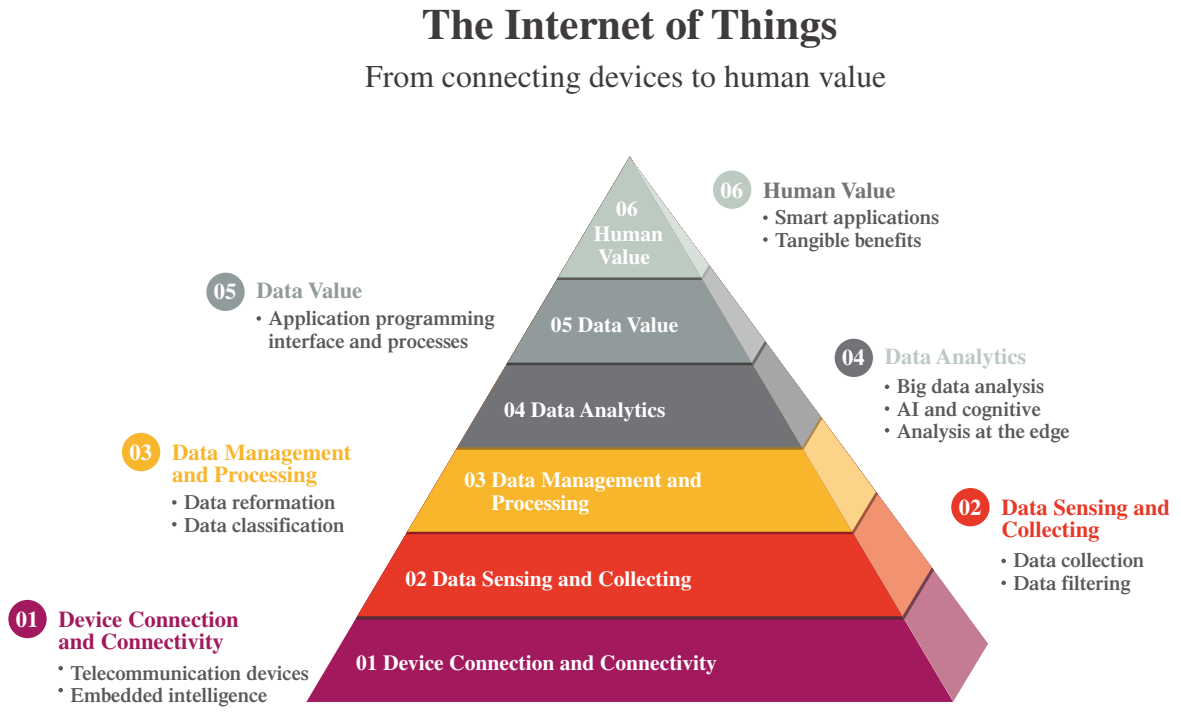
We generally outsource the production of our telecommunication equipment to OEM manufacturers and conduct strict quality control on such OEM manufacturers. Outsourcing equipment manufacturing allows us to focus on strategic core competencies, such as hardware and software development and upgrade. In addition, we established an assembly and testing center in Shenzhen for assembling and testing of certain IoT antenna products with simple design or certain key production processing that may affect the performance of our IoT antenna products.

According to Frost & Sullivan, as the products and services offered in the market where we operate should strictly conform to certain industry standards, as a result, there are no substantial differences in functions of products and services provided in the PRC IoT market. Therefore, the differentiation among market players could be reviewed from certain value-added areas, including, among others, customization capability, integration capability of software and hardware, delivery capability, R&D capability and after-sales services. We differentiate ourselves mainly from our competitors by our hardware and software integration capabilities and our proven service delivery capabilities. Our proven service delivery capabilities are attributable to (i) our customized services and equipment, which enables our services to cater our customer's actual needs; (ii) relatively shortened delivery period, which we believe could make us more attractive to potential customers; (iii) considerate and professional customer support, which awards us with customer satisfaction; and (iv) advanced technologies developed and adopted in our products and services, which underpins the competitiveness of our business. See "— Our Competitive Strengths."

We have continuously improved our financial performance during the Track Record Period. Our revenue increased from RMB80.9 million in 2019 to RMB189.6 million in 2021 at a CAGR of 53.1%. Our revenue further increased by 56.2% from RMB53.1 million for the five months ended May 31, 2021 to RMB82.9 million for the same period in 2022. Our net profit increased from RMB17.4 million in 2019 to RMB34.4 million in 2021 at a CAGR of 40.8%. Our net profit further increased by 66.6% from RMB6.3 million for the five months ended May 31, 2021 to RMB10.5 million for the same period in 2022. Since the introduction of 5G technologies in our data transmission and processing services and telecommunication equipment, our revenue generated from 5G technologies-related equipment and services ("**5G business**") amounted to RMB2.0 million, RMB69.5 million, RMB72.9 million and RMB51.0 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, steadily becoming a substantial portion of our overall revenue during the Track Record Period.

OUR MARKET OPPORTUNITIES

IoT is a network of connected things, which is a system that involves interconnection and management of a number of sensors, terminals or devices, customization of specific application scenarios and integration and synergy of hardware and software. The IoT system enables real-time processing and analysis of a large volumes of data through various wired or wireless telecommunication technologies and stimulates the digital transformation of daily life or industries. The effectiveness and efficiency of telecommunication network, such as the transmission speed, data volume, end-to-end transmission delay, and easily accessible data management are fundamental to the availability of IoT solutions, which in turn grounds the implementation of advanced technologies, such as AI, cloud computing and big data. The following diagram illustrates how IoT connects with our life:



Wireless communication technologies are continuously enhancing. In particular, 5G technologies have been introduced and commercialized worldwide since 2020, which offer higher transmission speed of large volume of data with ultra-low latency and security than other types of wireless transmission protocol. Leveraging the advantages of 5G technologies, the IoT application has provided disruptive innovations for many traditional industries, such as manufacturing, and expanded into new areas such as medical services, automobile and smart city in recent years. The PRC IoT market has experienced tremendous growth, with the total market size increased from RMB912.0 billion in 2016 to RMB2,923.2 billion in 2021 at a CAGR of 26.2% from 2016 to 2021, and is expected to further increase to RMB5,466.0 billion in 2026 at a CAGR of 13.3% from 2021 to 2026.

The IoT network is designed to connect virtually everyone and everything together including machines, objects, and devices under various application scenarios. 5G technologies are meant to further empower the IoT networks by offering higher multi-Gbps peak data speed, ultra-low latency, more reliability, massive network capacity, increased availability, enhanced information security and a more uniform user experience to more users. Better performance and improved efficiency empower new customer experiences and connect new industries. The PRC Government has been striving to develop 5G since 2019. In particular, private network, which is a wireless local area network, has been widely promoted in the 5G era as compared to the previous generation technology standards for communication networks. According to Frost & Sullivan, (i) the number of 5G micro base stations in the PRC reached 656.4 thousand in 2021 and is expected to reach 2,465.3 thousand in 2026, with a CAGR of 30.3% from 2021 to 2026; and (ii) the private 5G network market in the PRC, our main addressable market in the near future, is expected to reach RMB236.1 billion in 2026 with a CAGR of 108.2% from 2021 to 2026. As such, market players devote on the continuous research and development of wireless telecommunication technologies, equipment and solutions, especially the pioneers in the private 5G network market, are greeting a tremendous market opportunity in the PRC. For details, see "Industry Overview."

OUR COMPETITIVE STRENGTHS

As a data transmission and processing service provider for IoT applications and telecommunication equipment provider equipped with 5G technologies in the PRC IoT market, we are well-positioned to capture the growing demand for IoT solutions and telecommunication equipment in the PRC.

With years of successful experience and a proven track record in providing data transmission and processing services and telecommunication equipment, we have been enhancing the brand recognition and awareness of our brand "HowKing Tech (濠暟科技)" in the PRC seeking data transmission and processing services and telecommunication equipment. The PRC IoT market is highly competitive and fragmented with more than 30,000 participants in 2021, including certain globally well-known large-scale and multinational enterprises, according to Frost & Sullivan. Nevertheless, in response to the competition in the PRC IoT market, we intend to provide differentiating products and services to our target customers in most of our small to medium-sized projects and choose to cooperate with the industry giants as a subcontractor in large-sized projects. Under such circumstances, we strategically focus on providing efficient, comprehensive and customized data transmission and processing services and telecommunication equipment. We offer customization options to all of our customers regardless of the project size, while other large-sized major market participants only provide customization services to relatively large-scaled projects. In addition, with in-depth market knowledge and insight, we have progressively expanded our business operations from providing telecommunication equipment only to offering integrated data transmission and processing services since 2018. Our advanced technologies, hardware & software integration capabilities, and strong service delivery capabilities nurtured us to become a fast-growing market player in the PRC IoT market. Our revenue generated from provision of data transmission and processing services for IoT applications and sales of telecommunication equipment in the PRC increased by 56.0% from 2020 to 2021, which was higher than the growth rate of the PRC IoT market at 21.8% from 2020 to 2021.

5G technologies have been commercialized in various industries since 2020, bringing a new era of technology transformation. Leveraging our years of experiences in providing data transmission and processing services and telecommunication equipment and in-depth market knowledge, we were keenly aware of the huge potential of private 5G network market. To capture the emerging market opportunities, we have strategically tapped into 5G business since 2019 and started to provide private 5G network services to our customers in 2020. Providing private 5G network services to customers in specific industries, such as agriculture, mining and community construction industries, enables us to accumulate customer base and establish brand awareness rapidly in these emerging markets.

We believe that based on our proven track record in the PRC IoT market and the first mover advantages in the PRC private 5G network market, we are well-positioned to capture the growing demand for data transmission and processing services and telecommunication equipment in the PRC, especially the significant growth potential of the PRC private 5G network market.

We offer one-stop data transmission and processing services with hardware and software integration and short service delivery capabilities to our customers, which stand us out from our competitors.

Benefiting from our in-depth industry knowledge and customization skills, proven service delivery capacities, and strong hardware and software integration capabilities, we are able to offer one-stop services with hardware and software integration for our customers in various industry verticals catering to their particular needs.

According to Frost & Sullivan, as the products and services offered in the market where we operate should strictly conform to certain industry standards, as a result, there are no substantial differences in functions of products and services provided in the PRC IoT market. Therefore, the differentiation among market players could be reviewed from certain value-added areas, including, among others, customization capability, integration capability of software and hardware, delivery capability, R&D capability and after-sales services. We differentiate ourselves from our competitors by our hardware and software integration capabilities. We have established the double-centered R&D teams in Nanjing and Shenzhen primarily for hardware and software design, respectively, which enables us to provide the integrated option for our customers with telecommunication equipment and data management platform. We design our telecommunication equipment not only in strict compliance with relevant technical standards, but also in consideration of the specific requirement of various networking modes and the overall performance of our data transmission and processing services. By tailoring our proprietary telecommunication equipment to the specific private network requirement of various industries, the compatibility of our integrated services has been enhanced.

In addition to our hardware and software integration capabilities, our proven service delivery capabilities also underpin the foundation of our growth. Our proven service delivery capabilities are attributable to:

- ***Customized services and equipment.*** We offer (i) data transmission and processing services for IoT applications with high interoperability of network and effective management of data, and (ii) telecommunication equipment to our customers, catering to their digital transformation needs of various aspects and phases. The high interoperability enables us to adapt various kinds of sensors and terminals in a quick and easy manner, while the effective management of data enables us to realize the collection, verification, storage, mining and share of the data collected from the different types of sensors and terminals from our customers. When formulating our data transmission and processing services, we customize our products and services to adapt to the application scenario of the service and cater to the customers' demands based on our close communication with and understanding of the customers. For example, in a smart mining project, in response to the pain point of our customers' digitalization, namely the unsteadiness of signal transmission under the severe circumstances down the mine, we customized certain features of signal transmission of our telecommunication equipment, including (a) increasing the number of antennas and upgrading the coordination among micro base stations to enhance the signal intensity, (b) improving certain telecommunication algorithm to enhance the stability, and (c) developing the backup functions of micro base stations to realize the stability of signal transmission. In a software service project, based on our understanding of customer's pain points, we developed (a) encryption transmission data access management functions in the software in response to the security of network connection, (b) misbehavior detection and warning of data access to enhance the data security, and (c) system fault detection and recovery function to improve the reliability of operation. In addition, to adapt to the specific application scenario, such as the severe outdoor environment, we will enhance the corrosion resistance of our antennas per customer needs;

- ***Shortened delivery period.*** With our strong and comprehensive R&D capabilities, rapid decision-making, project executing ability and years of experience in the PRC IoT market, we are able to compress our service delivery time. In particular, we generally deliver our data transmission and processing services to our customers and obtain their confirmation of acceptance of services within four months immediately after the execution of relevant contracts. For example, in a smart mining project, our project team, which consisted of R&D professionals and sales staff with technical background, actively communicated with our customers in respect of their actual demands. We started research and development immediately after signing the contract and coordinated the supplier to deliver the raw materials in the meanwhile. Benefiting from our technical background and in-depth communication with our customers, we were able to identify the customer's pain points and actual demands in a quick manner and laid the foundation for the smooth development of the follow-up works. As a result, we may be able to deliver our

products and services to our customers prior to the delivery time provided in the agreement, exceeding the expectation of our customers, for certain of our projects. According to Frost & Sullivan, it generally takes between four to 36 months for IoT solutions in similar sized projects to complete delivery. As such, our Directors are of the view that our service delivery time has an advantage against our competitors in the market for data transmission and processing services for IoT applications of similar project size and complexity; and

- ***Considerate and professional customer support.*** We strive to provide our customers with considerate customer care and professional after-sale services, which we believe is the core of customer relationship management. In addition to our experienced marketing group, our business development team also consists of sales staff with relevant technical background, who provide pre-sales technical support. After delivering our services and equipment, we will dedicate a staff member to provide after-sale services, supported by team members from both the sales and the R&D teams. For example, benefiting from our considerate and professional customer services provided throughout the whole project process, one of our customers repurchased other software products from us after completing his first project with us.

- ***Advanced technologies developed and adopted in our products and services.*** Even though the general functions of our products and services should strictly conform to certain industry standards, we also endeavor to optimize and upgrade certain features based on conforming the relevant industry standards. With our years of efforts, we have developed certain advanced technologies adopted in our hardware and software products evidenced by 111 patents registered in the PRC. In particular, we strategically introduced 5G technologies into our services and equipment back in 2019, offering an option with high transmission speed, ultra-low latency and high data security for our customers. For example, we have obtained (i) four key patents for facilitating high transmission speed of telecommunication equipment, such as a DPD device and method suitable for 5G broadband MIMO system, (ii) four key patents for realizing ultra-low latency of telecommunication equipment, such as a frequency modulation reception device capable of automatic interference elimination and method, and (iii) two key patents for enhancing data security of telecommunication equipment, such as smart socket with dynamic software encryption protection.

Our strong innovation and research capabilities underpin the foundation of our growth.

We believe that strong innovation and research capabilities are fundamental to our success and underpinned our sustainable market position in the competitive and fragmented IoT market in the PRC. During the Track Record Period, we developed and optimized our telecommunication technologies through in-house R&D efforts and extensive R&D collaborations with other research institutions.

Since our inception, we have continuously expanded our R&D department, which comprised 47 R&D professionals as of May 31, 2022, representing 58.0% of our total employees as of the same date. Our R&D department is composed of two in-house R&D teams, which are located in Nanjing and Shenzhen, focusing on the research and development in hardware of telecommunication equipment and software of data processing services, respectively. Our hardware and software R&D teams collaborate closely during the service and equipment design process, enabling us to provide one-stop services to our customers. For a typical data transmission and processing service project, we generally set up a project team, consisting of R&D professionals from both the hardware and the software R&D teams, who will communicate with each other to analyze and design the best service to meet our customer's specific needs. Moreover, the project team also collaborate with our business development team to collect and analyze customer demands and feedbacks, and design new and enhanced features that cater to evolving customer needs. In addition, project team members sometimes make on-site visits to follow up on customers' needs.

To further enhance our R&D capabilities, in 2020, we established long-term cooperation with Nanjing Research Institute of Millimeter Wave and Terahertz Technology (南京銳瑪毫米波太赫茲技術研究院), pursuant to which we can leverage their equipped experimental facilities and strong academic resources.

During the Track Record Period, we incurred R&D expenses of RMB7.7 million, RMB7.0 million, RMB9.8 million and RMB5.3 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

As a result of the foregoing, we have obtained great achievements on R&D. As of the Latest Practicable Date, we had successfully registered 93 utility model patents, 17 patents for invention, and two patents for industrial design and 80 copyrights in the PRC in relation to such technologies and products. Moreover, we have also (i) established a software product, namely Universal IoT Platform, our centralized data platform of our data processing services, which is equipped with unified data interface, (ii) developed transmission technology between multiple antennas, namely 5G 2x2 MIMO technology, which can enhance the data transmission rate and improve the quality of data transmission, and plays as the core technology of 5G technologies, and (iii) developed preprocessing technology of digital signal, namely CFR and DPD algorithm, which can facilitate us in reducing the power consumption and cost and optimizing radio frequency performance of our 5G pico base station. R&D outputs enable us to enhance our competitiveness in IoT solutions and telecommunication equipment industries. In recognition of our research and innovation capabilities, Nanjing Howking has been awarded several highly

regarded honors, such as Nanjing Cultivated Unicorn Company in 2020 and 2021, and High and New Technology Enterprise since 2016. For details, see "— Award and Recognition."

Our diversified product portfolio provides us with stable and growing revenue stream.

As one of our core businesses, we have been researching and developing our proprietary telecommunication equipment and diversifying our product portfolio since 2014. Through continuous upgrades, technology innovations and years of experience, we have a diversified portfolio of high-quality, customized, reliable and innovative telecommunication equipment, mainly including IoT antennas, vehicle mounted antennas and 5G telecommunication equipment. During the Track Record Period and up to the Latest Practicable Date, we had sold telecommunication equipment of 344 SKUs. We design our 5G telecommunication equipment strictly in compliance with relevant technical standards and tailor it to the compatibility requirements of the integrated services. Our 5G pico base station has obtained Radio Transmission Equipment Type Approval Certificate in the PRC. We characterize our antennas by customization and reliability. Catering to our customers' needs, our IoT antennas have been widely applied under various circumstances in the IoT industry in the United States, while our vehicle mounted antennas have been applied in Russia market. Moreover, the wide application of our antennas relies largely on its reliability. Attributable to our continuous efforts, customers are satisfied with the performance of our telecommunication equipment evidenced by the continuing and increasing orders from customers. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any product return of our telecommunication equipment. Revenue generated from sales of telecommunication equipment amounted to RMB31.3 million, RMB41.9 million, RMB60.0 million and RMB52.7 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, which contributed a recurring and relatively predictable revenue stream to us.

Considering our in-depth knowledge and strict quality control over telecommunication equipment, industry development and our proven track record in sales of telecommunication equipment, we believe that we are well-positioned to capture the further growth in these markets. We believe that our sales of telecommunication equipment business are expected to continue to bring us with stable revenue, diversify our operating risks, and contribute to our growth and business success.

Our experienced and visionary management combining academic excellence and business insights will support the development of our business.

We are led by an experienced management team with extensive industry expertise and visionary leadership. Our management team is composed of both experienced telecommunication engineers and business veterans. Our founder and the chairman of the Board, Dr. Chen, obtained his doctor degree in electrical engineering from North Carolina Agricultural and Technical State University in 2008 and had served as general manager and senior design engineer in several world-famous semiconductor companies in the semiconductor industry in the United States, such as Qualcomm, Inc, for more than 25 years before founding our Company. As an engineer, Dr. Chen keeps conducting research on the frontline of the industry. As an industry veteran with over 25 years of experience in telecommunication industry and academic excellence, Dr. Chen has diligently led the strategic direction of our Company. In addition, Mr. Wang Jun, our chief technology officer, has approximately 21 years of experience in the software development field. Prior to join our Company, Mr. Wang worked in several world-famous enterprises, such as Microsoft and Ericsson, as a software design engineer. Many of our Directors and members of our senior management have extensive experience in telecommunication industry. They provide us with in-depth industry knowledge in various areas including product design and production, supply chain management, finance management, sales and marketing, and human resources management. Under Dr. Chen's sound leadership, our management team effectively executes our corporate strategies, which we believe can well position us to further capture the market opportunities, enhance brand awareness and grow our business. For details of the background of our Directors and senior management, see "Directors and Senior Management."

OUR BUSINESS STRATEGIES

We believe that IoT is expected to transform all aspects of the operation of enterprises in various industries. According to Frost & Sullivan, the market size of the PRC IoT market is expected to experience a significant growth in the next five years, reaching RMB5,466.0 billion in 2026 with a CAGR of 13.3% from 2021 to 2026. Industrial Internet of Things, or IIoT, is the major application scenario in IoT market, accounting for 18.6% of the PRC IoT market in 2021. IIoT is used across several industries, such as manufacturing, logistics, oil and gas, transportation, energy, mining and metals and other industrial sectors. IIoT primarily focuses on operational optimization and rationalization. According to Frost & Sullivan, the total revenue of IIoT increased from RMB189.3 billion in 2016 to RMB548.2 billion in 2021 at a CAGR of 23.7% from 2016 to 2021, and is anticipated to further increase to RMB1,148.9 billion in 2026, with a CAGR of 16.0% from 2021 to 2026, accounting for 21.0% of the PRC IoT market in 2026. Leveraging our proven track record in the PRC IoT market, we plan to penetrate our data transmission and processing service business, capture market opportunities, enhance our brand awareness, and strengthen our competitiveness in the PRC IoT market. In particular, we intend to carry out the following strategies to achieve these goals:

Further upgrade and improve our data transmission services

During the Track Record Period, we focused on developing radio frequency equipment, such as 5G pRRU, and developing fronthaul interface of 5G BBU. However, as

telecommunication equipment market is competitive and wireless telecommunication technologies are evolving, our technologies and product portfolio have to keep abreast of times and to meet new demands and challenges from our customers, such as the issue of "isolated information island" caused by boundaries between different applications and difficulty of end-to-end quality of services caused by the heterogeneous networks. Catering to the evolving customer needs and constant technological upgrades, we plan to further upgrade our current equipment and technologies, and expand our product/service portfolio over the next three years through the following measures:

- *Upgrading private 5G network service.* As the PRC private 5G network market is expected to grow rapidly, we plan to further solidify our market position and capture the tremendous market growth opportunities in this market by upgrading private 5G network equipment. Since 5G pRRU and 5G BBU form a core part of a private 5G network service, market players, who establish the comprehensive R&D capabilities on and have self-developed products of 5G pRRU and BBU, are expected to gain better advantages on enhancing its core competitiveness in the PRC private 5G network market. Under such circumstances, we plan to further invest in R&D of our private 5G network equipment as below.

  - ➢ *5G pRRU.* We plan to optimize the performance of our current 5G pRRU equipment by: (i) improving the data processing algorithm in data front-end to further optimize the signal quality; (ii) optimizing the hardware design of radio frequency integrated circuit to reduce the power consumption of the equipment; (iii) transforming our existing front-end module to further reduce the bulk and power consumption of the equipment; and (iv) introducing new features to improve the reliability of the equipment. In addition, to improve the compatibility of our 5G pRRUs, we would like to support an open-source fronthaul protocol into our equipment, enabling it to interoperate with all types of BBUs. Furthermore, we plan to expand the application scenarios of our equipment, in particular, various private network scenarios, by supporting multiple deployment structures. We intend to apply approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], or approximately HK$[**REDACTED**] on recruitment of R&D talents for our 5G pRRU upgrade. See "Future Plans and [**REDACTED**] — [**REDACTED**]."

  - ➢ *5G BBU.* To avoid being caught in a passive position, we are required to develop our proprietary basic functional framework of 5G BBU, namely the 5G NR protocol stack, which was not developed by ourselves during the Track Record Period. We also intend to increase the overall throughput and spectral efficiency of our current 5G BBU equipment by integrating new advanced features. In addition, considering the need for fast mobility scenario and

signal transmissional detection in applications, we plan to develop new features to handle the transmission difficulties in such scenarios. Moreover, we also plan to optimize the deployment of the equipment by adopting new technologies to improve compatibility, flexibility and scalability of 5G BBU to a greater extent. Similar with our 5G pRRU, we also intend to support open-source fronthaul in 5G BBU to further enhance its compatibility. We intend to apply approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], or approximately HK$[**REDACTED**] on recruitment of R&D talents for our 5G BBU development. See "Future Plans and [**REDACTED**] — [**REDACTED**]."

In addition to equipment and technologies to be developed above, we also plan to develop a new function, Intellectual Network Resource Management (智能網絡資源管理), or INRM, to address the synergistic difficulties of heterogeneous networks at network connectivity layer. The INRM would be embedded into our 5G radio access network management system with new features adopted. INRM would interoperate with other types of our self-developed telecommunication equipment to facilitate unified management of telecommunication equipment deployed in the data transmission and processing services. In particular, benefitting from INRM, the universal difficulties of interoperation and management of heterogeneous networks at network connectivity layer in IIoT, where various types of wireless communication techniques are applied, such as private 5G network equipment, industrial WLAN and the real-time wire network, can be addressed by managing the network resources and equipment under a consolidated and intelligent platform.

We intend to apply approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], or approximately HK$[**REDACTED**], to implement the above plans and expect to complete the upgrade on such 5G telecommunication equipment over the next three years. For details, see "Future Plans and [**REDACTED**] — [**REDACTED**]."

- *Developing industrial WLAN*. In addition to private 5G network, we plan to diversify our offerings on wireless communication techniques adopted in IIoT by developing industrial WLAN. Compared with consumer-level IoT, IIoT has much higher requirements on bandwidth, latency, jitter, security and reliability as well as customization and management. As a result, current WLAN products designed for consumer-level IoT cannot meet the requirements of IIoT. The rise of IIoT asks for the development of industrial WLAN tailored for the industrial environment. According to Frost & Sullivan, the market size of industrial WLAN in the PRC is expected to reach approximately RMB4.4 billion in 2026, with a CAGR of 34.6% from 2021 to 2026. Under such circumstances, we plan to develop our own industrial WLAN, of which: (i) the peak throughput is targeted to reach up to 15Gbps; (ii) the latency is targeted to be controlled within one millisecond; (iii) the

delayed jitter is targeted to be limited within 5%; (iv) the reliability is targeted to support up to 99.999% of availability; and (v) the customization with high flexibility is targeted to enable various application scenarios.

We intend to apply approximately [[**REDACTED**]%] of our [**REDACTED**] from the [**REDACTED**], or approximately HK$[**REDACTED**], to invest in R&D of industrial WLAN over the next three years. For details, see "Future Plans and [**REDACTED**] — [**REDACTED**]."

Further upgrade our Universal IoT Platform to optimize the utilization and management of data resources and application interface

During the Track Record Period, our IIoT applications were operated independently. As a result, IIoT applications, which are respectively and independently deployed for each of production lines or management systems of an industrial customer, cannot be quickly developed and deployed, effectively cooperated nor efficiently share data across applications, resulting in the problem of "isolated information island." To that end, we plan to further refactor our Universal IoT Platform by integrating its infrastructural functions, namely equipment management and data management, and building up a common digitalization foundation within the existing platform. The common digitalization foundation plays as an infrastructure of our Universal IoT Platform, which enables the underlying data flowing between IIoT application and the unified management of terminals deployed at perception layer. Benefitting from the refactored Universal IoT Platform with common digitalization foundation embedded, our industrial customers could break the systematic boundaries between its data transmission and processing services in industrial market and manage them on a unified and intelligent platform, which can greatly accelerate data flow and interoperation among IoT applications. Furthermore, where any additional service is needed, we could easily develop and integrate new services into our refactored Universal IoT Platform via standard service-oriented application interface without resetting the underlying device and data management.

We plan to use approximately [[**REDACTED**]%] of our [**REDACTED**] from the [**REDACTED**], or approximately HK$[**REDACTED**], to invest in upgrading our Universal IoT Platform. For details, see "Future Plans and [**REDACTED**] — [**REDACTED**]."

Continue to strengthen our R&D capabilities

Telecommunication technology is progressing rapidly, and we plan to continuously invest in original research to strengthen our technological advantages.

- ***Talent pool expansion***. To strengthen our technological advantage in the PRC IoT market, we plan to diversify and enhance our provision of products and the technologies of our data transmission and processing services. To capture the market opportunities in such talent-intensive industry, we plan to continue expanding our talent pool by attracting more experienced engineers who may assist our Group to achieve the R&D strategic objectives discussed as above. In particular, by the end of 2024, we plan to recruit 56 professionals in aggregate, who hold bachelor's degree or above in electrical engineering or computer science with at least three years working experience in developing software or hardware, for R&D of our private 5G network equipment, industrial WLAN and Universal IoT Platform. For details, see "Future Plans and [**REDACTED**] — [**REDACTED**]."

- ***Cultivation of our R&D staff***. Our broad expertise in 5G technologies, deep industry knowledge and rich application scenarios of our projects create a favorable environment for cultivating multi-skilled talents. We will continue to invest in projects to train our talent across existing and new 5G technologies areas. In particular, to further enhance technical skills of our talents, we plan to implement training programs for both of our newly recruited R&D talents and existing R&D staff. For new talents, we plan to design a series of programs, such as orientation and internal technical trainings, to help them to identify with the company culture, adapt to their positions and integrate into the team. For senior R&D staff, we plan to encourage them to take technical professional qualification examinations or pursue further study. Meanwhile, we also encourage our R&D staff to participate in industry exhibitions, technical forums and seminars. Furthermore, our collaboration with universities and laboratories provides both a source of potential employee talents, while we are also broadening the scope of our research through joint initiatives.

- ***Continuous investing in R&D infrastructure***. R&D infrastructure is fundamental to our R&D activities. We plan to purchase new and replace outdated instruments to equip our R&D laboratories, such as spectrum analyzers, signal analyzers, signal generators, and channel simulators. The equipment that we plan to purchase can (i) visualize the signal transmission process for us to test the performance of our products, (ii) simulate signal transmission under extraordinary circumstance, and (iii) shield interferences. For details of instruments to be purchased and their functions, see "Future Plans and [**REDACTED**] — [**REDACTED**]."

Further strengthen our marketing capabilities and broaden our customer base

Our services are adaptable to the needs of enterprises of all sizes in different industries. To capture growing market opportunities and broaden our customer base, we plan to strengthen our marketing capabilities by expanding our business development team. Due to the characteristics of the industry where we operate, the sales preparation procedure generally involves certain degree of technical consulting services. Helping the potential customer to solve certain technical difficulties or providing effective technical support to the potential customer in the sales preparation stage could greatly enhance the potential customers' confidence and trust in us, which we believe will increase the success rate of sales activities to a great extent. Therefore, we aim to recruit 15 business development staff by the end of 2024, who are required to have both technical background in telecommunication industry and extensive experience in sales and marketing. We expect our business development staff to (i) conduct research and analysis on the market and industry trend, in particular, the new technologies; (ii) conduct analysis for competitive services and products; (iii) participate into our product positioning and development according to their research on the technology development trend in the industry we operate, and feedbacks collected from our customers; (iv) clarify customers' demands and conduct feasibility analysis; (v) identify business opportunities and conduct marketing activities by attending industry conferences and exhibitions, and providing customer trainings and technical consultation; and (vi) deepen relationships with customers by providing customer support. We plan to assign these newly recruited business development staff equally among the five sales regions in the PRC.

In addition, according to Frost & Sullivan, the market size of IIoT is expected to reach RMB1,148.9 billion in 2026 with a CAGR of 16.0% from 2021 to 2026. During the Track Record Period and up to the Latest Practicable Date, we had entered into strategic cooperation with certain leading enterprise and public company in IIoT industry, which include a listed company on the Science and Technology Innovation Board of Shanghai Stock Exchange and a leading state-owned telecommunication operator in the PRC, for expanding the application and research and development of 5G technologies. In order to further penetrate into the PRC IIoT market, we plan to enter into strategic cooperation with the leading enterprises in the IIoT industry to leverage their existing business networks and extensive industry experience. We believe that providing successful landmark projects for lighthouse customers could not only help us to further deepen the business relationships with such customers, but also put us in a strategic position to expand our footprints in those industries, or penetrate into new verticals.

During the Track Record Period, we adopted a flexible sales strategy for winning projects, according to which we approach customers who either act as a project owner or a project general contractor. Benefitting from such a sales strategy, we participated in various types and scales of projects, enabling us to capture more opportunities and accumulate more project and customer service experiences. To further capture the market opportunities and to attract and retain customers, we intend to continue adopting such flexible sales strategies for winning projects in the future.

Selectively pursue strategic acquisitions to integrate industry resources

Besides the business development strategies for our organic growth as discussed above, we believe strategic acquisition is another effective method that could help us enrich our offerings and enhance our technologies. As such, we plan to actively monitor the market trend and search for suitable acquisition targets, which we believe can help us to achieve benefits or synergies, including but not limited to (i) enriching and optimizing our product performance; (ii) enhancing our R&D capabilities; (iii) expanding our product portfolio; and (iv) more effectively consolidating our market position, responding to industry trends, and achieving our goals for growth. Although currently we do not have specific criteria in respect of the location or business scale of the targets, we plan to focus on targets with strong software R&D capabilities in 5G telecommunication equipment areas, in particular, with strong research capabilities or expertise in wireless network protocol stack of radio frequency equipment, fronthaul between 5G BBU and 5G pRRU, and intelligent wireless control system of 5G pRRU.

Although we had not engaged in any negotiation or entered into any letter of intent or agreement for potential acquisitions, nor identified any definite acquisition target as of the Latest Practicable Date, we believe our extensive industry experience and insights will enable us to identify suitable targets and effectively evaluate and execute potential opportunities in the future. We plan to fund such transactions by cash inflow from our operation or bank loans when needed.

OUR BUSINESS MODEL

Leveraging our advanced technologies and in-depth industry insights in both hardware and software markets, we offer data transmission and processing services to our customers in manufacturing, municipal services and other industries in the PRC to assist our customers to realize and optimize their digitalizations. In return, our customers pay us service fees for services provided by us. In addition, we also generate revenue from sales of telecommunication equipment, mainly including exporting antennas to the United States and Russia and sales of telecommunication equipment in the PRC. To a lesser extent, different from our data transmission and processing services, we separately provide other services, such as telecommunication equipment maintenance services and telecommunication consulting services to our customers and generate revenue from provision of these services.

We fully dedicate ourselves to developing and providing turnkey data transmission and processing services by integrating hardware and software. We generally outsource the production of telecommunication equipment to OEM manufacturers and conduct strict quality control on the equipment produced by such OEM manufacturers. We establish an assembly and testing center in Shenzhen for assembly and testing of certain IoT antenna products with simple design or certain key production process that may affect the performance of our IoT antenna products.

During the Track Record Period, we generated revenue primarily from (i) provision of data transmission and processing services for IoT applications and (ii) sales of telecommunication equipment. To a lesser extent, we also generated revenue from provision of other services. The following table sets forth the revenue breakdown by business lines during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000, except percentages)									
							(Unaudited)			
Data transmission and processing services for IoT applications [(1)]	41,719	51.6%	75,518	59.3%	123,298	65.1%	29,614	55.8%	29,576	35.7%
Sales of telecommunication equipment [(2)]	31,252	38.6%	41,931	32.9%	59,969	31.6%	23,481	44.2%	52,690	63.5%
Others [(3)]	7,914	9.8%	9,976	7.8%	6,285	3.3%	–	–	681	0.8%
Total	**80,885**	**100.0%**	**127,425**	**100.0%**	**189,552**	**100.0%**	**53,095**	**100.0%**	**82,947**	**100.0%**

Notes:

(1) Data transmission and processing services for IoT applications include the integrated services and software services.

(2) Sales of telecommunication equipment include antennas, 5G telecommunication equipment and other equipment.

(3) Others primarily include provision of telecommunication equipment maintenance services and telecommunication consulting services.

The following table sets forth the gross profit and gross profit margin by business lines during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	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, except percentages)									
							(Unaudited)			
Data transmission and processing services for IoT applications [(1)]	24,164	57.9%	29,997	39.7%	57,210	46.4%	9,408	31.8%	14,360	48.6%
Sales of telecommunication equipment [(2)]	7,521	24.1%	13,537	32.3%	18,461	30.8%	7,880	33.6%	13,980	26.5%
Others [(3)]	4,713	59.6%	7,847	78.7%	3,128	49.8%	–	–	634	93.1%
Total	**36,398**	**45.0%**	**51,381**	**40.3%**	**78,799**	**41.6%**	**17,288**	**32.6%**	**28,974**	**34.9%**

Notes:

(1) Data transmission and processing services for IoT applications include the integrated services and software services. The gross profit margin of data transmission and processing services for IoT applications decreased from 57.9% in 2019 to 39.7% in 2020, primarily due to the increase in private 5G network services we provided in 2020. The proportion of contract value related to embedded hardware equipment in a private 5G network service project is generally much higher than that in a non-5G network service project. Since the gross profit margin of hardware equipment is generally lower than that of software development and affiliated services, the overall gross profit margin of private 5G network services was lower as compared to that of our non-5G network services.

(2) Sales of telecommunication equipment include antennas, 5G telecommunication equipment and other telecommunication equipment.

(3) Others primarily include provision of telecommunication equipment maintenance services and telecommunication consulting services.

To capture the vast growth potential of 5G-based IoT market in the PRC, we have begun to upgrade our offering of data transmission and processing services, telecommunication equipment and services by adopting 5G technologies and started to generate revenue from 5G technologies-related equipment and services since 2019 and 2020, respectively. The following table sets forth the revenue breakdown, gross profit and gross profit margin by 5G business and non-5G business for the periods indicated.

	Year ended December 31,									Five months ended May 31,					
	2019			2020			2021			2021			2022		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	(RMB'000, except percentages)														
										(Unaudited)					
5G business[(1)]	1,972	868	44.0%	69,463	22,632	32.6%	72,874	22,655	31.1%	22,024	7,270	33.0%	51,018	13,426	26.3%
Non-5G business	78,913	35,530	45.0%	57,962	28,749	49.6%	116,678	56,144	48.1%	31,071	10,018	32.2%	31,929	15,548	48.7%
Total	**80,885**	**36,398**	**45.0%**	**127,425**	**51,381**	**40.3%**	**189,552**	**78,799**	**41.6%**	**53,095**	**17,288**	**32.6%**	**82,947**	**28,974**	**34.9%**

Note:

(1) Our gross profit margin of 5G business had been decreasing during the Track Record Period. For reasons of such decreases, see "Financial Information — Description of Key Statement of Profit or Loss Items — Gross Profit and Gross Profit Margin."

Geographically, we derived our revenue from the PRC, Russia and the United States. Our business in the PRC covered provision of data transmission and processing services for IoT applications, sales of telecommunication equipment and other services, while we only exported vehicle-mounted antenna and IoT antenna to Russia and the United States, respectively, during the Track Record Period. The following table sets out the geographical breakdown of our revenue for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue	Revenue	% of total revenue
	(RMB'000, except percentages)									
							(Unaudited)			
The PRC	60,435	74.8%	103,818	81.5%	149,725	79.0%	32,761	61.7%	76,357	92.1%
Russia	13,220	16.3%	13,178	10.3%	24,312	12.8%	10,669	20.1%	2,497	3.0%
The United States	7,230	8.9%	10,429	8.2%	15,515	8.2%	9,665	18.2%	4,093	4.9%
Total	**80,885**	**100.0%**	**127,425**	**100.0%**	**189,552**	**100.0%**	**53,095**	**100.0%**	**82,947**	**100.0%**

Benefiting from our in-depth industry knowledge, years of experience and considerate customer services, we had been awarded many new contracts by our customers during the Track Record Period and up to the Latest Practicable Date. The following table sets forth the details of new contracts awarded by business lines for the periods indicated:

	Year ended December 31,			Five months ended	Period from May 31, 2022 to the Latest Practicable
	2019	2020	2021	May 31, 2022	Date
Data transmission and processing services for IoT applications	14	12	32	13	32
Sales of telecommunication equipment	15	14	6	2	6
Others	9	7	7	2	3
Total	**38**	**33**	**45**	**17**	**41**

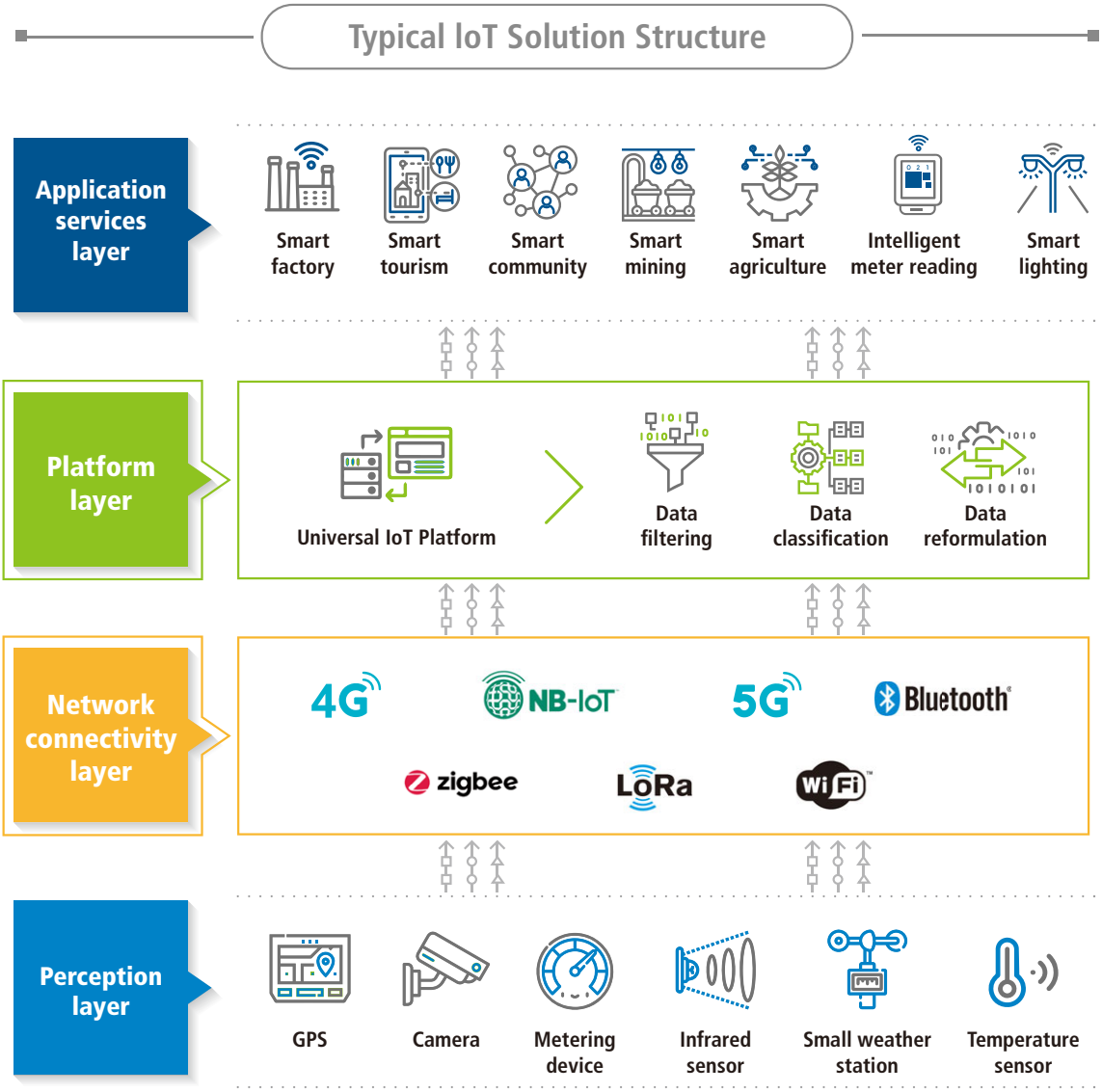
The number of new contracts of data transmission and processing services for IoT applications increased by 166.7% from 12 in 2020 to 32 in 2021 primarily because we enhanced our sales efforts in this business line. In particular, the number of our newly-awarded private 5G network service contracts increased by 350.0% from 2020 to 2021 mainly attributable to our continuous efforts and investment in 5G technologies. However, the number of new contracts of our sales of telecommunication equipment decreased by 57.1% from 14 in 2020 to 6 in 2021 primarily because (i) we contributed more sales efforts to provision of data transmission and processing services for IoT applications than sales of telecommunication equipment and others in 2021; and (ii) we had certain outstanding contracts of sales of telecommunication equipment carried forward from 2020 to 2021, taking up part of our capacity.

DATA TRANSMISSION AND PROCESSING SERVICES FOR IOT APPLICATIONS

According to Frost & Sullivan, the value chain of the PRC IoT solutions market generally consists of four layers, arranged vertically: the perception layer at the bottom, the network connectivity layer and the platform layer in the middle, and the application services layer at the top. These four layers respectively correspond to data collection, data transmission, data processing and data application in IoT solutions.

Our business primarily gets involved in data transmission and data processing at the network connectivity and platform layers within the value chain midstream, which plays as an infrastructure of the operation of an IoT solution. Since our inception, we have been dedicating to upgrading and broadening the application scenarios of IoT solutions by building and upgrading the connectivity between the perception layer and network connectivity layer and improving the efficiency of such connectivity. To diversify the connection mode and enhance the stability, reliability and security of network connectivity, we offer our customers various

telecommunication equipment, which is adaptable in different connection modes at network connectivity layer. In addition to our efforts in network connectivity, we also dedicate ourselves to enhancing the efficiency of data processing. To that end, we developed and have been upgrading our IoT software product, namely Universal IoT Platform (通用物聯網平臺) in the platform layer as one of our core business capabilities. The Universal IoT Platform is a software product that we sell to our customers in data transmission and processing services, either individually or integrated with hardware. Our Universal IoT Platform is set up between the network connectivity layer and the application services layer. With our success in both network connectivity and platform layers, we have improved compatibility between our software and hardware by integrating the hardware and software into our services, enhancing the performance of our data transmission and processing services. The following diagram illustrates the typical IoT solution structure of an IoT solution:

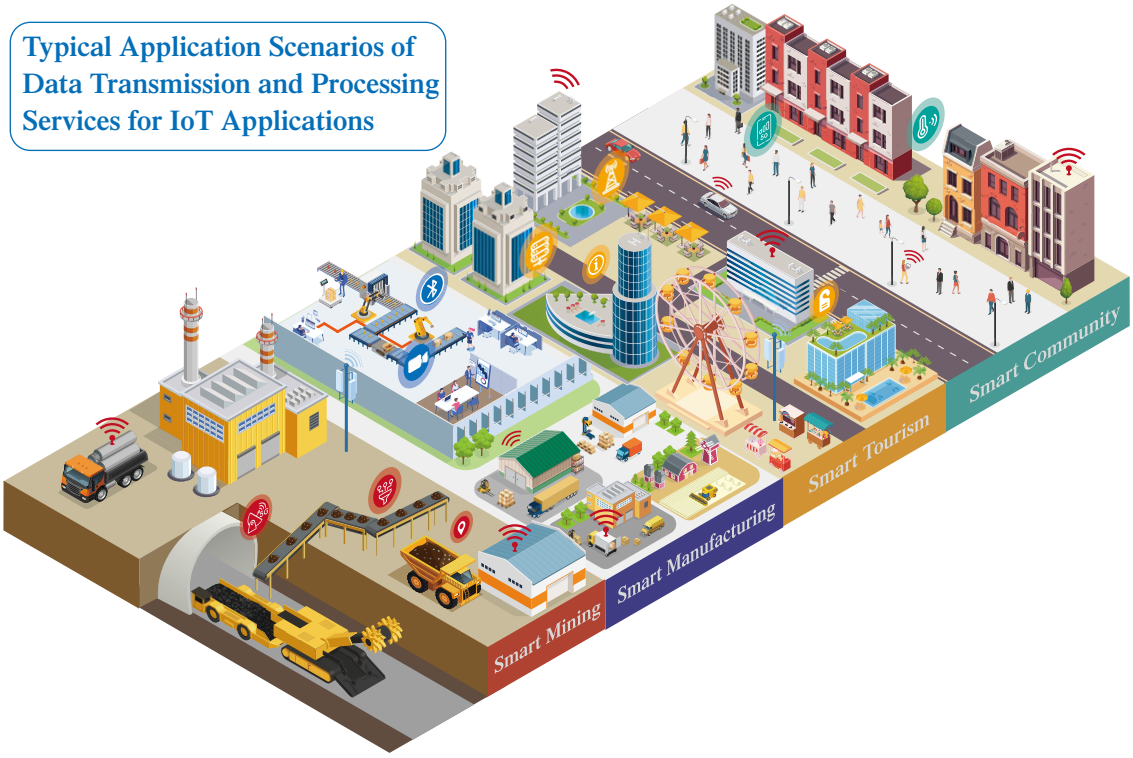


According to Frost & Sullivan, the competition in the platform layer of the IoT solution structure is highly intense, which includes certain large-scale and multinational enterprises. Our self-developed Universal IoT Platform provides the infrastructural functions that filter, reformulate, classify and store data for upper platforms that may have cloud storage, cloud computing and big data services. Based on such functions, our data transmission and processing services help our customers to connect various kinds and brands of sensors and terminals laid in the perception layer, which (i) collect and receive the environment data within the coverage area, (ii) transmit the data collected from these devices through common gateway interface to our Universal IoT Platform, and then (iii) filter, reformulate and classify data for application interface and display via our Universal IoT Platform. Reformulated data will be stored by classification in the local or cloud server designated by our customers. The reformulated data can be used in upper applications implemented by our customers, such as MES, artificial intelligence, big data and deep learning, for further data analysis and computing. For details of the functions of our Universal IoT Platform, see "— Our IoT Products and Its Technology — Our Universal Internet of Things Platform."

In addition to our efforts in the network connectivity layer and the platform layer, we have also been expanding our footprint in the application service layer. The primary application scenarios of our data transmission and processing services are (i) IIoT industry, such as smart manufacturing, smart mining, smart agriculture, and smart finance (the "**IIoT services**"), and (ii) smart city (including smart community and smart tourism) (the "**smart city services**"). In our IIoT services, we developed an MES system that was deployed in the integrated IIoT services as upper application services for customers in the manufacturing industry. During the Track Record Period, we had completed 65 projects of data transmission and processing services for IoT applications to our customers, among which 47 were for IIoT services and 18 were for smart city services.

The innovation of 5G technologies in the PRC energizes the development of network connectivity layer, enabling the speed, security, reliability and latency of the network connection to experience a great improvement as compared to the previous generation of telecommunication technology. Under such circumstances, we strategically introduced 5G technologies into our data transmission and processing services in 2020. Different from public network infrastructures exclusively operated by three major PRC telecommunications operators, our 5G application in data transmission and processing services focuses on providing private 5G network to enterprise customers who require local area network with enhanced speed and efficiency, broadband, low latency, reliability and security for their private use. In particular, the customers that have a large number of real-time HD video transmission requirements has shown interests in private 5G network. By introducing the private 5G network into our services, our data transmission and processing services have been penetrated in the existing application scenarios, such as smart manufacturing and smart city, and expanded into new application scenarios, such as mining, agriculture and industrial park.

The following picture illustrates the typical application scenarios of data transmission and processing services for IoT applications:



Note:

(1) In light of the specific application scenario in mining areas, customers generally choose to adopt private 5G network in smart mining projects instead of non-5G network.

We are committed to helping our customers find the optimal services. We help our customers to figure out the technologies that could be addressable to their specific requirements to apply in their services by analyzing the circumstances of their proposed application scenarios and their specific demands, including, among others, the transmission speed and latency. Along with the further development of 5G technologies and promotion of 5G commercial application, we believe private 5G network services are expected to be a significant supplement to non-5G network services, and take a meaningful market share in the PRC IoT market, catering to various aspects of customers' needs.

We classify our data transmission and processing services for IoT applications as non-5G network services and private 5G network services depending on the network connection mode we adopt in the services. During the Track Record Period, we generated revenue from both of our non-5G network services and private 5G network services. The following table sets forth the revenue breakdown of our data transmission and processing services for IoT applications by network applications during the Track Record Period.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB'000, except percentages)									
							(Unaudited)			
Provision of non-5G network services	41,719	100.0%	22,522	29.8%	63,986	51.9%	7,590	25.6%	24,175	81.7%
Provision of private 5G network services	–	–	52,996	70.2%	59,312	48.1%	22,024	74.4%	5,401	18.3%
Total	**41,719**	**100.0%**	**75,518**	**100.0%**	**123,298**	**100.0%**	**29,614**	**100.0%**	**29,576**	**100.0%**

The following table sets forth the gross profit and gross profit margin of our data transmission and processing services for IoT applications by network applications during the Track Record Period.

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	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, except percentages)									
							(Unaudited)			
Provision of non-5G network services	24,164	57.9%	12,020	53.4%	38,338	59.9%	2,138	28.2%	12,917	53.4%
Provision of private 5G network services	–	–	17,977	33.9%	18,872	31.8%	7,270	33.0%	1,443	26.7%
Total	**24,164**	**57.9%**	**29,997**	**39.7%**	**57,210**	**46.4%**	**9,408**	**31.8%**	**14,360**	**48.6%**

The following table sets forth the revenue breakdown of data transmission and processing services for IoT applications by our roles on the projects during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
			(RMB'000)		
				(Unaudited)	
Acting as general contractor	28,162	13,239	63,965	28,534	12,791
Acting as subcontractor	13,557	62,279	59,333	1,080	16,785
Total	**41,719**	**75,518**	**123,298**	**29,614**	**29,576**

The revenue contribution of projects of data transmission and processing services for IoT applications by different roles that we played, namely general contractor or subcontractor, varied among different periods during the Track Record Period. In 2019, 2021 and the five months ended May 31, 2021, we generated more revenue from data transmission and processing services for IoT applications when we acted as a general contractor rather than a subcontractor, while the opposite was the case in 2020 and the five months ended May 31, 2022. Such fluctuations mainly reflected the change in project numbers and project size of our projects of data transmission and processing services for IoT applications by roles from period to period, as a result of (i) changes in the market demand for our products and services that were suitable for us and (ii) our intentional choice. For example, we acted as a subcontractor in the largest two projects of data transmission and processing services for IoT applications in 2020, the total revenue of which exceeded the revenue from all other projects in the same business line in aggregate in the same year. For details of our strategies for project roles, see "— Competition."

The following table sets forth the gross profit and gross profit margin of data transmission and processing services for IoT applications by our roles on the projects during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	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, except percentages)									
							(Unaudited)			
Acting as general contractor	18,315	65.0%	7,268	54.9%	36,380	56.9%	9,162	32.1%	9,508	74.3%
Acting as subcontractor	5,849	43.1%	22,729	36.5%	20,830	35.1%	246	22.7%	4,852	28.9%
Total	**24,164**	**57.9%**	**29,997**	**39.7%**	**57,210**	**46.4%**	**9,408**	**31.8%**	**14,360**	**48.6%**

The profitability of our projects of data transmission and processing services for IoT applications is not directly or solely affected by our roles on the projects but may be affected by a series of factors, such as, among others, the hardware & software structure, application scenario, and pricing strategy, on a case-by-case basis. As such, the gross profit and gross profit margin of projects of data transmission and processing services for IoT applications that we acted as a general contractor or a subcontractor fluctuated during the Track Record Period, which was primarily attributable to the combination results of such factors instead of the role we acted in each of such projects. During the Track Record Period, as many of projects of data transmission and processing services for IoT applications in which we acted as a general contractor involved certain degree of provision of software products, which generally have higher gross profit margin than hardware products, the gross profit margin of such projects in which we acted as a general contractor was generally higher than that of projects in which we acted as a subcontractor during the same period.

Our Non-5G Network Services

Combined with our industry know-how, our non-5G network services can be infused in the operations of enterprises primarily in the manufacturing industry together with the application of our MES system. Our non-5G network services help our customers connect terminal devices with our Universal IoT Platform via various telecommunication networks or gateways, such as 4G, LORA, Zigbee, NB-IoT or Bluetooth. Based on the reformulated data transmitted from our Universal IoT Platform, our customers are able to implement upper applications, such as MES system, AI and big data, to further optimize their management of business operation.

We emphasize value creation. Based on customers' demands and their application scenarios, we provide tailored non-5G network services for the application scenarios. At our customers' request and based on their business needs, we work closely with customers and help them develop scenario-specific data transmission and processing services, optimizing the performance and efficiency of IoT applications under specific scenarios. During the Track Record Period, our non-5G network services had been deployed and created value for enterprises in a myriad of industries, including, but not limited to manufacturing, construction and municipal services, serving eight, 11, nine and three customers in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. During the same period, we had successfully completed 52 non-5G network services, among which 35 were non-5G network services in IIoT industry (the "**non-5G IIoT services**") and 17 were non-5G network services in smart city market (the "**non-5G smart city services**").

During the Track Record Period, smart manufacturing was a representative application vertical of our non-5G network services. Based on our extensive experience in serving manufacturing enterprises, we note that the common pain points of the manufacturing process primarily include (i) uncertainty of production and delivery period, (ii) timeliness of production statistics, (iii) lack of data sharing amongst production systems, and (iv) inflexible scheduling for production resources. Under such circumstance, we developed the MES system to help our manufacturing enterprise customers to manage production process timely and efficiently.

As a part of our smart manufacturing service, our MES system is built on top of our Universal IoT Platform, which connects with customers' ERP system. Based on the data transmitting through our Universal IoT Platform, our MES system enables our customers to manage the whole process of manufacturing, including the preparation, execution and supervision of production. After collecting data through our Universal IoT Platform, our MES system refines and processes the data based on the established rules and machine learning method, cleaning up garbage data and excavating core data. After that, MES system classifies and stores the refined data into the servers or cloud servers designated by the customer. In addition, our MES system also sets up an enhanced data security mechanism to prevent data leakage. Furthermore, leveraging its data analysis capability and data visualization services, the MES system provides software engineers with convenient and fast development environment, enabling the iterative upgrade and customization of the system.

Our MES system provides an efficient way to realize transparent, automatic, and accurate management of production. Through the transmission of data, the MES system optimizes the real-time management of whole production process from placing the production order to the completion of production and also helps our customers to integrate the production and quality control, which satisfies the demand for real-time monitoring and traceability.

In addition to the non-5G IIoT services, our non-5G smart city services provide an innovative way to transform traditional management into a smart and efficient mechanism via reliable and efficient data transmission and processing, empowering community, school and private enterprises to make data-driven decisions for smarter outcomes. The major application scenarios of non-5G smart city services include smart community, smart tourism, smart lighting and smart building.

Our Private 5G Network Services

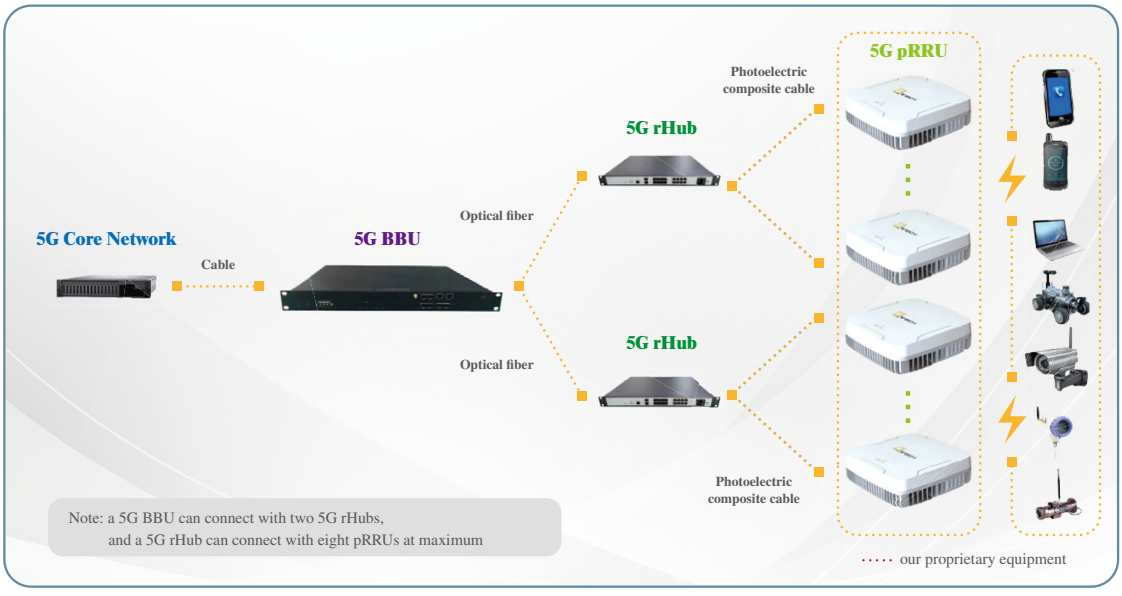
A private 5G network is a wireless local area network that uses 5G technologies to create a network with dedicated bandwidth and infrastructure that meets a company's specific connectivity needs. The adoption of private 5G networks plays as a game-changer for enterprises, specifically for manufacturers who require 5G capabilities to implement the transformative applications that drive smart factories, digital transformation and the IoT.

A private 5G network provides a better solution for businesses that have strict requirements for ultra-low latency, security, reliability of network transformation and the need to support thousands of devices. Private 5G networks offer compelling benefits to manufacturers. Benefitting from advanced technologies to which private 5G networks are essential, such as collaborative mobile robots, self-driving machines, swarm intelligence, automatic guided vehicles, augmented reality (AR) predictive maintenance, AR/VR headsets and digital twins, smart manufacturing is able to implement artificial intelligence, machine learning, and deep learning applications smoothly without being disturbed by latency of network connection.

Driven by the progress of industrial intelligentization, IoT solutions already applied in manufacturing and smart city experienced technological upgrade and advancement, and private 5G network solutions have penetrated further into these areas, enabling customers from these areas to benefit from the security, high transmission speed and low latency of private 5G network and to explore more applicable workplaces to be digitalized. In addition to existing IoT solution application scenarios, the application of private 5G network has further expanded IoT solutions into new application scenarios that have wiring difficulties, environmental and interference problems, such as mining, agriculture and industrial park scenarios, filling the industry gaps of the PRC IoT market. Benefiting from the private 5G network, customers realize real-time, efficient and secure vast data management for their business operations.

As such, we have started to provide data transmission and processing services with private 5G network since 2020. During the Track Record Period, we had completed 12 private 5G network services in IIoT industry (the "**5G IIoT services**") and one private 5G network service in smart city market (the "**5G smart city services**") to seven customers, primarily including providing telecommunications infrastructure devices, setting up the communication network and operating the applications in private network. The core advantage of our services is that we can offer a turnkey service with hardware and software integration for our customers, enabling us to provide efficient and cost-effective service to our customers. We also apply our self-developed Universal IoT Platform in our private 5G network services. With our self-developed Universal IoT Platform and private 5G network technologies, our 5G telecommunication equipment can operate at its optimal performance. The average download speed of our 5G telecommunication equipment reaches 800+Mbps, which positions us at an industry-leading level. The typical application scenarios of private 5G network services include smart manufacturing, smart mining, smart agriculture, smart tourism and smart community.

The core 5G telecommunication equipment adopted in a private 5G network service generally consists of 5G core network, 5G BBU, 5G rHub and 5G pRRU. The following diagram demonstrates the core 5G telecommunication equipment applied in our private 5G network services:



The following table sets forth the details of the principal products that we develop in our private 5G network services:

Product name	Photographs	Features and functions
5G pRRU		pRRU, or remote radio unit, is a remote radio transceiver that connects to an operator radio control panel via electrical or wireless interface. Each pRRU includes separate transmit and receive circuitry. pRRU receives signals from nearby antennas, and then filters, amplifies and converts to a digital format before being routed via fiber to the BBU. The main functions of our 5G pRRU include (i) at the signal transmission stage: modulating the digital signal transmitted from BBU into the transmitting band, and transmitting the signal through antenna after being filtered and amplified; (ii) at the signal reception stage: converting the RF signal received by antenna after being filtered and amplified, transmitting the digital signal to baseband for processing after analog-to-digital conversion; and (iii) transmitting CPRI/eCPRI data to BBU over optical fibers.
5G BBU(1)		BBU, or baseband unit, is a unit that processes baseband signals in telecommunication systems. BBU acts as the centralized hub of the base station, processing uplink and downlink data traffic and connecting with pRRU. BBU receives signals from pRRU routed via fronthaul interface, performs NR protocol processing and then delivers the data to 5G core network via backhaul interface.

Product name	Photographs	Features and functions
		The main features and functions of our 5G BBU consist of: (i) 5G NR protocol stack, an interactive specification between base station and terminals, which can combine different protocols that each set the boundaries for a number of network activities; (ii) flexible installation; (iii) environmental monitoring, alarming and reporting; (iv) local and remote operation and maintenance; and (v) extended maintenance services, such as performance management, fault management and security management.

Note:

(1) A 5G BBU was generally composed of (i) softwares for 5G NR protocol stack, fronthaul interface, etc. and (ii) hardware components applied as the supporter of relevant software components. During the Track Record Period, only software for fronthaul interface of 5G BBU that we incorporated into our data transmission services was developed by ourselves.

During the Track Record Period, we had upgraded the application of our services in manufacturing and smart cities and expanded that into mining, agriculture and industrial parks by improving and optimizing the transmission rate, data security, reliability and latency of the network connection.

The mining industry is traditionally dirty, dangerous, and inefficient. Subject to the severe environment of the underground mines, the digitalization of mining area faces various challenges, including stability, reliability, transmission rate and data security of network, and as a result, wireless telecommunication technologies are receiving increasing attention during the digital transformation across this industry. During the Track Record Period, we provided one smart mining project with private 5G network to a customer for realizing and upgrading its digitalization.

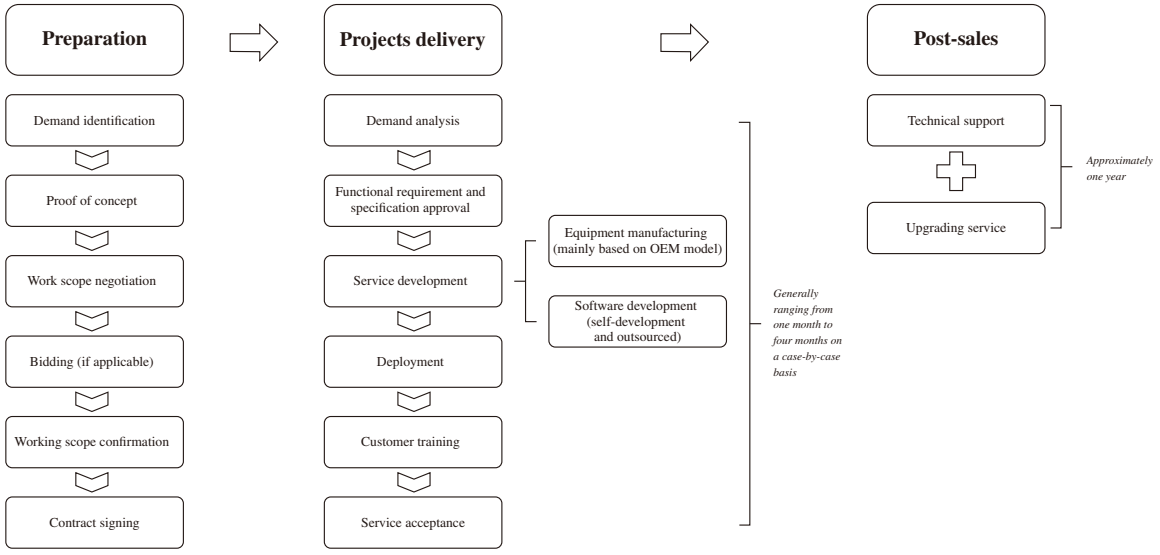
We deploy our Universal IoT Platform as our centralized data platform into our smart mining services together with 5G telecommunication equipment. In particular, we deploy our self-developed 5G pico base stations in the service to solve the difficulties of network connectivity, ease the concerns of data security and establish a private 5G network in mining areas.

Our integrated private 5G network services provide a real-time management of the whole mining process by establishing a private 5G network with high data transmission rate, high reliability, low latency, and data security and deploying centralized data management for data collection, refinement, classification and storage, which enhances the safety, security and efficiency of mining operations.

In addition to the 5G IIoT services, such as the smart mining as discussed above, our 5G smart city services also provide our customers with an integrated private 5G network service, consisting of (i) the deployment of software, including 5G smart community system, voice control system, monitoring system, video intercommunication system, vehicle management system, access control system, positioning system and intelligent light system; and (ii) deployment of 5G telecommunication equipment, including our self-developed 5G pico base stations. 5G community system is functioned by the real-time monitoring, alarm, maintenance, security check and management services. Leveraging its distinctive 5G wireless control system and digital signal preprocessing technologies, 5G pico base stations helped customers to establish private 5G network in the community. After deploying our services, 5G community system can realize the real-time management of the community by connecting 5G telecommunication equipment with private 5G network deployed in the community, enhancing the safety, security and efficiency of community management.

Standard Business Process of our Data Transmission and Processing Services for IoT Applications

As substantially all of our data transmission and processing services for IoT applications are customized in response to the customers' demands and their specific application scenarios, we start our preparation procedure from identifying the customer demands. Upon completing the proof of concept, work scope negotiation and bidding procedure as required, we enter contract signing procedure with our customers. After signing relevant contracts, we typically set up a project team, consisting of members of our hardware & software R&D team and business development team. Our project team starts analyzing customer demands, approving functional requirement and specification, sourcing eligible suppliers, developing our services, deploying our services with customers' engineering team or external suppliers, and training customers. Upon acceptance of services by our customers, we enter the post-sales services by providing technical support and upgrading services if available during the warranty period. In return, we charge our customers a fixed amount of service fees, which we may claim payment when reaching the following milestones: (i) signing the contract for raw material procurement; (ii) accepting the project by customers; and (iii) the completion of warranty period. The following flow chart illustrates our standard business process of our data transmission and processing services for IoT applications:



During the Track Record Period, we were awarded projects of data transmission and processing services for IoT applications primarily through direct negotiations. To a lesser extent, we acquired such projects via participating in bidding procedures. As substantially all of our projects of data transmission and processing services for IoT applications are customized, the proportion of software and hardware products adopted in the service varies from project to project based on the actual demand of each project. As such, we price each project of data transmission and processing services for IoT applications on a case-by-case basis. We generally price our data transmission and processing services for IoT applications on a "cost-plus" basis, under which we estimate costs to be incurred in the project for designing and manufacturing the embedded equipment, software development and affiliated services, if any, in the project, respectively, plus target margin for each part with reference to market prices. Generally, our software products have higher profit margins than our hardware products primarily because our hardware products are relatively standardized products, the price of which are guided by market reference price. Furthermore, our hardware products are manufactured by our OEM manufacturers, which incurs certain OEM expenses on the products, further tightening their profit margin. By contrast, substantially all of our proprietary software products deployed in data transmission and processing services are customized rather than standardized. We generally do not incur any OEM expenses on software products, and therefore, we can price such software products with relatively high profit margins. For details, see "— Sales and Marketing — Our Pricing Policies." We generally bill our customers according to the progress payment arrangement agreed in relevant contracts. We also offer our customers with certain credit terms primarily ranged from three to 300 days, depending on the specific payment terms in each contract. After acceptance of the project, we generally grant warranty periods to our customers ranging from one year to five years.

Our IoT Products and Its Technology

Benefiting from our comprehensive R&D capabilities with hardware and software integration, we provide strong technical support for our integrated services. We equip our customers with certain self-developed telecommunication equipment, such as 5G pRRU, to facilitate their network connectivity. For details, see "— Data Transmission and Processing Services for IoT Applications — Our Private 5G Network Services." In addition to telecommunication equipment, we develop a Universal IoT Platform as our centralized data platform of our data processing services, which unifies data input and output interface and conducts data management, playing as a firm infrastructure of upper applications.

Our Universal Internet of Things Platform

Under traditional development of IoT applications, sensors and terminals connect to the application servers directly and separately. As a result, customers have to adapt each of new sensor and terminal with their servers, and the severs have to collect data from the sensor and terminal separately and convert different data formats, creating numerous repetitive works, decreasing the efficiency of development and increasing the cost of development. Meanwhile, due to the independence of the applications by different equipment, requirements for service interactions between multiple applications are difficult to meet.

Under such circumstance, we developed our own IoT software product, namely the Universal IoT Platform, as our centralized data platform of our data processing services in 2017 and have been continuously upgrading the functions of the platform. Different from traditional data platform, our Universal IoT Platform has the following characteristics:

- Independent application logic;
- Flexible data presentation;
- Extensive data interactions;
- Shared data warehouse; and
- Unified data interface.

We infuse our Universal IoT Platform in the middle of network connectivity layer and application services layer, which enables us to unify data input and output interface. Leveraging the unified data interface, the compatibility of our Universal IoT Platform increased significantly. Our Universal IoT Platform reserves the format of various kinds and brands of devices, which makes the software code of our Universal IoT Platform reusable. After unifying the data interface, our Universal IoT Platform also provides data conversion, storage and computing, enabling us to shorten the development cycle of applications. Our Universal IoT Platform plays as an infrastructure of the platforms for cloud storage, cloud computing, AI and big data analysis. In addition, our Universal IoT Platform can be widely applied in various IoT applications primarily attributable to its high compatibility.

The following picture illustrates the control interface of our Universal IoT Platform:

SALES OF TELECOMMUNICATION EQUIPMENT

In addition to our data transmission and processing services for IoT applications, we also researched, developed and sold telecommunication equipment in the PRC and exported substantially all of antennas to the United States and Russia during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had sold telecommunication equipment of 344 SKUs. The following table sets forth our revenue breakdown by product types during the Track Record Period:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB'000, except percentages)									
							(Unaudited)			
Antennas[(1)]	20,445	65.4%	23,607	56.3%	39,825	66.4%	20,334	86.6%	6,587	12.5%
5G telecommunication equipment[(2)]	1,840	5.9%	16,338	39.0%	13,562	22.6%	–	–	45,617	86.6%
Other telecommunication equipment[(3)]	8,967	28.7%	1,986	4.7%	6,582	11.0%	3,147	13.4%	486	0.9%
Total	**31,252**	**100.0%**	**41,931**	**100.0%**	**59,969**	**100.0%**	**23,481**	**100.0%**	**52,690**	**100.0%**

Notes:

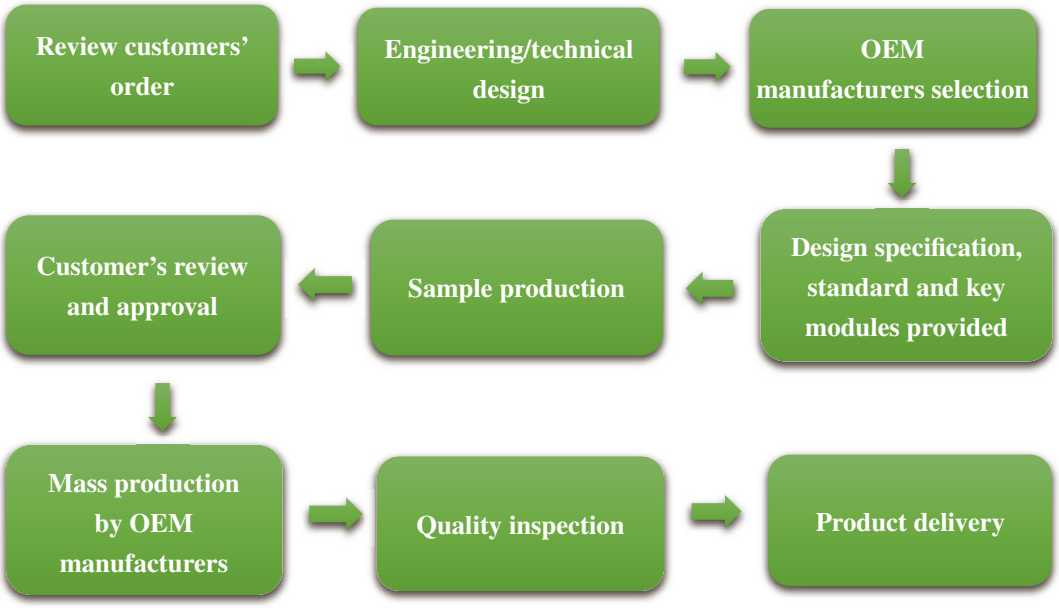
(1) Antennas we sold during the Track Record Period primarily include IoT antennas and vehicle mounted antennas.

(2) 5G telecommunication equipment we sold during the Track Record Period primarily includes 5G pRRU, 5G antennas and 5G communication module.

(3) Other telecommunication equipment we sold during the Track Record Period primarily includes 4G telecommunication equipment and other devices.

Operating Procedures

During the Track Record Period, telecommunication equipment sold by us was generally designed and developed by us pursuant to our customers' specific requirements. For illustrative purpose, the following chart sets forth our operating procedures for sales of telecommunication equipment.



We generally outsource the production of our telecommunication equipment to OEM manufacturers. In addition, we assemble a limited number of our IoT antennas with simple design and perform certain key production procedures that may affect the performance of our IoT antennas, such as soldering, in our assembly and testing center in Shenzhen. Key process of our outsourcing production consists of:

- ***Selection of OEM manufacturers***. OEM manufacturers specialize in the assembling of electronic devices, and we believe they are experienced and well-positioned to meet our volume, cost and strict quality requirements.

- ***Order placement***. We typically place purchase orders to OEM manufacturers. Each purchase order sets forth the assembling fees, volume, specification of the model, series of our products, delivery and payment terms. We are required by OEM manufacturers to provide rolling assembling volume forecasts and issue orders in advance.

- ***Manufacturing process conducted by OEM manufacturers***. Our manufacturing process involves the assembly of numerous individual components and precise fine-tuning by production technicians. OEM manufacturers produce our products using design specifications and standards provided by us. We also provide OEM

manufacturers with the key tailored modules that we procure from third-party suppliers separately. For our antennas, our manufacturing process primarily consists of:

- manufacturing cable assembly used to transmit signal;
- manufacturing the antenna body, which is used to receive signal at a resonant frequency;
- manufacturing other parts;
- assembling all parts at a designated sequence by soldering, screws or rivets;
- testing the work-in-progress, without the radome and bottom cover;
- encapsulating, where the antenna is encapsulated after putting on the radome and bottom cover;
- testing the finished products;
- visually inspecting; and
- packaging.

For our 5G telecommunication equipment, our manufacturing process primarily consists of:

- manufacturing the printed circuit board and other structure constituents;
- purchasing components;
- manufacturing printed circuit board assembly, or PCBA;
- conducting functional and performance tests on PCBA;
- assembling PCBA into equipment;
- testing the finished products;
- visually inspecting; and
- packaging.

- ***Delivery.*** We engage third-party logistics service providers for deliveries. Finished products that have passed quality inspections are packaged in accordance with our specifications and quality standards and delivered by the logistics service providers from our assembly and testing center to locations designated by our customers. For sales under OEM basis, OEM manufacturers generally arrange logistic services for us, which the logistic expenses incurred are inclusive in their assembling fees. For overseas sales that are mainly under OEM basis, the term of delivery is principally free on board (FOB), under which we are responsible for handling export clearance and domestic transportation. We will arrange for the delivery of products to the port of shipment designated by our overseas distributor or customer. The selling price of our product is inclusive of logistics expenses incurred in the PRC. Our overseas distributor or customer will generally be responsible for the shipment cost and import duties of the importing countries.

- ***Payment.*** The assembling fees are typically paid within a specific period mutually agreed separately.

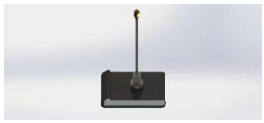
During the Track Record Period, we sold our telecommunication equipment to our customers primarily through direct sales. We generally price our telecommunication equipment on a "cost-plus" basis. For details, see "— Sales and Marketing — Our Pricing Policies." The payment arrangement agreed between our customers and us varies from transaction to transaction according to the specific business negotiations for different transactions. Our customer generally pays us after acceptance of the products, and we may also offer certain credit terms to our customers, depending on the specific payment terms in each contract. After acceptance of the products, we may also grant a warranty period to our customers, which varies from one year to three years based on the product type.

Our Product Portfolio

Antennas

We have been researching and developing our antennas since 2014. Our antennas are customized and made-to-order to meet the specifications and requirements catering to different industries and application scenarios. The research and development and production cycles of our antennas generally range from one and a half year to two years. The lifecycle of our antennas generally ranges from three to seven years. We offer a wide range of antennas, which can be broadly categorized into two types with respect to their application scenarios: (i) IoT antenna; and (ii) vehicle mounted antenna. We export substantially all of our IoT antenna and vehicle mounted antenna products to the United States and Russia, respectively. During the Track Record Period, we exported IoT antennas to our U.S. customer and vehicle mounted antennas to our Russian distributor.

The following table sets forth details of our exported antennas:

Product name	Photographs	Specific features
Smart power grid antenna		This type of antenna is designed to be mounted on high-tension transformer in smart power grid, which is featured by high pressure resistance, corrosion resistance, anti-electromagnetic interference and high reliability.
Intelligent charging pile antenna		This type of antenna is designed to be used as part of intelligent charging pile, which is featured by corrosion resistance, lightning stroke resistance, high and low temperature resistance and high reliability.
Smart meter reading antenna		This type of antenna is designed for smart meter reading system, which is featured by multi-band frequency, broad bandwidth, high-gain and easy installation.
Intelligent streetlamp antenna		This type of antenna is designed to be mounted on intelligent streetlamp, which is featured by corrosion resistance, lightning stroke resistance, broad bandwidth, high and low temperature resistance and high reliability.
Vehicle mounted antenna		This type of antenna is designed to be mounted on the top of the vehicle, which is featured by vibration strength, high-gain, corrosion resistance and waterproofness.

The following table sets forth the revenue breakdown by product types during the Track Record Period:

	Year ended December 31,									Five months ended May 31,		
	2019			2020			2021			2022		
	Revenue	Sales volume	Average price	Revenue	Sales volume	Average price	Revenue	Sales volume	Average price	Revenue	Sales volume	Average price
	RMB'000		*RMB*	*RMB'000*		*RMB*	*RMB'000*		*RMB*	*RMB'000*		*RMB*
IoT antenna	7,225	767,289	9.4	10,429	1,085,688	9.6	15,515	1,547,500	10.0	4,093	218,987	18.7
Vehicle mounted antenna	13,220	173,288	76.3	13,178	161,272	81.7	24,312	283,244	85.8	2,497	31,476	79.3
Total	**20,445**			**23,607**			**39,827**			**6,590**		

Our IoT antenna products

During the Track Record Period, we exported substantially all of our IoT antenna products to the United States. Our IoT antenna products are widely applied in various application scenarios of smart city, such as smart meter and smart traffic network. Due to the nature of the above application scenarios, our IoT antenna products are commonly installed outdoors, which requires high reliability of antennas to withstand the severe weather conditions that outdoor operation may face. In addition, certain application scenarios, such as smart power grid, where we install our antennas on top of high-tension transformer, require high technical standard and long lifecycle of antennas.

As we export our IoT antennas to our U.S. customer, we closely communicate with our U.S. customer with regard to its demand and purchase forecast. After receiving and understanding the customers' demand and application scenarios, our research and development team starts to develop customized antennas to such customer. We formulate the working schedule of each project, collocate R&D professionals and decompose R&D tasks of project. The R&D team of the project compiles the project proposal and R&D progress report, and submits them to R&D department for approval. Our research and development and production cycles of our antennas start from the date when receiving the approval of project proposal. We deliver the samples and technical specifications to our U.S. customer for review and testing after finishing research and development. Once receiving the written confirmation from our U.S. customer, we instruct OEM manufacturers to undertake production of such antennas following the technical specifications provided by us. For certain IoT antennas with simple design, we procure components and raw materials and assemble them at our own assembly and testing center. The research and development and production cycles of our antennas generally range from one and a half year to two years.

Communications with our U.S. customer regarding the potential cooperation opportunities could be dated back to 2014. During the Track Record Period, our U.S. customer purchased customized IoT antenna products from us by placing purchase order for each batch of procurement. The purchase order typically indicates key terms of procurement, including, among others, the issue date, payment terms, shipping method, shipping address, product name, purchase quantity and price. We start our product delivery process after receiving the purchase order sent by our U.S. customer. To further strengthen the long-term cooperation between us, we entered into a strategic partnership agreement with our U.S. customer on December 29, 2021. Major terms of this strategic partnership agreement include:

- ***Term and contract extension.*** The strategic partnership agreement is valid until December 31, 2024. Upon the agreement of the parties, the terms of validity of the agreement may be extended.

- ***Tooling and sample approval.*** We shall manufacture the tooling and samples, and deliver five to 15 pieces of samples to the customer for approval. The customer shall inspect and test the samples with reference to corresponding technical requirements, and report the results of inspection to us within 14 days after

receiving the samples. Where the production of customized products requires new production tooling, the customer shall compensate us the charges for the tooling.

- ***Purchase forecast.*** The customer shall provide us each month a delivery schedule for three upcoming months, where the quantities for the first month are considered to be a firm order and the quantities for second and third following months are forecast intended for material purchase planning.

- ***Order and delivery.*** The products ordered shall be delivered within 30 days after placing a firm purchase order in writing by the customer with us.

- ***Payment and credit terms.*** The customer shall make a payment in the amount of 100% order value to us not later than 90 days after receiving the products ordered.

- ***Complaints.*** During the warranty period, if products turn out to be defective, the customer shall immediately inform us hereof in writing and we are entitled to send our authorized representative in order to draw up a bilateral failure report. If the product defect is caused by our fault, we will undertake to provide the customer with an 8D report, which includes the details of complaint raised and the rectifications of this issue, and a schedule of corrective actions implemented within one week when receiving the customer's report. In this case, we will reimburse the customer with 100% invoice cost of defective products plus the transportation cost of the defective products.

- ***Warranty period.*** The warranty period ends 12 months after the date of manufacturing.

- ***Product return and exchange.*** Return of products can only be made for product defect reason, request of which should be made in writing within 28 days after manufacturing date.

- ***Special conditions.*** The agreement can be terminated by the customer unilaterally where the required deliveries are missed by more than 10% in quantity or the required shipping dates by more than 10 days for three consecutive months at our sole and own fault.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material decrease in orders, cancellation of the existing orders, or any restrictions or burdens due to China-U.S. trade war. However, even though we had not experienced any material adverse impact on our business operation and financial performance due to the China-U.S. trade war during the Track Record Period and up to the Latest Practicable Date, we cannot guarantee that the Sino-U.S. policy will remain unchanged, and we will not be adversely affected by any potential changes of such policies. In order to minimize the contingent financial and operational impact on us, we are in the course of implementing a series of measures to mitigate such contingency. We will closely monitor the market and economic

environment as well as our business and financial conditions to ensure any material adverse effect on our business and operations will be minimized as a whole. We will also undertake to keep reviewing the relevant laws and regulations in relation to the U.S. tariffs and will seek legal advice as and when appropriate.

Our vehicle mounted antenna products

During the Track Record Period, we exported our vehicle mounted antenna products to Russia via our overseas distributor. Our vehicle mounted antenna is generally applied in vehicles, which requires high technical standard and reliability. Our vehicle mounted antenna products are tailored for various vehicle models. Our self-developed vehicle mounted antennas are equipped with rational design of structure and assembly, multi-band frequency with good performance and, anti-interference capabilities. In particular, we adopt certain advanced technologies and components into our vehicle mounted antennas; (i) we adopt vertical conformal array technology to enhance the antenna gain, which is a key performance factor that combines the antenna's directivity and electrical efficiency; and (ii) we integrate vivaldi antenna into our product, which has the characteristics of simple structure, light weight, broadband, high gain and high efficiency, and is easy to manufacture. In addition, we use raw materials with high dielectric constant for our vehicle mounted antennas, which can reduce the wavelength of the waveguide of printed circuited board, thereby reducing the overall size of the antennas.

The sales process of our vehicle mounted antenna products is similar to that of our IoT antenna products.

Our vehicle mounted antennas are not designed or manufactured for any surveillance purpose. Similar to antenna product in general, which plays as the interface between radio waves propagating through space and electric currents moving in metal conductors, used with a transmitter or receiver, the main features of our vehicle mounted antennas include: (i) receiving amplitude modulation or frequency modulation signal; and (ii) receiving satellite's signal when it being embedded in a navigation system. After completing the design and manufacturing, we deliver the vehicle mounted antennas to our Russian distributor, after which the application of vehicle mounted antennas is out of our control but will be conducted by our Russian distributor or its end-customers only. As such, we are not in the position to obtain the information regarding the application of our vehicle mounted antennas. As advised by our PRC Legal Advisors, considering the nature and functions of vehicle mounted antenna, there are no restrictions on exporting the vehicle mounted antenna designed and manufactured by us under the applicable and mandatory PRC laws and regulations.

5G Telecommunication Equipment

We provided our customers with 5G telecommunication equipment of 27 SKUs, including 5G pRRU, various types of 5G antennas and 5G communication modules, which were designed to cater to preferences of different consumer groups during the Track Record Period. We believe our diversified and comprehensive product portfolio of 5G telecommunication equipment could have synergistic effect on providing our data transmission and processing services. The principal product of our 5G telecommunication equipment is 5G pRRU. For details of our 5G pRRU, see "— Data Transmission and Processing Services for IoT Applications — Our Private 5G Network Services." In addition to our 5G pRRU, we also provide customized 5G antennas catered to our customers' specific needs. To a lesser extent, we offer 5G communication modules to our customer.

Other Telecommunication Equipment

In addition to our 5G telecommunication equipment, we also provide other telecommunication equipment, which primarily includes 4G telecommunication equipment and other IT devices, to our customers. During the Track Record Period, we developed antenna components of 4G telecommunication equipment, while we procured other components of 4G telecommunication equipment and IT devices from third parties.

PROVISION OF OTHER SERVICES

Besides provision of data transmission and processing services for IoT applications and sales of telecommunication equipment, to a lesser extent, we also provided our customers with other services during the Track Record Period, which primarily include (i) telecommunication equipment maintenance services, and (ii) telecommunication consulting services. We generally enter into service or technical consulting agreements with our customers to provide relevant services to address their specific needs, while our customers pay us fixed amount service fees in return. During the Track Record Period, we had completed a total of 27 service contracts with our customers.

During the Track Record Period, we were awarded other service projects primarily through direct negotiations. We generally price our service projects on a "cost-plus" basis, under which we estimate costs to be incurred in the project plus a reasonable margin with reference to the market price. For details, see "— Sales and Marketing — Our Pricing Policies." The payment arrangement agreed between our customers and us varies from project to project according to the specific business negotiations for different projects. Our customers generally make the payment to us by installments as agreed in the service agreement. We also offer our customers certain credit terms, depending on the specific payment terms in each contract. After acceptance of the project, we generally grant a warranty period of one year to our customers.

OUR COMPLETED PROJECTS AND TRANSACTIONS

Overview

The following table sets forth a summary of projects and transactions completed by us during the Track Record Period:

Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized					Completion/ Transaction date[2]
					Year ended December 31,			Five months ended May 31,	Total[1]	
					2019	2020	2021	2022		
					(RMB'000)					
Data transmission and processing services for IoT applications										
Non-5G network service project A	Smart Leishan project	This project aims to help customer to realize the digitalization in tourism management by constructing the network, control center, application program and embedding certain equipment for data center. The project site is located in Guizhou.	December, 2019	14,500.0	13,302.8	–	–	–	13,302.8	December, 2019
Non-5G network service project B	Big data security analysis platform construction project	This project aims to enhance the big data security, information security and stable operation of relevant system by constructing a big data security analysis platform. The project site is located in Shanghai.	November, 2019	5,915.0	5,260.8	–	–	–	5,260.8	December, 2019
Non-5G network service project C	Smart factory project	This project aims to help customer to realize the digitalization of factory by developing a series of testing and analysis software. The project site is located in Shanghai.	August, 2020	8,051.0	–	7,124.8	–	–	7,124.8	November, 2020
Non-5G network service project D	Smart factory project	This project aims to help customer to realize the digitalization of factory by developing application software. The project site is located in Shaanxi.	August, 2020	7,075.5	–	6,407.6	–	–	6,407.6	November, 2020

Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized				Completion/ Transaction date[2]
					Year ended December 31,			Five months ended May 31, 2022	Total[1]	
					2019	2020	2021			
					(RMB'000)					
Private 5G network service project E	5G smart agriculture project	This project aims to help customer to realize the digitalization of agriculture by deploying private 5G network. The project site is located in Guizhou.	September, 2020	36,500.0	-	32,300.9	-	-	32,300.9	December, 2020
Private 5G network service project F	5G smart mining project	This project aims to help customer to realize the digitalization of mining by deploying private 5G network, which meets the requirement of data security and high transmission speed in mining area. The project site is located in Anhui.	September, 2020	23,385.0	-	20,694.7	-	-	20,694.7	December, 2020
Non-5G network service project G	Big data real-time decision platform construction project	This project aims to enhance the data management and analysis capabilities of the customer by constructing a big data real-time decision platform. The project site is located in Shanghai.	August, 2020	6,457.5	-	5,752.4	-	-	5,752.4	December, 2020
Private 5G network service project H	Private 5G core network project	This project aims to help customer to realize the digitalization in their business operation by deploying private 5G network, which meets their high requirement of data security and high transmission speed. The project site is located in Shaanxi.	March, 2021	24,887.3	-	-	22,024.2	-	22,024.2	May, 2021
Private 5G network service project I	5G smart community project	This project aims to help customer to realize the digitalization of community management by deploying private 5G network. The project site is located in Jiangsu.	March, 2021	7,000.0	-	-	6,194.7	-	6,194.7	June, 2021
Non-5G network service project J	Comprehensive management platform construction project	This project aims to help customer to realize the digitalization of rescue command center by constructing a visual operation and maintenance integrated management platform. The project site is located in Guangdong.	July, 2021	5,522.6	-	-	4,901.3	-	4,901.3	September, 2021

Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized				Completion/ Transaction date[2]
					Year ended December 31,			Five months ended May 31,	
					2019	2020	2021	2022	Total[1]
					(RMB'000)				
Private 5G network service project K	Big data real-time decision platform construction project	This project aims to help customer to realize the digitalization of big data center by constructing a big data real-time decision platform. The project site is located in Jiangsu.	August, 2021	5,560.0	-	-	5,245.3	-	5,245.3	November, 2021
Non-5G network service project L	Internet monitoring services platform construction project	This project aims to help customer to realize the digitalization of data center by constructing an Internet monitoring services platform. The project site is located in Jiangsu.	September, 2021	5,400.0	-	-	5,094.3	-	5,094.3	December, 2021
Private 5G network service project M	Data security storage and management platform construction project	This project aims to help customer to enhance the data security by constructing a data security storage and management platform. The project site is located in Jiangsu.	October, 2021	8,964.0	-	-	7,932.7	-	7,932.7	December, 2021
Non-5G network service project N	Big data center construction project	This project aims to help customer to realize the automatic relevance and integration of our customer's IT environmental system, network monitoring, application and diagnostic function. The project site is located in Jiangsu.	April, 2022	7,959.2	-	-	-	7,177.0	7,177.0	May, 2022
Projects with a contract value below RMB5.0 million			N/A	104,059.0	23,155.6	3,237.2	56,597.9	12,301.0	95,291.7	N/A
Subtotal				**271,236.1**	**41,719.2**	**75,517.6**	**107,990.4**	**19,478.1**	**244,705.3**	

Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized				Completion/ Transaction date[2]
					Year ended December 31,			Five months ended May 31,	
					2019	2020	2021	2022	Total[1]
					(RMB'000)				
Sales of telecommunication equipment									
5G telecommunication equipment sales A	Sales of 5G pRRU	This transaction aims to help customer to construct 5G base stations.	September, 2020	14,378.0	-	12,723.9	-	-	12,723.9	November, 2020
5G telecommunication equipment sales B	Sales of 5G pRRU	This transaction aims to help customer to construct 5G base stations.	November, 2021	10,400.0	-	-	9,203.5	-	9,203.5	December, 2021
5G telecommunication equipment sales C	Sales of 5G pRRU	This transaction aims to help customer to construct a radio transceiver platform in a smart city project.	January, 2022	19,435.0	-	-	-	17,199.1	17,199.1	April, 2022
5G telecommunication equipment sales D	Sales of 5G pRRU	This transaction aims to help customer to construct private 5G network.	May, 2022	30,550.0	-	-	-	27,035.4	27,035.4	May, 2022
Sales with a contract value below RMB5.0 million			N/A	123,596.1	31,252.4	29,207.5	50,765.7	8,455.5	119,683.3	N/A
Subtotal				**198,359.1**	**31,252.4**	**41,931.4**	**59,969.2**	**52,690**	**185,845.2**	

Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized					Completion/ Transaction date[2]
					Year ended December 31,			Five months ended May 31,		
					2019	2020	2021	2022	Total[1]	
					(RMB'000)					
Other services										
Telecommunication equipment maintenance service project A	GSM base station equipment board adjustment service project	This project provides adjustment services for GSM base station equipment board. The project site is located in Sichuan.	July, 2019	5,349.4	2,523.3	–	–	–	2,523.3	July, 2019
Telecommunication equipment installation service project B	Big data platform technical service project	This project provides consultation services for customer with respect to data management and service capabilities. The project site is located in Shanghai.	August, 2020	5,000.0	–	4,717.0	–	–	4,717.0	December, 2020
Service project with a contract value below RMB5.0 million			N/A	22,362.2	5,390.3	5,258.8	5,352.1	680.6	16,681.8	N/A
Subtotal				**32,711.6**	**7,913.6**	**9,975.8**	**5,352.1**	**680.6**	**23,922.1**	
Total				**502,306.8**	**80,885.2**	**127,424.8**	**173,311.7**	**72,850.9**	**454,472.6**	

Notes:

(1) The difference between the contract value and the total revenue recognized for a particular project was mainly caused by the value-added tax that had been paid.

(2) The completion or transaction date refers to the date when we receive the letter of acceptance from our customer.

During the Track Record Period, we had two loss-making projects (the "**Loss-making Projects**"), each of which had a contract value less than RMB30,000. One customer is a listed company on Shanghai Stock Exchange, who was one of our five largest customers in 2019 and primarily engages in radio and television network construction, development and operation management. The other customer is a private company located in Dongguan, who primarily engages in research and development, manufacturing and sales of automation equipment and sensors. Both Loss-making Projects were completed in 2020. As both Loss-making Projects are trial non-5G network service projects in nature, we underestimated the cost when pricing them. Considering the nature of the Loss-making Projects, their contract values and aggregated loss, our Directors are of the view that these two Loss-making Projects did not have any material adverse impact on our business, financial conditions, results of operations and prospects.

Our Major Contracts

During the Track Record Period and up to the Latest Practicable Date, we completed five projects of data transmission and processing services for IoT applications and four sales of telecommunication equipment transactions with a single contract value exceeding RMB10.0 million. The details of these major contracts are set forth as follows.

Smart Leishan Project

Smart Leishan project is a non-5G smart city service project located in Guizhou province, China. Our customer is an affiliate of a listed company on Shanghai Stock Exchange, who primarily engages in providing radio and television network services and constructing, developing and managing the television network in its designated region. Our customer was expected to utilize our service to implement the digitalization of tourism management. To that end, we provided the customer with an integrated service, integrating IoT software, such as smart tourism software, social resource access system and information release system, telecommunication equipment and certain sensors and terminals. We completed this project in approximately 16 months after commencement. The contract value of this project is RMB14.5 million and the revenue recognized from this project amounted to RMB13.3 million in 2019.

5G Smart Agriculture Project

5G smart agriculture project is a 5G IIoT service project located in Guizhou province, China. Our customer is a research institution located in Beijing, who primarily engages in development and production of precision guidance equipment. Our customer was expected to utilize our service to implement the digitalization of agriculture management with high transmission speed, low latency and high security. To meet the customer's requirements, we provided the customer with an integrated private 5G network service, integrating IoT software, 5G telecommunication equipment and certain sensors and terminals. We completed this project in approximately three months after commencement. The contract value of this project is RMB36.5 million and the revenue recognized from this project amounted to RMB32.3 million in 2020.

5G Smart Mining Project

5G smart mining project is a 5G IIoT service project located in Anhui province, China. The customer is a specialized research institution engaged in design, research and production of optical communication products and systems, and was expected to utilize our services to realize the digital transformation of mining area by active data collection, data transmission, automatic data analysis and processing based on the deployment of private 5G network. To meet customer's demands, we provided the customer with an integrated private 5G network service, consisting of (i) the deployment of IoT software, including our Universal IoT Platform, remote scheduling system and API interface management system; and (ii) deployment of 5G telecommunication equipment, including our self-designed 5G pico base stations, handset and vehicle-mounted terminals. We completed this project in approximately three months after commencement. The contract value of this project is RMB23.4 million and the revenue recognized from this project amounted to RMB20.7 million in 2020.

Private 5G Core Network Project

Private 5G core network project is a 5G IIoT service project located in Shaanxi province, China. The customer is a company limited by shares located in Xi'an, who primarily engages in manufacturing of mechanical and electrical equipment, and was expected to use our services to upgrade its network to private 5G network with high data security and transmission speed. To meet customer's demands, we provided the customer with an integrated private 5G network service, consisting of 5G telecommunication equipment and software. We completed this project in approximately two months after commencement. The contract value of this project is RMB24.9 million and the revenue recognized from this project amounted to RMB22.0 million in 2021.

5G Smart Medical Project

5G smart medical project is a 5G IIoT service project located in Guangdong province, China. The customer is a medical device enterprise located in Shenzhen, who primarily engages in design, manufacturing, sales, and services of medical devices, and was expected to use our services to upgrade its data collection and analysis system. To meet customer's demands, we provided the customer with an integrated private 5G network service, consisting of (i) core driver software and analysis and processing software, and (ii) 5G signal collection and processing modules. We completed this project in approximately one month after commencement. The contract value of this project is RMB32.7 million and the revenue recognized from this project amounted to RMB29.0 million in 2022.

Sales of 5G Telecommunication Equipment

In addition to our major projects of data transmission and processing services for IoT applications disclosed above, we had four major transactions of 5G telecommunication equipment during the Track Record Period. All these four transactions were in relation to sales of 5G pRRU equipment with a contract value of RMB14.4 million, RMB10.4 million, RMB19.4 million and RMB30.6 million, respectively. The revenue recognized from these transactions amounted to RMB12.7 million, RMB9.2 million and RMB44.2 million in 2020 and 2021 and the five months ended May 31, 2022, respectively.

THE CONTRACT BACKLOG OF OUR PROJECTS

Contract backlog represents the remaining contract value of our projects in progress (including projects of data transmission and processing services for IoT applications and other service projects) as of a particular date. The table below sets forth the movement of contract backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			Five months ended May 31,	Period from May 31, 2022 to the Latest Practicable Date
	2019	2020	2021	2022	
			(RMB'000)		
Data transmission and processing services for IoT applications[(1)]					
Contract backlog at the beginning of the period	309.6	1,235.3	1,220.0	2,269.2	28,666.7
Add: contract value of newly awarded projects during the period[(2)]	46,534.6	86,471.3	135,150.8	58,507.8	161,939.7
Less: contract value disbursed during the period[(3)]	45,608.9	86,486.7	134,101.6	32,110.3	158,318.9
Contract backlog at the end of the period	**1,235.3**	**1,220.0**	**2,269.2**	**28,666.7**	**32,287.5**
Other services					
Contract backlog at the beginning of the period	2,693.8	–	–	706.2	–
Add: contract value of newly awarded projects for the period[(2)]	8,155.1	10,574.7	7,368.0	15.3	1,491.0
Less: contract value disbursed for the period[(3)]	10,848.9	10,574.7	6,661.8	721.5	1,491.0
Contract backlog at the end of the period	**–**	**–**	**706.2**	**–**	**–**
Total contract backlog at the end of the period	**1,235.3**	**1,220.0**	**2,975.4**	**28,666.7**	**32,287.5**

Notes:

(1) We had a big data management platform project awarded in July 2021 with a contract term of three years. Pursuant to the cooperation agreement entered into between our customer and us, we provide our customer with big data management products and services, which consist of two software products and the corresponding operational services, and charge our customer monthly based on the actual data

volume generated through the software sold by us during the relevant period. Accordingly, such cooperation agreement does not have a fixed contract value when it was executed. As such, the movement analysis of backlog for data transmission and processing services for IoT applications in the following line items do not include the corresponding figures of such cooperation agreement for relevant periods. Nevertheless, the revenue recognized under this agreement during the Track Record Period and the period from May 31, 2022 up to the Latest Practicable Date was RMB19.5 million and RMB4.7 million, respectively. Furthermore, pursuant to the cooperation agreement, any party who wants to terminate the agreement should provide a written notice to and negotiate with the other party three months in advance. The cooperation agreement may be terminated upon mutual agreement in writing by parties.

(2) Contract value of new projects refers to the initial contract value of new contracts which were awarded to us during the relevant period indicated.

(3) After the contract has been awarded, the contract value will be recognized as revenue in accordance with the progress of the project. Contract value disbursed for the period refers to the contract value corresponding to the revenue recognized during the relevant period.

The following table sets forth the movement of project numbers during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			Five months ended May 31,	Period from May 31, 2022 to the Latest Practicable
	2019	2020	2021	2022	Date
Data transmission and processing services for IoT applications					
Number of projects at the beginning of the period[1]	3	2	1	2	9
Number of newly awarded projects	14	12	32	13	32
Number of completed projects	15	13	31	6	33
Number of projects in progress at the end of the period[2]	**2**	**1**	**2**	**9**	**8**
Other services					
Number of projects at the beginning of the period[1]	2	–	–	1	–
Number of newly awarded projects	9	7	7	2	3
Number of completed projects	11	7	6	3	3
Number of projects in progress at the end of the period[2]	**–**	**–**	**1**	**–**	**–**

Notes:

(1) Projects at the beginning of period refers to projects in progress at the beginning of each period.

(2) Projects in progress at the end of period refer to projects that have commenced but have not been completed at the end of relevant period. The portion of contract value for projects in progress which has not been recognized as revenue is deemed as part of our backlog.

As of May 31, 2022, we had nine projects in progress. Excluding the big data management platform project as explained below, the aggregated contract value of our projects in progress amounted to approximately RMB35.1 million, resulting in approximately RMB28.7 million of the contract backlog of our projects in progress as of May 31, 2022. The following table sets forth details of our projects in progress as of May 31, 2022:

Project	Customer background	Technologies adopted (5G/Non-5G)	Contract date	Contract period/ Expected delivery time	Contract value	Revenue recognized during the Track Record Period	Remaining contract value as of May 31, 2022[1]	Remaining contract value as of the Latest Practicable Date[1]	Estimated investment costs to be incurred after the Latest Practicable Date
							(RMB'000)		
Full-stack intelligent operation and maintenance monitoring platform project	A wholly foreign-owned enterprise located in Shanghai and a listed company on the Stock Exchange, who primarily engages in technical development, transfer of technology and technical services of financial industry	non-5G	March 17, 2021	One year	6,822.5	5,946.0	378.2	–	–
Big data management platform project		non-5G	July 12, 2021	Three years	N/A[2]	19,459.6	N/A[2]	N/A[2]	N/A[2]

Project	Customer background	Technologies adopted (5G/Non-5G)	Contract date	Contract period/ Expected delivery time	Contract value	Revenue recognized during the Track Record Period	Remaining contract value as of May 31, 2022[1]	Remaining contract value as of the Latest Practicable Date[1]	Estimated investment costs to be incurred after the Latest Practicable Date
							(RMB'000)		
Integrated private 5G network service project	A limited liability company located in Guangzhou who primarily engages in information technical consultation services, software development and information system integration services	5G	April 29, 2022	Two years	5,163.4	–	5,163.4	5,163.4	2,948.8
Private 5G network construction project	A limited liability company located in Nanjing who primarily engages in development of voice, data, image and internet-related technology	5G	April 26, 2022	Five years	11,125.0	–	11,125.0	11,125.0	7,025.7
Electronic contract integrated management system development project	A company limited by shares located in Nanjing who primarily engages in computer network system integration, computer information system integration and research and development of computer software and hardware	Non-5G	May 11, 2022	Four months[3]	1,620.0	–	1,620.0	–	–
Internet data compliance management platform development project		Non-5G	May 11, 2022	Four months[3]	2,940.0	–	2,940.0	–	–
Digital identity management platform development project		Non-5G	May 11, 2022	Four months[3]	2,400.0	–	2,400.0	–	–
Dual carbon regulatory management platform		Non-5G	May 26, 2022	Four months[3]	2,880.0	–	2,880.0	–	–
Joint epidemic prevention and control management system development project		Non-5G	May 26, 2022	Four months[3]	2,160.0	–	2,160.0	–	–
Total					**35,110.9**	**25,405.6**	**28,666.6**	**16,288.4**	**9,974.5**

Notes:

(1) The remaining contract value as of a particular date is calculated from the total contract value minus the corresponding contract value that has been disbursed up to the same date.

(2) Pursuant to the cooperation agreement entered into between our customer and us, we provide big data management products and services to our customer, and charge our customer monthly based on the actual data volume generated during the relevant period. Revenue generated from this project during the Track Record Period amounted to RMB19.5 million.

(3) Pursuant to the agreement, the expected delivery time of the project is four months after signing the agreement. After acceptance, we will provide the customer with one-year free maintenance service.

QUALITY CONTROL

We place great emphasis on the quality of our products. Our products must meet the stringent requirements of our customers and comply with the applicable safety and certification standards. We have set up a quality control system in accordance with relevant laws and regulations in the PRC and overseas markets where we have business operations. Our quality assurance measures cover all aspects of OEM manufacturers' production processes and operations, including procurement of raw materials and packaging materials, monitoring and quality checks of raw materials, semi-finished products and finished products. We select our suppliers based on a strict set of criteria and we conduct supplier audits which include documentation inspection and/or on-site inspection on such qualified suppliers to make sure our requirements are being consistently met. We conduct inspection on raw materials, including work-in-progress, in accordance with our quality management standards. Finished products are subject to strict inspection and test before delivery. For telecommunication equipment that OEM manufacturers will deliver directly to our customers, we typically send our quality testing staff to conduct on-site quality inspection before delivery. For our antennas, we require relevant OEM manufacturers to deliver the finished products to our assembly and testing center for quality testing before delivering such products to our customers. The quality control system of Nanjing Howking is certified to GB/T 19001-2016/ISO 9001:2015 standard, which covers the design, R&D and service of telecommunication antenna products.

For our data transmission and processing services for IoT applications and other services, we also adopt stringent quality control measures. We establish evaluation and reporting mechanisms to closely review the quality of our data transmission and processing services for IoT applications during the service delivery process. The evaluation and reporting mechanisms include design review, coding review and testing report, aiming at the design phase, encoding phase and testing phase, respectively.

CUSTOMER SUPPORT

As a matter of policy, products sold to customers cannot be returned except for instances of quality defects. Our rigorous quality control procedures ensure that our products are properly examined before being delivered. As a result, we had not experienced any product returns during the Track Record Period and up to the Latest Practicable Date. We typically offer a limited warranty for our telecommunication equipment. Under the terms of our sales arrangements with our customers, we generally provide product warranties depending on the products and customers' specific requirements, such that the warranty period varies on a case-by-case basis. During the warranty period, our end-user customers may request replacements free of charge or return defective products for refund. In the event that the defective products are due to the quality of raw materials, we may claim against the suppliers for our losses due to sales return according to our arrangements with relevant suppliers. For the services provided by us, we typically offer our customers with free maintenance, upgrading and technical support services for one year. For telecommunication equipment provided in our integrated services, we typically offer our customers with warranty periods range from six months to one year upon acceptance of our services.

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints or product liability claims from our customers. Since we received no material customer complaints or request for product exchange owing to product quality and defects which were material to our business, we had not incurred any material warranty expense or made any provision for such warranty expense during the Track Record Period and up to the Latest Practicable Date.

In addition to product returns and warranty policies, we maintain a dedicated customer support and service team focusing on real-time problem-solving with the ultimate goal of increasing customer experience and stickiness in our ongoing efforts to enhance customer satisfaction and improve product and service quality.

INVENTORIES

During the Track Record Period, we procured raw materials and components from suppliers for the outsourced manufacturing of antennas and other telecommunication equipment based upon make-to-order production. Since the purchases of raw materials and components for the production of our products were made on a back-to-back basis upon receipt of orders, we maintained a relatively low inventories of raw materials and components for the production of our products. In addition, we typically deliver customized antenna products to our customers within three days after finishing quality testing. In terms of telecommunication equipment, as we outsource the production of these equipment to OEM manufacturers, OEM manufacturers will arrange to deliver the products directly to the place designated by our customers. For telecommunication equipment applied in our integrated services, we generally procure or outsource them on make-to-order basis. Therefore, we remained a very limited number of inventories of finished products during the Track Record Period.

RESEARCH AND DEVELOPMENT

Our competitiveness depends, to a large extent, on our continuous commitment to research and development and our ability to improve the functionality of, and add new features to, our services and products. Consistent with our strong innovation culture, we devote significant resources to research and development and develop core features of our services and products in-house.

We currently maintain two research and development centers, one of which locates in Nanjing and the other one in Shenzhen. Our research and development teams consist of carefully selected talents whose expertises span a wide range of subject areas, such as telecommunication, information system, software, radio frequency and algorithm. As of May 31, 2022, our research and development staff consisted of 47 employees, representing 58.0% of our total employees. Dr. Chen, our founder and chairman of the Board, is a pioneer in chips-related technology and has made achievements and contributions in the research and development of millimeter wave technology. Prior to founding our Company, he served as a general manager and a senior R&D engineer in several world-famous semiconductor companies in the United States for more than 20 years, and keeps conducting research on the frontline of the industry. Mr. Wang Jun, our chief technology officer, is responsible for overseeing the management of our technological resources. Mr. Wang has approximately 15 years of experience in the software development field.

We incurred RMB7.7 million, RMB7.0 million, RMB9.8 million and RMB5.3 million in research and development expenses in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. We intend to continue investing in research and development to deliver services and equipment with comprehensive and robust functionalities to our customers.

We strive to deploy and innovate for our customers rapidly and reliably, and have implemented various practices aimed at improving our services at a faster pace. The term of our development process for a major upgrade to our software may vary case by case, but it usually takes three to four months. For upgrades to our telecommunication equipment, the development process ranges from three months to two years. In terms of our customized antenna products, the development process generally takes five to seven months. Key steps in our product development process consist of:

- *Demand analysis*. Our sales and marketing team takes the lead on conducting market analysis to collect demand feedbacks from our customers.

- *Project design*. Our product team defines the key functional and performance requirements tailored to address customer demands.

- *Project development, testing and launch*. Our research and development team completes coding, testing and product launch in-house.

- *Continuous optimization*. We make continuous efforts to release updated versions with improved features and functionalities.

In addition to our in-house research and development team, we also engage external experts to provide technical support for our research and development team. To leverage its abundant research talent resource and strong research equipment, we entered into a cooperation agreement with Nanjing Research Institute of Millimeter Wave and Terahertz Technology, or RIMMATT, in 2020 for the research and development of Sub-6 pico base station AAU/RRU of 5G technologies. Major terms of our cooperation agreement with RIMMATT include:

Research area	The main research area is the Sub-6 pico base station AAU/RRU of 5G technologies
Approaches to cooperation	The details of research content and commercialization plan should be proposed and determined by us, and RIMMATT should provide relevant research and technical support of feasibility and evaluation methodology.
Payment	We should pay annual research and development fee of RMB1.5 million to RIMMATT.
Intellectual property	Any intellectual properties obtained by either party before the execution of this agreement should be owned by that party. However, either party agrees to authorize other party to use this intellectual property for R&D purpose during the terms of this agreement. Both parties agree that any intellectual properties obtained through this cooperation should be owned by us. If we authorize third party to use the intellectual property obtained through this cooperation, we should pay 50% of licensing fees to RIMMATT.

We have established stable cooperation relationship with RIMMATT. However, we cannot assure you that we are able to maintain or renew such cooperation in the future. If RIMMATT terminates or refuses to renew such cooperation with us, our research and development progress of Sub-6 pico base station AAU/RRU of 5G technologies may delay or be disrupted, which may also adversely affect our upgrade of 5G technologies. If we cannot upgrade 5G technologies in a timely and efficient manner, the competitiveness of our products and services may be adversely affected, which may in turn adversely affected our business, financial results and prospect. See "Risk Factors — Risks Relating to Our Business and Industry — We have been investing on our research and development, and such investment may negatively impact our profitability in the short term and may not generate the results we expect to achieve." To further diversify and enhance our R&D resources, we plan to (i) continuously invest in in-house R&D capabilities by recruiting more R&D professionals and upgrading R&D infrastructure, and (ii) actively seek cooperation with more reputable research institutions.

The following table sets forth the details of core technologies adopted by us for our data transmission and processing services for IoT applications and telecommunication equipment:

Technologies	Description	Application	R&D mode
Technology of terminal data protocol unification	This technology designs a software development kit of terminal data protocol for mainstream programming language, which facilitates the direct and quick integration of private data protocols without any adjustment, enhances the development efficiency and unifies the data protocols.	Universal IoT Platform	Self-development
Device shadow technology	This technology adopts shadow mechanism for each of the devices, where the states of the devices and its shadow stay synchronized. As the device continues synchronizing its states with its shadow, when it is difficult to obtain the states of the device directly, the application program can obtain the state of the shadow instead.	Universal IoT Platform	Self-development
Rule engine of data flow	This technology sieves, reformulates and transmits the data received from terminals based on the requirement of application programs in upper application layer, which decouples the data logic from upper-layer applications.	Universal IoT Platform	Self-development
Data aggregation and integration technology	This technology can merge and transform various data generated by multiple data sources and write or cache them to internal data sources.	Universal IoT Platform	Self-development

Technologies	Description	Application	R&D mode
Data purification and processing technology	According to the requirements of the application layer, this technology designs targeted algorithms to clean and mine the data, and then preprocess the data through random sampling, weighted sampling, stratification sampling and other methods to realize the data capitalization.	Universal IoT Platform	Self-development
Data servitization technology	This technology provides the unified data services content, data sharing channel, data exchange standard and data monitoring and security.	Universal IoT Platform	Self-development
5G MIMO	This technology is designed to improve the efficiency of spectrum utilization through software algorithm, which realizes the reuse of resources between different data and users by using the multiple transceiver antennas of the base station and terminals and the unrelated transmission channels between different antenna pairs.	5G telecommunication equipment	Self-development
Crest factor reduction ("**CFR**") and Digital pre-distortion ("**DPD**") algorithms	CFR and DPD algorithms are two core technologies of pRRU, which are collectively used to reduce power consumption and improve the wireless performance of base stations.	5G telecommunication equipment	Self-development

Going forward, we will continue to focus on research, development and innovation of our services and products. The following table sets forth the details of on-going research and development projects as of the Latest Practicable Date:

Project	Commencement date[1]	Research area	Capital source	Expected capital expenditure	Estimated completion date[2]
				RMB'000	
Fully localized chip 5G pico base station solution	December 2021	Technologies of 5G telecommunication equipment	Internal resources	1,400.0	The end of November 2022
Q-link high-speed wireless gateway	November 2021	Technologies of radio frequency	Internal resources	2,000.0	The mid-December 2022
Control and data protocols of eCPRI front-end interface	June 2022	Technologies of 5G telecommunication equipment	Internal resources	1,500.0	Early December 2022
Network configuration protocol of eCPRI front-end interface	June 2022	Technologies of 5G telecommunication equipment	Internal resources	1,500.0	The end of December 2022
5G printed antenna	July 2022	Technologies of antenna	Internal resources	400.0	The end of December 2022

Notes:

(1) Commencement date refers to the date when our R&D department approves the project proposal; and

(2) Estimated completion date is concluded by the estimated project progress based on our past experiences and complexity and difficulty of relevant R&D projects.

SALES AND MARKETING

Overview

During the Track Record Period, we sold our data transmission and processing services for IoT applications, 5G telecommunication equipment and other services through direct sales conducted by our business development team in the PRC, while we exported substantially all of our antennas to the United States and Russia for our overseas customer directly or via overseas distributor. During the Track Record Period, we were awarded projects and transactions primarily through direct business negotiation. To a lesser extent, we acquired projects and transactions via participating in bidding procedures. Our business development department is responsible for collecting tendering information and conducting feasibility analysis of any potential projects or transactions. We generally set up a project team, which consists of sales and technical personnel, for a tendering project. The project team will prepare the tender documents. The project particulars and specifications stated in the tender announcement are reviewed and analyzed by our business development department, and, in the meanwhile, a budget analysis is conducted by our financial department. Such analysis takes into consideration factors including the technical and commercial conditions and requirements, the work scope of the project, costs and risks involved. During the Track Record Period and up to the Latest Practicable Date, the total number of tenders we submitted was 25, and the total number of contracts awarded was 15, representing a tender success rate of 60.0%.

As of the Latest Practicable Date, our business development team consisted of eight employees and is led by our vice president of sales, Mr. Jia Kexin. Our business development team is responsible for maintaining customers' relationships and keeping abreast of market development and potential business opportunities. To encourage and incentivize our business development team, we have designed a compensation structure that includes a fixed component as well as a performance-based component. We evaluate our business development team member's performance every quarter and pay out performance-based compensation accordingly. As of the Latest Practicable Date, we had one overseas distributor who helped us to distribute our antennas to Russian market.

We dedicate to creating value for customers as we ultimately share their success. We believe that our services and products speak for themselves, and our reputation in the industry, our past project referrals and our technical expertise underpin our ability to explore future opportunities. Our marketing strategy is focused on enhancing our brand recognition through promoting our data transmission and processing services with lighthouse customers. Furthermore, we enhance the awareness of our brand and promote our new and existing services through both offline and online channels. We participate in various offline events, such as industry conferences, product launches and industry salons to showcase our technological advancements and develop relationships with industry participants. Our Directors believe that our existing sales and marketing efforts, business development team and overseas distributor arrangement are sufficient to maintain relationships with existing customers. In order to further strengthen our sales and marketing capabilities, we plan to recruit additional 15 business development staff by the end of 2024. For details of our recruitment plan, see "Future Plans and [**REDACTED**] — [**REDACTED**]."

Our Distribution Channels

During the Track Record Period, we marketed our data transmission and processing services for IoT applications, most of our telecommunication equipment, and other services through direct sales to our customers in the PRC and the United States, while we exported vehicle mounted antennas to Russia through an overseas distributor headquartered in Russia, who distributed our antennas to automobile manufacturers. To the best knowledge of our Directors, our Russian distributor was an Independent Third Party and was not controlled by our current or former employees. Revenue generated from our Russian distributor amounted to RMB13.2 million, RMB13.2 million, RMB24.3 million and RMB2.5 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, accounting for 16.3%, 10.3%, 12.8% and 3.0% of our total revenue, respectively, for the same periods.

We operate a single-layer distribution system, where our Russian distributor sells our antennas directly to end customers through its sales network. We believe that the distribution model enables us to leverage the distributor's customer bases, as well as its expertise in the local market, and to control our costs. Our Directors are of the view that our distribution model is in line with the industry norms of vehicle mounted antennas market in Russia.

Our cooperation with our Russian distributor dated back to 2014, and we entered a long-term strategic cooperation framework agreement with our Russian distributor in 2017. We believe that based on their better understanding of the characteristics and functions of our products as well as confidence in our product quality accumulated through the long-term and in-depth cooperation with us, our Russian distributor is willing to devote its time and resources to promoting our products and capable to market and sell our products efficiently. Meanwhile, we also engage our Russian distributor in providing after-sale services to customers, who will explain customers' needs and feedbacks to us. During the Track Record Period and up to the Latest Practicable Date, our overseas distributor remained unchanged, and we had not experienced any material breach of contract on the part of our overseas distributor. As advised by our Russian Legal Advisors, as a non-importer of record, we will not be liable for customs and/or trade tariffs on importation of our products into Russia, and our business operations with respect to our sales made to our overseas distributor are in compliance with all relevant import laws and regulations in Russia.

According to our buy-out policy, we maintain a buyer-seller relationship with our Russian distributor, where it will bear all losses and liabilities arising from any channel stuffing. We believe that this will incentivize our distributor to place orders based on actual demand, and to operate more efficiently. We recognize revenue from sales to our Russian distributor when control of goods is transferred to it. We do not allow our Russian distributor to return any unsold goods unless they are quality defects, which we believe is in line with the industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any goods returns claimed by our Russian distributor.

Agreement with Russian Distributor

We entered into a framework distribution agreement with our Russian distributor on January 10, 2017, pursuant to which our Russian distributor places purchase orders for each transaction. Major terms of our framework distribution agreement include:

- *Term and contract extension*. Under the extension clause agreed between parties in supplementary agreement, the framework agreement is valid until December 31, 2022. Upon the agreement of the parties, the terms of validity of the agreement may be extended.

- *Exclusivity.* We shall not sell the products developed at the distributor's cost to any third party. If any third party wishes to purchase the customized products, we shall give the distributor exact information about this potential customer.

- *Unauthorized product*. The distributor has the right to be free of any obligations under the agreement, including payments, when detecting unauthorized products produced without confirmation of the distributor.

- *Tooling and sample approval*. Where the production of customized products requires new production tooling, the distributor shall compensate us the charges for the tooling. We shall manufacture the tooling and samples and deliver five to 15 pieces of samples to the distributors for approval. The distributors shall inspect and test the samples with reference to corresponding technical requirements, and report the results of inspection to us within 14 days after receiving the samples.

- *Purchase forecast*. The distributor shall provide us each month a delivery schedule for three upcoming months, where the quantities for the first month are considered to be a firm order and the quantities for second and third following months are updated forecast intended for material purchase planning. We shall guarantee to reserve production capacity in order to fulfill 1.5 times of the volumes forecasted by the distributor.

- *Order and delivery*. The products ordered shall be delivered within 30 days after placing a firm purchase order in writing by the distributor with us.

- *Payment and credit term*. The distributor shall make a payment in the amount of 100% order value to us not later than 60 days after delivering products ordered.

- *Reporting of complaints*. During the warranty period, if some products turn out to be defective, the distributor shall immediately inform us hereof in writing, and we are entitled to send our authorized representative in order to draw up a bilateral failure report. If the product defect is caused by our fault, we will undertake to provide the distributor with an 8D report, which includes the details of complaint raised and the rectifications of this issue, and a schedule of corrective actions

implemented within one week when receiving the distributor's report. In this case, we will reimburse the distributor with 100% invoice cost of defective products plus the transportation cost of the defective products.

- *Warranty period*. The warranty period ends 24 months after the manufacturing date.

- *Product return and exchange*. The defective products shall be replaced by us from the security stock. The products taken from the security stock must be replaced as sell before the next shipment. The defective products must be reworked or disposed of by us upon the agreement with the distributor.

- *Termination*. We and the distributor should agree on the fixed delivery volume of products based on the latest distributor's forecast three months before the termination or the expected changes in the products design. In addition, the distributor is entitled to terminate the agreement under certain circumstances. For example, if we miss the required deliveries by more than 10% in quantity or the required shipping dates by more than 10 days within three months in a row, or if quality level remains over the level indicated in the agreement within a six months period, the distributor shall be entitled to cancel any pending purchase order and to terminate any agreed purchase order not yet completed and the agreement without incurring any charges or liability.

Save as the major terms disclosed above, we do not require our Russian distributor for a minimum purchase amount or a minimum sales target, authorize it for appointment of sub-distributors, or mandate selling price to end-customers.

Our Pricing Policies

We generally price our data transmission and processing services for IoT applications and other services on a "cost-plus" basis, under which we estimate costs to be incurred in the project plus a reasonable margin. We generally determine the mark-up margin by taking into account of the scale, complexity and specification of the project (for example, whether it includes 5G technologies, new design and production), expected manpower required, project duration, component costs, fair market value of the similar-sized project, as well as our customers' acceptable range of price based on our past projects.

The pricing of our telecommunication equipment is also on a cost-plus basis. Since our antennas are made-to-order, the pricing is subject to various factors, such as raw material prices, R&D expenses and labor costs. The selling prices of our telecommunication equipment are jointly determined by our senior management and sales department by taking into account the estimated cost of each order. We formulate and adjust the prices of our products based on product specifications, cost of raw materials, labor costs, competitive environment, demand and supply changes and improvement in technical innovations. Our pricing is reviewed by the department manager and the general manager. During the Track Record Period and up to the Latest Practicable Date, we had not significantly adjusted our product prices of comparable orders.

DATA PRIVACY AND SECURITY

We do not own data of our customers. Instead, as a software product in nature, we transfer the title of Universal IoT Platform to our customer upon delivery. After deployment, our Universal IoT Platform filters and reformulates data collected from sensors, and then transfers and saves the processed data to our customers' own servers or cloud servers designated by our customers. As such, we generally do not access, collect or own any data of our customer during and after providing relevant data transmission and processing services to them. In addition, we provide enterprise-level data transmission and processing services to organizations and do not serve individuals. The telecommunication equipment sold by us, like other telecommunication equipment in general, adopts encrypted communication method, which is a kind of end-to-end encryption. Such encrypted communication method transforms the data into an encrypted format, which only the intended recipient can decrypt it, preventing third parties from accessing data. Therefore, we, as a third party, cannot access the encrypted data transmitted between the sender and recipient. Furthermore, we transfer the title of our telecommunication equipment to our customers upon delivery, and our customers conduct all settings of the telecommunication equipment in their designated area after delivery. After deployment, the processing and transmission of the data via telecommunication equipment will operate within the network system where such equipment has been installed. For example, after delivery, the vehicle mounted antennas are under the control of our Russian distributor or its end customers instead of us. All installations or settings are conducted by the Russian distributor or its end customers without any involvement of us. The data transmitted via the vehicle mounted antennas are encrypted. Under such circumstances, we do not have the access to or decrypt any data received or transmitted via the vehicle mounted antennas we sold.

We believe that data privacy and security issues are expected to gain extensive attention and focus from regulators. We implement an internal authentication and authorization system to ensure that our confidential and important data can only be accessed for authorized use and by authorized personnel. We have clear and strict authorization and authentication procedures and policies in place. Our employees only have access to data which is relevant and necessary for their responsibilities and for limited purposes and are required to verify authorization upon access attempt. In particular, we have implemented certain internal procedures for protecting customer information or data that may receive or collect in the course of providing services or products. We will strictly abide by the confidentiality clause agreed in the purchase agreement entered into with our customers and keep all information or data received or collected in the project confidential. When transmitting data to us is necessary upon the request of the maintenance or value-added services, our customers are required to encrypt their data before transmitting it to us, and we strictly limit the personnel who can access such data. After the maintenance or value-added service procedure, the data would be completely destroyed by us.

During the Track Record Period and up to the Latest Practicable Date, we had not received any claim from any third party against us on the ground of infringement of such party's right to data and privacy protection as provided by any applicable laws and regulations in the PRC or other jurisdictions.

CUSTOMERS

Our Customers

Our main customers include (i) state-owned or private project owners, (ii) main contractors for data transmission and processing services for IoT applications, who sub-contract a pre-defined section of the project to us, and (iii) overseas end customer and distributor. We had a total of 25, 24, 23 and 11 customers in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue generated from our five largest customers in each year/period during the Track Record Period were RMB56.9 million, RMB104.5 million, RMB123.4 million and RMB75.9 million, respectively, accounting for 70.2%, 81.9%, 65.1% and 91.5% of our total revenue, respectively. The fluctuation of revenue generated from our five largest customers during the Track Record Period was in line with our business development and the increase in revenue during the same period. The concentration of our five largest customers was primarily affected by the number of large-sized projects or transactions we were awarded during the particular period. During the Track Record Period, we granted credit terms ranging from three to 300 days for most of our customers, depending on the specific payment terms in each contract. Our customers generally settle the payment with us via bank transfer.

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

For the Five Months Ended May 31, 2022

Customer	Major products sold/services provided	Revenue	% of our total revenue	Background	Year of commencement of business relationship
		(RMB'000)			
Customer H[(1)]	5G telecommunication equipment	44,235	53.3%	A limited liability company located in Shenzhen, who primarily engages in research, design, sales of intelligent imaging equipment, intelligent monitoring equipment and other telecommunication equipment and providing technical research and development, technical service and data processing services of cloud storage of big data in the IoT	2022
Customer A	Provision of data transmission and processing services for IoT applications	13,652	16.5%	A limited liability company located in Nanjing, who primarily engages in design, production, installation and testing of network devices and data security products	2021

Customer	Major products sold/services provided	Revenue	% of our total revenue	Background	Year of commencement of business relationship
		(RMB'000)			
Customer C	Provision of data transmission and processing services for IoT applications and others	10,765	13.0%	A wholly foreign-owned enterprise located in Shanghai and a listed company on the Stock Exchange, who primarily engages in technical development, transfer of technology and technical services of financial industry	2019
U.S. customer	IoT antennas	4,093	4.9%	A corporation located in the United States, who primarily engages in telecommunication construction projects	2017
Customer D	Provision of data transmission and processing services for IoT applications	3,133	3.8%	A state-owned company located in Beijing, who primarily engages in military electronic equipment and systems integration	2020
Total		**75,878**	**91.5%**		

Note:

(1) Customer H found relevant information about us through industry search and proactively contacted us to learn about the relevant products. After business negotiations, Customer H entered into a framework agreement for purchasing 5G telecommunication equipment with us. As indicated by Customer H, we are not the only supplier for supplying 5G telecommunication equipment to it. To the best knowledge of our Directors, during the Track Record Period, there was no past or present relationship, including employment, financing, family or otherwise, between Customer H and our Group or our subsidiaries, their controlling shareholders, directors or senior management, or any of their respective associate.

For the Year Ended December 31, 2021

Customer	Major products sold/services provided	Revenue	% of our total revenue	Background	Year of commencement of business relationship
		(RMB'000)			
Customer A	Provision of data transmission and processing services for IoT applications and others	42,047	22.2%	A limited liability company located in Nanjing, who primarily engages in design, production, installation and testing of network devices and data security products	2021
Russian distributor	Vehicle mounted antennas	24,312	12.8%	A limited liability company located in Russia, who primarily engages in telecommunication equipment sales	2017
Customer B	Provision of data transmission and processing services for IoT applications	22,024	11.6%	A company limited by shares located in Xi'an, who primarily engages in manufacturing of mechanical and electrical equipment	2021
Customer C	Provision of data transmission and processing services for IoT applications and others	19,493	10.3%	A wholly foreign-owned enterprise located in Shanghai and a listed company on the Stock Exchange, who primarily engages in technical development, transfer of technology and technical services of financial industry	2019
U.S. customer	IoT antennas	15,515	8.2%	A corporation located in the United States, who primarily engages in telecommunication construction projects	2017
Total		**123,391**	**65.1%**		

For the Year Ended December 31, 2020

Customer	Major products sold/services provided	Revenue	% of our total revenue	Background	Year of commencement of business relationship
		(RMB'000)			
Customer D	Provision of data transmission and processing services for IoT applications and 5G telecommunication equipment	40,543	31.8%	A state-owned company located in Beijing, who primarily engages in military electronic equipment and systems integration	2020
Customer E	Provision of data transmission and processing services for IoT applications	32,301	25.3%	A research institution located in Beijing, who primarily engages in development and production of precision guidance equipment	2020
Russian distributor	Vehicle mounted antennas	13,178	10.3%	A limited liability company located in Russia, who primarily engages in telecommunication equipment sales	2017
U.S. customer	IoT antennas	10,429	8.2%	A corporate located in the United States, who primarily engages in telecommunication construction projects	2017
Customer C	Provision of data transmission and processing services for IoT applications and others	8,017	6.3%	A wholly foreign-owned enterprise located in Shanghai and a listed company on the Stock Exchange, who primarily engages in technical development, transfer of technology and technical services of financial industry	2019
Total		**104,468**	**81.9%**		

For the Year Ended December 31, 2019

Customer	Major products sold/services provided	Revenue	% of our total revenue	Background	Year of commencement of business relationship
		(RMB'000)			
Customer C	Provision of data transmission and processing services for IoT applications	16,935	20.9%	A wholly foreign-owned enterprise located in Shanghai and a listed company on the Stock Exchange, who primarily engages in technical development, transfer of technology and technical services of financial industry	2019
Customer F	Provision of data transmission and processing services for IoT applications	13,596	16.8%	A listed company on Shanghai Stock Exchange, who primarily engages in radio and television network construction, development and operation management	2017
Russian distributor	Vehicle mounted antennas	13,220	16.3%	A limited liability company located in Russia, who primarily engages in telecommunication equipment sales	2017
U.S. customer	IoT antennas	7,225	8.9%	A corporate located in the United States, who primarily engages in telecommunication construction projects	2017
Customer G	4G telecommunication services	5,919	7.3%	A listed company on National Equities Exchange and Quotations in the PRC, who primarily engages in technical development, transfer of technology and technical services	2018
Total		**56,895**	**70.2%**		

To the best of our knowledge, all of our five largest customers in each of 2019, 2020, 2021, and the five months ended May 31, 2022 were Independent Third Parties. As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders, who or which to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest customers.

Major Contract Terms with Our Customers

During the Track Record Period, we entered into contractual agreements with our customers with specifying terms and conditions for the transactions. Some of our customers also directly placed purchase orders with us for purchasing certain telecommunication equipment, primarily agreed on the price, quantity, product type and delivery date. In addition, we entered into framework agreements with our U.S. customer and Russian distributor for setting out the general terms and conditions for antenna exportation, according to which they will place purchase orders with us for each purchase primarily specifying the price, quantity, product type and delivery date. For details about the framework agreements entered between our customers and us, see "— Sales of Telecommunication Equipment — Our Product Portfolio — Antennas — Our IoT Antenna Products" and "— Sales and Marketing — Our Distribution Channels — Agreement with Russian Distributor." The following table summarizes the major terms of contracts entered between our customers and us:

Delivery terms	Parties generally specify the delivery period, delivery method and delivery place in the contract. The delivery period is generally a period of time after signing the contract agreed by parties on a case-by-case basis. The title and risk of loss will be transferred to our customers upon delivery.
Payment terms	In terms of data transmission and processing services for IoT applications, payment should be made by installment according to stage of progress agreed by parties. In terms of sales of telecommunication equipment, payment should be made upon acceptance of goods by our customers.
Credit terms	We offer our customers with certain credit terms primarily ranged from three to 300 days.

Post-sales obligations and warranties	We generally provide our customers with a warranty period starting from the date of acceptance, which varies from one year up to five years based on the product type they purchased.
Termination	Generally, the contract would be terminated upon mutual agreement by parties or completion of the performance of the rights and obligations agreed by parties.

Customer Concentration

Our revenue generated from our top five customers amounted to RMB56.9 million, RMB104.5 million, RMB123.4 million and RMB75.9 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, accounting for 70.2%, 81.9%, 65.1% and 91.5% of our total revenue for the same period, respectively. Our revenue generated from our largest customers amounted to RMB16.9 million, RMB40.5 million, RMB42.0 million and RMB44.2 million for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, accounting for 20.9%, 31.8%, 22.2% and 53.3% of our total revenue for the same period, respectively.

In general, our Directors are of the view that customer concentration is a common occurrence within the markets we operate. According to Frost & Sullivan, where IoT solution projects are of a large-scale and size, in particular, private 5G network projects, it is not uncommon for such projects to contribute a significant portion of revenue to a provider's revenue. As such, providers focus on and allocate the majority of their resources, capacity and available manpower to such projects of a considerable contract value in order to devote their efforts into building and developing key customer relationships. Our Directors believe that, as the business relationship between the parties matures, the mutual benefits in the relationship become further pronounced, we are able to better anticipate the needs of our repeat customers, and they are, in turn, more able to gauge the performance to be expected from us. As such, it is not uncommon for our major customers to contribute a lion's share of our revenue during the Track Record Period.

Our Directors believe that our businesses are sustainable after taking into account the followings:

- The ranking and composition of our top five customers during the Track Record Period were different. Our Directors are of the view that we did not place any undue reliance on any particular one of them during the Track Record Period for revenue generation;

- We have strived to broaden and diversify our customer base from time to time for our business expansion. This is generally achieved through our active participation in submitting tenders and quotations and cooperating with other contractors or providers. During the Track Record Period and up to the Latest Practicable Date, we had been engaged by 63 new customers. With our continued efforts, as well as our proven track record and established reputation in the PRC IoT market, our business has been healthily developing. The number of our customers during the Track Record Period generally remained stable, which was 25, 24, 23 and 11 in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. Our total revenue increased from RMB80.9 million in 2019 to RMB127.4 million in 2020, and further increased to RMB189.6 million in 2021. For the five months ended May 31, 2021 and 2022, our revenue increased from RMB53.1 million to RMB82.9 million, representing a period-to-period increase of 56.2%. All these demonstrate our ability in securing contracts from new customers, and not only from repeat customers;

- According to Frost & Sullivan, the PRC IoT market where we operate has experienced tremendous growth, with the total sales revenue increased from RMB912.0 billion in 2016 to RMB2,923.2 billion in 2021 at a CAGR of 26.2% from 2016 to 2021, and is expected to further increase to RMB5,466.0 billion in 2026 at a CAGR of 13.3% from 2021 to 2026. Given that we provide the scalable data transmission and processing services to our customers, which generally involve an integration of telecommunication equipment and IoT software, and we provided software development and maintenance services during the Track Record Period, our Directors believe that we have capability and are well positioned to capture market opportunities arising from demand for IoT-related services; and

- Through the implementation of the future plans and the use of the [**REDACTED**] to be raised from the [**REDACTED**], our Directors believe that with the additional instruments and the additional engineers, we will be better equipped to capture potential business opportunities in terms of the increased R&D and product/service delivery capabilities in the number of projects we can conduct in a given period, as well as the scale of projects in which we can participate. The enhanced resources would provide us with the capability to allocate and refocus the resources among different customers and projects, and diversifying customer base as mentioned above.

SUPPLIERS AND PROCUREMENT

Procurement

During the Track Record Period, we procured raw materials and components from suppliers in the PRC for the production of our telecommunication equipment based upon make-to-order production and for provision of certain data transmission and processing services for IoT applications. We independently research and develop our telecommunication equipment and outsource the manufacture and assembly of our antenna products and other telecommunication equipment to OEM manufacturers providing the key tailored components that we procure from third party suppliers separately. For certain IoT antenna products with simple design and certain key production process that may affect the performance of our IoT antenna products, we procure components and assemble the components in our own assembly and testing center in Shenzhen. In addition, we also procure sensors for our data transmission and processing services for IoT applications upon request by our customers.

The main raw materials and components of our products include chips, GPS, integrated circuit, coaxial cable, plastic and metal products, electronic parts and components. Although most raw materials and components essential to our products are generally available from multiple sources, a few components are currently sourced from a limited number of high-quality suppliers in the industry. Therefore, many raw materials and components used by us, including those that are available from multiple sources, may at times be subject to industry-wide shortage and significant pricing fluctuations. In particular, one of our key components, chip, has been experiencing a global shortage since 2020 primarily due to China-U.S. trade war, the outbreak of COVID-19 and Taiwan drought. As a result, the price of chip has been increasing significantly since 2020. As we generally outsource our production and certain raw material procurement, such as chips, to our OEM manufacturers, our raw material procurement is not directly affected by Sino-U.S. policy. Nevertheless, the increase in the price of chips and the global shortage of chips can adversely affect the cost and delivery time of the OEM manufacturers, and as a result, our costs of sales and product delivery time would be indirectly affected as well. However, the increase in the price of chips did not have any material adverse impacts on our purchase of raw materials in relation to our OEM manufacturers during the Track Record Period. If the crisis of chips shortage persists or the price of chips continues to increase, we may have to raise the price of our new products accordingly. See "Risk Factors — Risks Relating to Our Business and Industry — Future operating results depend upon our ability to obtain raw materials, components and products in sufficient quantities on commercially reasonable terms." To address the crisis of the ongoing chips shortage, our R&D teams actively seek the alternatives, conduct the sample test and then arrange production. For raw materials and components other than chips, we seek to avoid shortages of them by (i) timely and actively providing the demand forecasts to our suppliers; and (ii) enquiring several suppliers for each of raw materials and components. We believe we have good relationship with our suppliers. We had not experienced any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers or delay in delivery of our orders from our suppliers.

We typically place separate purchase order and negotiate the price and volume with our raw material and component suppliers. The suppliers are responsible for the transportation of our purchases to locations designated by us. Save as certain exceptional purchases, where our suppliers did not grant any credit terms to us, we were generally granted credit terms of three to 60 days by most of our suppliers during the Track Record Period. We also enter into purchase agreement or purchase order with OEM manufacturers for customized production of our telecommunication equipment. For certain customized products, we are required to make advance payments. See "— Sales of Telecommunication Equipment — Operating Procedures."

Supplier Management and Top Suppliers

We carefully select our suppliers based on certain assessment criteria, such as overall track record, scale and expertise, cost, product quality and quality control effectiveness, reliability, price, delivery punctuality, historical relationship with us, financial condition, reputation and after-sales services. During the selection process, we generally carry regular on-site examination of our potential suppliers to ensure that they meet our selection criteria. The candidate of supplier will be eliminated when it is being considered as failing to meet over two of the following main conditions: (i) providing qualified samples; (ii) having quality control department; (iii) offering reasonable price; and (iv) having sufficient delivery capability. We carry out evaluation of the performance of our existing suppliers and identify better third-party suppliers from time to time to replace the suppliers who fail to perform to our satisfaction.

We have established long-term business relationships with our key suppliers for stable supply and timely delivery of high-quality raw materials, components and OEM hardware. Our quality control department checks the quality of raw materials upon their arrivals at our production facilities to ensure that they conform to our and our customers' quality standards.

Our suppliers primarily consist of (i) suppliers of hardware components; (ii) OEM manufacturers; and (iii) software developers. Purchases from our five largest suppliers in aggregate in each year/period during the Track Record Period accounted for 72.2%, 60.6%, 61.0% and 84.5% of our total purchases in the corresponding periods, respectively. Purchases from our largest supplier in each year/period during the Track Record Period accounted for 21.8%, 22.0%, 22.5% and 51.9% of our total purchases in the corresponding periods, respectively. The fluctuation of purchases from our five largest suppliers and the largest suppliers during the Track Record Period was in line with our business development and the increase in revenue during the same period. As we procure our suppliers for serving our specific projects or transactions, the concentration of our five largest suppliers was primarily affected by the number of large-sized projects or transactions awarded during the particular period. In particular, our phased procurement may be subject to certain specific projects or transactions, which cannot reflect our annual procurement. For example, the reason our five largest suppliers in the percentage of our total purchase increased from 61.0% in 2021 to 84.5% in the five months ended May 31, 2022 primarily attributable to our purchase from Supplier M, our largest supplier for the five months ended May 31, 2022, for the sales of 5G telecommunication equipment to Customer H, the largest customer for the same period.

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

For the Five Months Ended May 31, 2022

Supplier	Major products/ services procured	Purchase amount	% of our total purchases	Background	Year of commencement of business relationship
		(RMB'000)			
Supplier M[(1)]	Outsourced manufacturing of 5G telecommunication equipment	27,269	51.9%	A limited liability company located in Shenzhen with registered capital of RMB13.2 million, who primarily engages in network technology development, research and development and sales of mobile payment technology-related equipment, mobile internet technology-related equipment, and relevant products of smart transportation, smart city and smart community with approximately 10 years of experience Ultimate controlling shareholder(s): individual	2022
Supplier N	Outsourced manufacturing of 5G telecommunication equipment	5,306	10.1%	A limited liability company located in Shenzhen with registered capital of RMB20.0 million, who primarily engages in research and development and sales of intelligent parking lot management system, access control equipment, electronic components and integrated circuit with approximately seven years of experience Ultimate controlling shareholder(s): individual	2022
Supplier A	Outsourced development of platform software	4,981	9.5%	A limited liability company located in Nanjing with registered capital of RMB10.0 million, who primarily engages in IoT technology development and intelligent installation engineering design with approximately 10 years of experience Ultimate controlling shareholder(s): private enterprise	2021

Supplier	Major products/ services procured	Purchase amount	% of our total purchases	Background	Year of commencement of business relationship
		(RMB'000)			
Supplier O	Hardware components	4,783	9.1%	A limited liability company located in Nanjing with registered capital of RMB30.0 million, who primarily engages in sales of electronic products and provision of technical consultation services of computer software and hardware with approximately 17 years of experience Ultimate controlling shareholder(s): individual	2022
Supplier P	Hardware components	2,051	3.9%	A limited liability company located in Guangzhou with registered capital of RMB6.0 million, who primarily engages in research and development and technical services of telecommunication technology with approximately 18 years of experience Ultimate controlling shareholder(s): individual	2018
Total		**44,390**	**84.5%**		

Note:

(1) We procured Supplier M to serve the sales of 5G telecommunication equipment of our largest customer for the five months ended May 31, 2022, Customer H, by considering that (i) Supplier M meets our general criteria for selecting suppliers; (ii) Supplier M can guarantee a relatively short delivery period for products we ordered, given that (a) it has sufficient production capacity and adequate key component reserves and (b) it is located in Shenzhen, where is near Customer H's site; (iii) Supplier M is a sizable OEM manufacturer of 5G telecommunication equipment in terms of its registered capital and annual sales amount; and (iv) using Supplier M can further expand our supplier base. Transactions for which we use Supplier M as our OEM manufacturer were completed in April 2022 and May 2022, respectively, with an aggregated contract value of RMB50.0 million.

For the Year Ended December 31, 2021

Supplier	Major products/ services procured	Purchase amount	% of our total purchases	Background	Year of commencement of business relationship
		(RMB'000)			
Supplier A	Outsourced development of platform software	24,132	22.5%	A limited liability company located in Nanjing with registered capital of RMB10.0 million, who primarily engages in IoT technology development and intelligent installation engineering design with approximately 10 years of experience Ultimate controlling shareholder(s): private enterprise	2021
Supplier B	Outsourced manufacturing of 5G telecommunication equipment	13,958	13.0%	A company limited by shares located in Nanjing with registered capital of RMB34.0 million, who primarily engages in computer system integration and manufacturing of electronic devices with approximately 16 years of experience Ultimate controlling shareholder(s): individual	2020
Supplier C	Software development	12,976	12.1%	A limited liability company located in Nanjing with registered capital of RMB5.6 million, who primarily engages in design and installation of network system project and software development with approximately 22 years of experience Ultimate controlling shareholder(s): state-owned enterprise	2021
Supplier D	Outsourced manufacturing of antennas products	7,465	7.0%	A limited liability company located in Huizhou with registered capital of RMB8.5 million, who primarily engages in development and sales of vehicle mounted antenna and sound equipment with approximately eight years of experience Ultimate controlling shareholder(s): individual	2016
Supplier E	Outsourced manufacturing of 5G telecommunication equipment	6,903	6.4%	A limited liability company located in Nanjing with registered capital of RMB10.0 million, who primarily engages in construction, installation, debugging and maintenance of communication system with approximately 26 years of experience Ultimate controlling shareholder(s): individual	2021
Total		**65,434**	**61.0%**		

For the Year Ended December 31, 2020

Supplier	Major products/ services procured	Purchase amount	% of our total purchases	Background	Year of commencement of business relationship
		(RMB'000)			
Supplier B	Hardware components	16,442	22.0%	A company limited by shares located in Nanjing with registered capital of RMB34.0 million, who primarily engages in computer system integration and manufacturing of electronic devices with approximately 16 years of experience Ultimate controlling shareholder(s): individual	2020
Supplier F	Telecommunication equipment	8,402	11.2%	A limited liability company located in Nanjing with registered capital of RMB30.0 million, who primarily engages in sales of computer, peripheral equipment and software with approximately 19 years of experience Ultimate controlling shareholder(s): individual	2020
Supplier G	Electronic components	7,945	10.6%	A limited liability company located in Wuhan with registered capital of RMB10.0 million, who primarily engages in technical development, wholesale and retail of computer software and hardware with approximately four years of experience Ultimate controlling shareholder(s): private enterprise	2020
Supplier D	Outsourced manufacturing of antenna products	6,670	8.9%	A limited liability company located in Huizhou with registered capital of RMB8.5 million, who primarily engages in development and sales of vehicle mounted antenna and sound equipment with approximately eight years of experience Ultimate controlling shareholder(s): individual	2016
Supplier H	Hardware components	5,896	7.9%	A company limited by shares located in Xuzhou with registered capital of RMB106.7 million, who primarily engages in technical development, application and services of IIoT with approximately eight years of experience Ultimate controlling shareholder(s): state-owned enterprise	2020
Total		**45,355**	**60.6%**		

For the Year Ended December 31, 2019

Supplier	Major products/ services procured	Purchase amount	% of our total purchases	Background	Year of commencement of business relationship
		(RMB'000)			
Supplier I	Labor outsourcing	8,631	21.8%	A limited liability company located in Shenzhen with registered capital of RMB20.0 million, who primarily engages in system application management and maintenance, information technology and labor dispatching with approximately 12 years of experience Ultimate controlling shareholder(s): individual	2018
Supplier D	Outsourced manufacturing of antenna products	7,810	19.7%	A limited liability company located in Huizhou with registered capital of RMB8.5 million, who primarily engages in development and sales of vehicle mounted antenna and sound equipment with approximately eight years of experience Ultimate controlling shareholder(s): individual	2016
Supplier J	Hardware equipment	6,862	17.3%	A limited liability company located in Guiyang with registered capital of RMB10.0 million, who primarily engages in technical development, transfer of technology and technical services of computer software and hardware with approximately 16 years of experience Ultimate controlling shareholder(s): individual	2019
Supplier K	Hardware components	2,709	6.8%	A listed company on Shenzhen Stock Exchange with registered capital of RMB239.4 million, who primarily engages in development and technical services of telecommunication terminals and IoT terminals with approximately 15 years of experience Ultimate controlling shareholder(s): individual	2019
Supplier L	Equipment cabinet	2,614	6.6%	A listed company on National Equities Exchange and Quotations in the PRC with registered capital of RMB149.4 million, who primarily engages in technical development, technical services and import and export of technology with approximately 17 years of experience Ultimate controlling shareholder(s): state-owned enterprise	2019
Total		**28,626**	**72.2%**		

As of the Latest Practicable Date, none of our Directors, their close associates or any of our Shareholders, who or which to the knowledge of our Directors, owned more than 5% of our issued share capital, had any interest in any of our five largest suppliers. To the best knowledge of our Directors, during the Track Record Period, there was no past or present relationship, including employment, financing, family or otherwise, between the five largest suppliers and our Group or our subsidiaries, their controlling shareholders, directors or senior management, or any of their respective associates.

COMPETITION

We face competition in the PRC IoT market and in particular, the PRC private 5G network market from other IoT service providers. We also face competition in IoT antenna and vehicle mounted antenna markets in the United States and Russia, respectively, from other antenna product providers. According to Frost & Sullivan, the PRC IoT market is competitive and fragmented. There are many market participants who join the competition in each layer of the PRC IoT market. The major participants in the IoT market include domestic and foreign companies, some of which are globally well-known large-scale and multinational enterprises. As an emerging market, the private 5G network market in the PRC is concentrated and dominated by a few market leaders according to Frost & Sullivan. In terms of our overseas markets, the market shares of OEMs in the PRC that manufacture IoT antennas for the U.S. market and vehicle mounted antennas for the Russian market, respectively, are fragmented in their respective markets.

On the one hand, as advised by Frost & Sullivan, certain industry giants have been starting to expand their small part of business by providing customized one-stop IoT solution services for small and medium-sized enterprises since mid-2022, while we were dedicated to providing differentiated and customized products and services for our target customers in small to medium-sized projects since our inception. Our Group believes we can respond effectively to the competition with industry giants in the future for small to medium-sized IoT solution projects by continuing dedicating ourselves to upgrading our technology, enhancing our brand recognition and diversifying our product portfolio within our own track. On the other hand, it is generally acknowledged that large-sized projects may require their general contractors to (i) invest a large amount of capital in advance, (ii) undergo a relatively longer project cycle, and (iii) arrange a larger quantity of manpower and other resource. Therefore, we are of the view that comparing with industry giants who have stronger capital reserves, more sufficient cash flows and more manpower, we do not have advantages to be a general contractor in large-sized IoT solution projects at the current stage. As such, we strategically choose to cooperate with the industry giants as a subcontractor in large-sized IoT solution projects rather than to compete with them head-to-head for the general contractor role.

The principal competitive factors in our industries include functionality, scope and performance of solutions, scalability and reliability of services, technology capabilities,

marketing and sales capabilities, customer experience, pricing, brand recognition and reputation. In addition, new and enhanced technology may further increase competition in our industries. We believe that we are well positioned to compete effectively on the basis of the foregoing factors.

Nevertheless, some of our existing competitors have greater name recognition, broader global footprint, longer operating histories, larger user bases as well as greater financial, technical and other resources. See "Risk Factors — Risks Related to Our Business and Industry — If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected." For more information on the competitive landscape of our industries, see "Industry Overview."

SEASONALITY

We have historically generated a higher proportion of our revenue in the second half. For the years ended December 31, 2019, 2020 and 2021, 78.3%, 89.9%, 62.0% of our total annual revenue were generated in the second half, respectively. This situation was mainly due to the fact that during the Track Record Period, most orders for our data transmission and processing services for IoT applications were confirmed in the second half of the year as to the best knowledge of our Directors, most of our customers formulate their annual procurement plan and select suppliers in the first half of the year and then confirm the order in the second half of the year. In addition, since the average delivery period for our data transmission and processing services for IoT applications are within four months, most such services were completed in the second half of the year, leading to more concentrated revenue recognition in the same period.

AWARD AND RECOGNITION

The following table sets forth recent major awards and recognitions received by us or our key personnel:

Year	Entity/Person Receiving Award/Recognition	Award/Recognition	Award Issuing Authority
2020-2021	Nanjing Howking	Nanjing Cultivated Unicorn Company	Nanjing Municipal Government
2020	Nanjing Howking	Potential Dark Horse	Nanjing Jiangning Development Zone Talents United Association

Year	Entity/Person Receiving Award/Recognition	Award/Recognition	Award Issuing Authority
2019	Nanjing Howking	High-tech Enterprise	Science and Technology Department of Jiangsu, Finance Department of Jiangsu and Jiangsu Provincial Tax Service, State Taxation Administration
2019	Nanjing Howking	Outstanding Member Enterprise	Nanjing Jiangning Development Zone Talents United Association
2019	Shenzhen Wulian	High-tech Enterprise	Shenzhen Technology Innovation Committee, Shenzhen Finance Bureau and Shenzhen Taxation Bureau
2018	Dr. Chen	Innovative Entrepreneur	Nanjing Talent Work Leading Group

INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business. We currently hold many intellectual properties related to our core services, and we devote significant time and resources to their development and protection. We rely on a combination of patent, trademark, copyright, domain name, trade secret and other proprietary rights protection laws in China and the jurisdictions where we distribute our products as well as confidentiality procedures and contractual provisions to protect our intellectual properties.

As of the Latest Practicable Date, we had 112 patents registered with the National Intellectual Property Administration of the PRC and 72 pending patent applications in the PRC. We also had one pending patent application overseas. As of the Latest Practicable Date, we had three trademarks registered in the PRC. See "Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property of our Group" in Appendix IV to this Document. As of the Latest Practicable Date, we had ten material issued patents in relation to our telecommunication equipment, among which five were for 5G telecommunication equipment, and nine patents in relation to our antennas. All of our software copyrights have been applied in our Universal IoT Platform. In addition, as of the Latest Practicable Date, we had ten and ten patent applications in relation to our telecommunication equipment and antennas, respectively.

We have implemented a set of comprehensive measures to protect our intellectual property, in addition to making trademark and patent registration applications. We employ designated staff to oversee and manage our intellectual properties. Our employees are generally required to enter into a standard employment contract that includes a clause acknowledging that all inventions, trade secrets, developments and other processes generated by them during their employment with us are our properties, and assigning to us any ownership rights that they may claim in those works. During the Track record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending legal proceedings of intellectual property rights with third parties. Even though we have paid attention on protecting our intellectual property, we may still face certain risks relating to our intellectual property. See "Risk Factors — Risks Relating to Our Business and Industry — Unauthorized use of our intellectual properties by third parties may harm our brands and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business."

EMPLOYEES

We had 81 employees as of May 31, 2022, all of whom are located in the PRC. The following table sets forth a breakdown of our employees by function as of May 31, 2022.

Function	Number of Employees	Percentage
		(%)
Research and development	47	58.0
Business development	10	12.3
Administration	16	19.8
Production	8	9.9
Total	**81**	**100.0**

As a technology-driven company, our innovation and research capabilities are fundamental to our success, and our R&D professionals are the key composition part of our human resource. We have established qualification requirements for our R&D professionals. For hardware development, we generally require the R&D candidates to have a bachelor's degree or above majored in telecommunication and electronic with at least one year working experience in relevant industry. For software development, we generally require the R&D candidates to have a college degree or above majored in computer science with at least two years working experience in relevant R&D team. As of May 31, 2022, about 59.6% R&D professionals had a bachelor's degree and about another 27.7% had a master's degree or above. As of the same date, about 34.0% of our R&D professionals had a working experience between five and ten years, and about another 55.3% had a working experience over ten years. Besides the requirements of education background and working experience, we also set working skill requirements for R&D candidates according to the specific skills involved in the job content of each position. For example, we require (i) software development professionals to master certain software development language and algorithm and be familiar with certain software development and testing environment, and (ii) hardware development professionals to master circuit testing, design skill of active circuit and passive circuit and otherwise. The following table sets forth a breakdown of our R&D professionals by functions as of the date indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
R&D manager	8	7	11	11
Software engineer	14	13	14	16
System engineer	1	1	5	5
Radio frequency engineer	2	3	3	3
Antenna engineer	6	4	5	5
Testing engineer	5	5	7	7
Total	**36**	**33**	**45**	**47**

The number of our R&D professionals increased by 36.4% from 33 in 2020 to 45 in 2021, primarily due to the increasing R&D demand of 5G technologies as a result of our business strategies to develop 5G technologies.

Our success depends on our ability to attract, retain and motivate qualified personnel, and we believe that our high-quality talent pool is one of our core strengths. We recruit employees mainly through campus recruitment, online recruitment, internal referral and hunting firms or agents, to satisfy our demands for different types of talents.

We provide trainings to our employees. In addition to the trainings provided to our employees, they can also improve their skills through our development of services and mutual learning among colleagues.

We offer competitive compensation for our employees. In addition, we regularly evaluate the performance of our employees and reward those who perform well with higher compensation or promotion.

We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with our executive officers and full-time employees. These contracts typically include a non-competition provision effective during and up to two years after their employment with us and a confidentiality provision effective during and after their employment with us.

None of our employees is currently represented by labor unions. We believe that we maintain a good working relationship with our employees. In addition, we had not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

As required by applicable PRC laws and regulations, we participate in various employee social security schemes organized by the municipal and provincial government, including pension, maternity insurance, unemployment insurance, work-related injury insurance, health insurance and housing provident fund. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

However, we failed to make contribution to the relevant social insurance fund and housing provident fund for certain employees based on such employees' actual wages in accordance with the relevant PRC laws and regulations, resulting in an underpaid amount of social insurance and housing provident fund contributions, in aggregate, of approximately RMB1.6 million, RMB0.4 million, RMB0.6 million and RMB0.3 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. We had made provisions of RMB1.6 million, RMB0.4 million, RMB0.6 million and RMB0.3 million for the underpaid social insurance and housing provident funds contributions in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

Pursuant to relevant PRC laws and regulations, (i) the competent authorities may order the employers, who fail to promptly contribute social insurance fund in full, to make or supplement contributions within a stipulated period with a late charge at the daily rate of 0.05% on the underpaid amounts, and may further impose a fine ranging from one to three times of the underpaid amounts, if such payment was not made within the stipulated period; and (ii) the competent authorities may order the employers, who fail to contribute or underpay the housing provident funds, to pay and deposit the underpaid amounts within the prescribed time limit. Where such payment and deposit has not been made within the time limit, the competent authorities may apply to a court for compulsory enforcement. Our PRC Legal Advisors are of the view that (i) unless new laws and regulations are promulgated to the contrary, there is low risk that the relevant authorities, which have provided confirmation letters and have been consulted with, would take initiative to collectively recover the historical underpaid social

insurance fund from us and impose any administrative penalty on us in respect of the under-contribution of social insurance incurred during the Track Record Period and up to the Latest Practicable Date; and (ii) we are unlikely to be subject to enforcement by courts in respect of our under-contribution of housing provident fund, given that, (a) according to the confirmation letters issued by the competent authorities, the Credit Report of Enterprises, and the consultations with Shenzhen Social Insurance Fund Administration (深圳社會保險基金管理局) and Nanjing Housing Provident Fund Management Center Jiangning Branch Center (南京市住房公積金管理中心江寧分中心), we had not been imposed any administrative penalties in respect of social insurance and housing provident fund contributions during the Track Record Period and up to the respective dates of these letters; and (b) our Directors confirm that when ordered by the relevant authorities, we will fully pay the underpaid amounts and late charges (where applicable) within the prescribed time period. As of the Latest Practicable Date, we had not received any notification from the relevant authorities alleging that we had not fully made social insurance and/or housing provident fund contributions, nor had we received any request for payment of any outstanding amounts by the relevant authorities.

In addition, we engaged an employment agent to dispatch workers to our assembly and testing center during the Track Record Period. Pursuant to relevant agreement, we shall pay to the agent (i) the salaries of the dispatched workers as agreed upon parties and (ii) the agent fees of RMB150.0 for each dispatched worker, while the agent shall bear other costs and employee benefits of the dispatched workers, including the social insurance and housing funds. As our employees who were in charge of recruiting dispatched workers did not fully understand the relevant laws and regulations, the number of dispatched workers engaged by us through labor dispatch arrangement once exceeded 10% of the total number of our employees during the Track Record Period, which violated the *Interim Provisions on Labor Dispatch* (《劳務派遣暫行規定》) ("**Labor Dispatch Provisions**"). The monthly average number of dispatched workers was 10, seven, 16 and seven in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. According to the *Labor Contract Law*, an employer who violates the *Labor Dispatch Provisions* shall be ordered by the competent labor authorities to rectify such violation within a specified time period. If the employer fails to do so within such specified time period, the competent labor authorities may impose a fine between RMB5,000 to RMB10,000 on each dispatched worker engaged in violation of the *Labor Dispatch Provisions*. We had not been ordered by the competent labor authorities to rectify our labor dispatch arrangement during the Track Record Period and up to the Latest Practicable Date. Nevertheless, in October, 2021, we had rectified such non-compliance of labor dispatch by reducing the number of dispatched workers to less than 10% of our total number of employees. As such, we believe that we are not subject to fine in relation to our historical labor dispatch arrangement. According to the confirmation letter and the enterprise credit report issued by the competent authorities, there were no administrative penalty had ever been imposed on us nor record of violation in respect of labor utilization during the Track Record Period. Our PRC Legal Advisors are of the view that the risk of us being fined by the relevant authorities for the violation of the Labor Dispatch Provisions is low.

We have reviewed and implemented enhanced internal control measures to prevent future potential non-compliances. We have prepared and distributed internally a compliance policy with respect to labor dispatch and have assigned procurement department to monitor the status of labor dispatch matters in order to ensure that we are in compliance with the applicable laws and regulations or in a manner as required by the relevant government authorities. We also intend to engage an external law firm to provide compliance trainings to the responsible staff on the updates of the relevant laws and regulations on an on-going basis. Our Directors believe that our enhanced internal control measures are sufficient and effective for our current operations.

Based on the foregoing, our Directors are of the view that the above two employment related non-compliance incidents had not and would not have any material adverse impact on our financial position or business operations.

INSURANCE

We have in place all the mandatory insurance policies required by PRC laws and regulations and in accordance with the commercial practices in our industry. Our employee-related insurance consists of pension insurance, maternity insurance, unemployment insurance, work-related injury insurance and medical insurance, as required by PRC laws and regulations.

We do not maintain any business interruption insurance or product liability insurance, key man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties, which are not mandatory under PRC laws and regulations. Our Directors consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. However, our current insurance coverage might not be adequate for our future development and subject us to potential risks. See "Risk Factors — Risks Relating to Our Business and Industry — Our limited insurance coverage could expose us to significant costs and business disruption." During the Track Record Period and up to the Latest Practicable Date, we had not made any material insurance claim in relation to our business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS ("ESG")

We are committed to environmental protection and promoting corporate social responsibility and best corporate governance practices for the sustainable development and take up responsibilities as a corporate citizen.We have established ESG policies in accordance with the standards of Appendix 27 to the Listing Rules, which outlined, among others, (i) appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG strategy formation procedures; (iv) ESG risk management and monitoring; and (v) the identification of key performance indicators (the "**KPI**"), the relevant measurements and mitigating measures.

Our Directors have overall responsibility regarding environmental, social and climate-related risks, ensuring that our relevant policies are duly implemented and have

continuous updates for full compliance with the latest laws, regulations and standards. Our Directors also support our commitment to fulfill our environmental and social responsibility, for which they are responsible for identification, assessment and management of our ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. We have established an ESG working group that comprises three members, including our general manager, financial manager and administrative manager. The ESG working group serves as a supportive role to our Directors in implementing the agreed ESG policies, targets and strategies, including among others (i) conducting materiality assessments of environmental-related, climate-related, social-related risks and assess how our Group adapts its business in light of climate change, (ii) collecting ESG data from different parties while preparing for the ESG report, and (iii) continuous monitoring of the implementation of measures to address our Group's ESG-related risks. Furthermore, we will keep ourselves abreast of the Stock Exchange's ESG requirements, and our Directors will oversee the compilation of our ESG report after the [**REDACTED**] and shall review its content and quality before publication. We will seek advice from external professionals on enhancing our ESG compliance level where necessary.

Governance Regarding Environmental-related Risks

We have implemented various measures to ensure our compliance with the applicable environmental protection laws and regulations and that our environmental management system has been certified to be in compliance with ISO14001 certification. During the Track Record Period, we incurred certain expenses for environmental protection in relation to compliance with applicable environmental requirements. We estimate that our annual cost of compliance with applicable PRC laws and regulations on environmental protection going forward will be consistent with our scale of operation. During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material non-compliance with applicable environmental requirements that resulted in prosecution or conviction being brought against us.

Emissions management

Our sources of greenhouse gas ("**GHG**") emissions generated from our business operation include the usage of electricity. In order to save energy and reduce emissions, we promote and adopt the use of energy-saving equipment, and switch off machinery and electronic appliances when they are not in use.

Wastewater management

Wastewater produced during our operation is mainly domestic sewage, which is processed through wastewater treatment facilities prior to being discharged to the municipal wastewater system.

Waste management

In order to reduce the impact of solid waste on the environment, we have formulated clear guidelines for employees to identify, collect, store and dispose solid waste.

Noise management

Our machinery emanates noise during operation. To mitigate the disturbance created to the community and environment, we plan to implement noise isolation at our testing and assembly center and provide hearing protection devices to our employees.

Use of resources

We implement various measures to reduce wastage and consumption levels at our offices and testing and assembly center. Our Group has promoted various energy conservation measures, including promoting and adopting the use of energy-saving equipment and switching off machinery and electronic appliances when they are not in use. Our Group has also implemented water conservation policies such as conducting periodic checks and maintenance on water supply system to avoid any leakage of faucets and gaskets.

Actual and Potential Impact of ESG-Related Risks

The operation of our testing and assembly center in Shenzhen is subject to laws and regulations in relation to environmental and social matters. The major pollutants generated by our testing and assembly center in the course of operation include waste water, waste gas, solid waste and noise. Accordingly, we are subject to laws and regulations in the PRC in relation to environmental matters with respect to disposal of above major pollutants. The key social laws and regulations include the employee protection and safety production.

For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, the total cost of compliance with applicable environmental laws and regulations in the PRC was approximately RMB4,500, RMB24,000 and RMB2,500, respectively. In the event of any changes in the PRC laws and/or regulations and/or government policies on environmental protection and more stringent requirements are imposed on our Group, we may have to incur additional costs and expenses to comply with such requirements. Furthermore, if we breach any environmental-related and social-related laws and regulations, or face any accusation of negligence in environmental or employee protection, we may face penalties or suspension of operation, and our reputation and credibility may also be adversely affected. As such, regulatory development and evolution on environmental protection may potentially have significant impacts on our business operations and present transition risks to us.

In addition, we have also identified the potential acute physical risks and transition risks from climate change. Acute physical risk can arise from extreme weather conditions, such as storms and flooding, which may have potential financial implication for us. The risk of storms and flooding could result in direct damage to our assets in our offices and testing and assembly center, and affect our operation. We may experience indirect impacts from supply chain disruption if our suppliers suffer from such extreme weather conditions. During the Track Record Period and up to the Latest Practicable Date, we had not suffered any operational or supply chain disruption due to storms or flooding.

Potential transition risk may arise from technology transformation and changing customer preference and demand. As a technology-driven company, we face the evolving upgrade and development of technologies for products and services we provide. There may be emerging technologies, such as more energy efficient equipment and devices, which may increase our operating costs, or if we fail to adopt such emerging technologies or products, it may affect our competitiveness and ultimately the demand for our products and services. In the meanwhile, in line with the increasing concerns about ESG issues, customers, who have already established their internal ESG policies, are preferring to select the suppliers, who have also established or at least pay attention on ESG policies, or choose products that comply with their ESG policies. Under such circumstances, we are expected to invest more on ESG-related matters, otherwise, our business, financial conditions and results of operations may be adversely affected.

Measures to Identify, Assess and Manage ESG-Related Risks and Opportunities

Our Board will be responsible for establishing, adopting and reviewing our ESG policies and to evaluate, determine and address our ESG-related risks once a year. Necessary improvement will then be implemented to mitigate the risks. In addition, we plan to review our key ESG performance on a regular basis. Our management team will actively participate in setting our ESG strategies and targets and monitoring the implementation of ESG policies. We may engage independent professional third parties to help us make necessary improvements on ESG issues, when necessary.

In order to manage the ESG-related issues, we have adopted the measures which are specified in our ESG policies to tackle the risks identified during the risk assessment and have ensured that any potential risks inherent in our business operations or issues that may impact our operations are minimized. For details, please see "— Metrics and Targets" in this section.

Through the above, we have identified the following material ESG issues relating to our Group and their potential impacts on our business, strategy and financial performance:

Material ESG Issues	Potential Risks, Opportunities and Impacts	Mitigating Actions (adopted/to be adopted)
Resources and energy management	Ineffective resources and energy management may potentially lead to excessive energy usage, which leads to increased operational cost.	• Promoting energy conservation and environmentally friendly procurement practices • Reviewing and accounting for greenhouse gas emissions and resource consumptions • Performing overall waste management in the office and testing and assembly center

Material ESG Issues	Potential Risks, Opportunities and Impacts	Mitigating Actions (adopted/to be adopted)
Impact of climate change	Climate change may lead to risks of more frequent extreme weather conditions. Such risks may lead to potential injuries to employees and increase in insurance premiums in long term. Regulators may require increasing disclosure on emission and tighten environmental regulations. Such transitional risks which require us to move towards a sustainable business model may potentially lead to impacts such as increased operational cost from change of operational practices.	• Providing work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees and increase in insurance premiums • Monitoring the changes in ESG-related regulatory requirements and market trend • Assessing the energy consumption proportion in our operation comprehensively and optimizing the corresponding procedures
Human capital development	Insufficient resources devoted towards the development of human capital, such as lack of training and promotion opportunities, may put our Group at risk of higher turnover rates and less competent workforce in medium and long term. Strong human capital development and the provision of competitive remuneration packages may improve employee retention and dedication.	Providing employees with competitive social benefits and career development opportunities
Privacy and data security	Ineffective privacy and data protection policies may put our Group at risk of data leakages and privacy breaches, leading to increased costs in addressing regulatory actions, involving litigations and potential fines, and also potentially tarnishing our reputation	Requiring employees to sign non-disclosure agreement to mitigate privacy and data security risks

The decision to mitigate, transfer, accept or control a risk is influenced by various factors such as government regulations and public perception. We will incorporate climate-related issues, including physical and transition risk analysis, into risk assessment processes and risk appetite setting. If the risk and opportunities are considered to be material, we will incorporate them into the strategy and financial planning process. Upon evaluation, it is expected that extreme weather conditions for potential physical risks and emerging technologies for potential transition risks make minimal impact on our operation. Upon annual review of the ESG-related risks and our performance in addressing the risks, we may revise the ESG strategies as appropriate.

Metrics and Targets

During the Track Record Period, we had assessed our environmental performance by understanding the environmental footprint. Our business primarily operates in office and the significant resources consumption is the use of electricity and freshwater. The following table sets forth an analysis of our environmental performance during the Track Record Period:

Indicator	Unit	Year ended December 31,			Five months ended May 31,
		2019	2020	2021	2022
GHG emissions					
Electricity consumption	kWh	155,478.6	186,907.4	228,687.1	82,723.8
Resources consumption					
Freshwater consumption	m^3	1,420.2	1,820.5	2,312.9	808.2

We will set targets for each material KPIs at the beginning of each financial year in accordance with the disclosure requirements of Appendix 27 to the Listing Rules and other relevant rules and regulations upon the [**REDACTED**]. Relevant targets on material KPIs will be reviewed on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, we had taken into account their respective historical levels during the Track Record Period and considered our future business expansion in a thorough and prudent manner with a view of balancing business growth and environmental protection to achieve sustainable development.

Environmental Protection

Our business is subject to relevant PRC national and local environmental laws and regulations which, among other things, require the payment of fees in connection with activities that discharge waste materials and impose fines and other penalties on facilities that threaten the environment. We recognize the importance of preserving the natural environment, conserving natural resources and protecting global ecosystems to create a sustainable society for our future generations. Although our business operations generally do not directly produce pollutants that directly affect the environment, we have implemented internal policies to reduce our carbon footprint such as reducing the energy consumption through:

- installing energy efficient lighting and ensuring lights are switched off when out of use either manually or through automatic sensors;
- requiring double-sided printing of documents throughout our offices;
- switching off certain IT equipment or automatic power shutdown for certain systems and devices; and

- air conditioning controls, with measures including requirements on lowest temperature, regular maintenance of air cooling technologies and optimal timing controls.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with environment protection regulations.

Occupational Safety

We engage OEM manufacturers to manufacture and assemble our products developed in-house and rely on partners to supply finished products. We do not operate any manufacturing facilities. We operate a production plant for quality testing and certain simple assembly only. Therefore, we are not subject to significant health and safety risks. To ensure occupational safety of our employees, we have adopted a set of stringent contingency plans to deal with emergency such as fire. In addition, we provide occupational safety education and trainings to our employees to enhance their awareness of work safety. We also provide our employees with regular health assessment to monitor their overall health. Based on our sound occupational safety management, Shenzhen Wulian is accredited with GB/T 45001-2020/ISO 450001:2018 for occupation health safety management system. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material accidents in the course of our operations, nor had we been subjected to any material claims for personal or property damages or compensation paid to employees. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health and safety regulations. We target to continuously provide a safe workplace environment and maintain a clean record of material work-related injuries.

Social Responsibility

We believe the best approach to corporate social responsibility is through embedding elements of social responsibility in our business. We aim to create effective and lasting benefits to the local community. We have taken systematic measures to relieve COVID-19 pandemic. For example, we distributed preventive materials, such as masks, to our employees. We also established certain policies regarding safe distance, quarantine, self-monitoring and reporting systems subject to the overall situation of COVID-19 pandemic.

We value and uphold integrity, honesty and fairness in how we conduct business. We have put in place measures in preventing any bribery or other unlawful acts. All employees should decline an offer of advantage if acceptance of it could affect their objectivity in conducting our business.

We attach great importance to data security and protection. Even though we generally do not access, collect or own any data of our customers when and after providing our products or services to them, we have adopted and implemented relevant policies and internal control measures in relation to data privacy and protection. See "— Data Privacy and Security."

Board Diversity

We strive to achieve and maintain board diversity to improve our Board's effectiveness, bring unique perspectives to the boardroom and enhance our Board's performance. In particular, Ms. Wang Zheshi has been appointed as our chief administrative and human resources officer and an executive Director to promote the gender diversity of our Board. Please see "Directors and Senior Management" for more details.

PROPERTIES

We occupy certain properties in the PRC. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Our headquarters are based in Nanjing. According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that, as of May 31, 2022, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets.

As of the Latest Practicable Date, we did not own any properties. As of the same date, we leased three properties in the PRC with an aggregate GFA of 3,783.9 sq.m., which were used primarily as offices and plant. We believe that there is sufficient supply of properties in the PRC, and we do not rely on the existing leases for our business operations.

Pursuant to applicable PRC laws and regulations, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, we had completed the registration of all of our property lease contracts we entered into in the PRC.

LICENSES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our current operations. The following table sets forth the relevant details of the material permits, licenses and approvals that we hold for our operations as of the Latest Practicable Date. None of such permits, licenses or approvals are about to expire or require renewal as of the Latest Practicable Date.

License/Permit	Holder	Authority	Grant Dates	Expiration Dates
Radio Transmission Equipment Type Approval Certificate of 5G base station (Equipment No: HK5GA262005)	Nanjing HowKing	Radio Management Bureau of MIIT	January 12, 2021*	January 11, 2026
Radio Transmission Equipment Type Approval Certificate of 5G base station (Equipment No: HK5GA26401)	Nanjing HowKing	Radio Management Bureau of MIIT	January 12, 2021*	January 11, 2026
Radio Transmission Equipment Type Approval Certificate of 5G base station (Equipment No: BS5504)	Nanjing HowKing	Radio Management Bureau of MIIT	September 2, 2022*	September 1, 2027
Trial Approval for Network Access of Telecom Equipment	Nanjing HowKing	MIIT	May 12, 2022**	May 12, 2023
Design, Construction and Maintenance Qualification Certificate of Safety Technology Prevention System in Guangdong Province	Shenzhen Wulian	Shenzhen Municipal Public Security Bureau	August 23, 2021**	August 22, 2023
Filing and Registration Form of the Foreign Trade Operator	Nanjing Howking	The Authority of filing and registration of foreign trade operator	February 11, 2022**	N/A

License/Permit	Holder	Authority	Grant Dates	Expiration Dates
Registration Certificate of Customs Declaration Unit	Nanjing Howking	Jinling Customs, the PRC	August 17, 2016*	N/A
Registration Form of Enterprises Applying for Entry-Exit Inspection and Quarantine	Nanjing Howking	Jiangsu Entry-Exit Inspection and Quarantine Bureau	August 9, 2016*	N/A

* Refers to grant date for the initial application for the corresponding license, permit

** Refers to grant date for the renewal application for the corresponding license, permit

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be involved in a number of legal proceedings in the ordinary course of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial position or reputation.

Compliance Matters

Our business operations are subject to a wide range of applicable laws and regulations, which might have us been involved in certain non-compliance incidents in the ordinary course of business. For a summary of relevant laws and regulations which our business operations are subject to, please see "Regulatory Overview." During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material or systemic non-compliance incidents or subject to any administrative penalties, which we believe, taken as a whole, would have a material adverse effect on our business, results of operations or financial position.

Business Activities with Entities and/or in Countries or Territories Subject to International Sanctions

The United States and other jurisdictions or organizations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive order, legislations or other government means, implemented measures that impose economic sanctions against certain countries, regions or targeted industry sectors, groups of companies or persons, and/or organizations within such countries and regions.

Since we had business activities either directly or indirectly with entities subject to sanctions during the Track Record Period, we have engaged Hogan Lovells, our International Sanctions Legal Advisor to perform procedures to assess our compliance with International Sanctions laws and regulations and evaluate our risks under the International Sanctions laws and regulations.

I. Sales to the Russian Distributor and the SDN end-customer

During the Track Record Period, we exported our vehicle mounted antenna products to Russia (excluding Crimea) via a Russian distributor that is not sanctioned (the "**Russian Distributor**"). Russia (excluding Crimea) was not a Sanctioned Country as of the Latest Practicable Date. Our Russian Distributor is a limited liability company located in Moscow, Russia, who primarily engages in telecommunication equipment sales. To the best of our knowledge, our Russian Distributor is owned or controlled by individuals and not by Russian government or any Sanctioned Targets. Revenue generated from our sales to the Russian Distributor amounted to RMB13.2 million, RMB13.2 million, RMB24.3 million and RMB2.5 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively, representing 16.3%, 10.3%, 12.8% and 3.0% of our total revenue for the corresponding periods, respectively. We have on-going business relationship and existing contractual obligations to be completed with the Russian Distributor. To the best of our knowledge, our Russian Distributor resold our products to one end-customer, who was owned by an SDN with an equity interest of more than 50% (the "**SDN end-customer**") from March 2020 to December 2021 and subject to the same sanctions applicable to SDNs. However, we did not deal with the SDN end-customer, nor did we make or receive payments to/from the SDN end-customer. Our interactions were with the Russian Distributor, which sold our products to various end customers in the Russian market.

Pursuant to the HKEX-GL101-19, any activity in a Sanctioned Country, or (i) with, or (ii) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target by a listing applicant incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions laws or regulations can be considered as Primary Sanctioned Activity. During the Track Record Period, we had business activity in Russia (excluding Crimea) by exporting our vehicle mounted antennas to our Russian Distributor, who resold our products to the SDN end-customer. In addition, during the Track Record Period, we received payments from our Russian Distributor in U.S. dollars, and therefore, the exchange or transfer activities of such U.S. dollar payments may involve U.S. persons, including U.S. financial institutions. U.S. persons are not permitted to have any dealings whatsoever with or facilitate dealings with parties designated on the SDN List (or entities owned at 50% or higher level, directly or indirectly, by SDNs) unless authorized by the OFAC. As advised by our International Sanctions Legal Advisor, even though Russia (excluding Crimea) was not a Sanctioned Country as of the Latest Practicable Date, considering that (i) we indirectly sold our products to the SDN end-customer via our Russian Distributor who is not a Sanctioned Target; and (ii) we received payments from our Russian Distributor in U.S. dollars, our business activities in Russia (excluding Crimea) were Primary Sanctioned Activities for the purpose of the HKEX-GL101-19. Nevertheless, the SDN end-customer has been covered by a series of general licenses issued by the OFAC authorizing continued sales of products by U.S. persons to the SDN end-customer under pre-existing arrangements from April 6, 2018 up to May 25, 2022. Accordingly, as advised by our International Sanctions Legal Advisor, (i) all of the sales of our products made by the Russian Distributor during the Track Record Period to the SDN

end-customer took place during the period when the OFAC's general license authorized U.S. persons to engage in sales to the SDN end-customer; and (ii) our Group can receive U.S. dollars payments that were processed by U.S. financial institutions from the Russian Distributor during the period when the OFAC's general license is effective without violating relevant U.S. sanctions. As a result, our sales to this SDN end-customer indirectly through the Russian Distributor were activities that a U.S. person itself could legally undertake pursuant to the authorization issued by the OFAC as discussed above. Consequently, our International Sanctions Legal Advisor is of the view that we have not engaged in a violation of primary U.S. sanctions due to our direct sales to the Russian Distributor, nor did our indirect sales to the SDN end-customer create exposure under secondary U.S. sanctions as such sales were authorized by the OFAC's general license. Therefore, even though our direct sales to the Russian Distributor and indirect sales to the SDN end-customer in Russia (excluding Crimea) were Primary Sanctioned Activities for the purpose of the HKEX-GL101-19, such activities did not cause our Group to violate International Sanctions given that such activities did not constitute a violation of the U.S. sanctions nor any sanctions maintained by any Relevant Jurisdiction considering the nature of such activities and the authorization of general license granted to the SDN end-customer.

In addition, certain sectors of Russian economy, such as technology sector, were targeted by the OFAC under the Executive Order 14024 (the "**EO 14024**"), pursuant to which operating in the targeted sectors may create secondary sanctions risk to us. As advised by our International Sanctions Legal Advisor, (i) in terms of our Russian Distributor and its SDN end-customer, considering that the nature of our products is vehicle mounted antenna, which is specialized for and applied on automobile, the direct sales to our Russian Distributor and the indirect sales to the SDN end-customer involve Russia's automotive sector, which is not among the sectors of Russian economy targeted by the EO 14024; and (ii) in terms of our business activity, even though our vehicle mounted antennas have certain technology contents, our exportation of vehicle mounted antennas should not be viewed as our operations in Russia's "technology" sector for purposes of EO 14024, considering that we do not have a presence in Russia. Furthermore, the OFAC's guidance in FAQ 964 provides that a sector determination pursuant to EO 14024 does not automatically impose sanctions on all persons who operate or have operated in the sector; while only persons determined, pursuant to EO 14024, by the Secretary of the Treasury in consultation with the Secretary of State, or by the Secretary of State, in consultation with the Secretary of the Treasury, to operate or have operated in the EO 14024 identified sectors are subject to sanctions. As such, we do not "operate in" a designated sector of Russia's economy that creates secondary sanctions exposure under EO 14024. Based on the aforementioned, as advised by our International Sanctions Legal Advisor, our Group's activities in Russia (excluding Crimea) were not Secondary Sanctionable Activities.

II. Sales to the Sanctioned PRC Customers

Our second largest customer in 2020 was designated by the BIS on the Entity List (the "**Sanctioned PRC Customer X**") and is restricted from receiving items subject to the United States Export Administration Regulations (the "**EAR**") without a license from BIS. Our Sanctioned PRC Customer X is a research institution located in Beijing, the PRC, who primarily engages in development and production of precision guidance equipment. We generated revenue from our sales to the Sanctioned PRC Customer X in 2020 only, which amounted to RMB32.3 million, representing 25.3% of our total revenue in the same year. We had completed all of contractual obligations with the Sanctioned PRC Customer X in 2020, and have not had any new dealings with it since then. In addition, we will not have any new dealings with it in the future.

The EAR applies to (i) exports of commodities, software and technology from the United States to foreign countries and to re-export from one foreign country to another; and (ii) shipments from one foreign country to another of foreign-made products that incorporate more than de minimis amount (varying from 25% to less than 10%) of controlled U.S. origin parts, components or materials, or the foreign direct product with certain controlled U.S. technology. As advised by our International Sanctions Legal Advisor, considering that (i) what we provided to the Sanctioned PRC Customer X was data transmission and processing service and (ii) products we provided in such service were Chinese origin without any U.S. origin parts, components or materials nor certain controlled U.S. technology, our activities with the Sanctioned PRC Customer X did not involve items subject to the EAR. In turn, no BIS license under the EAR would have been required for the purpose of these sales.

As advised by our International Sanctions Legal Advisor, the laws and regulations of the International Sanctions do not create a legal obligation for our Group to self-declare our activities with the Sanctioned PRC Customer X to any authorities administering the International Sanctions, nor is it a common practice to do so, given that (i) no BIS license under the EAR would have been required for the purpose of these sales since our activities with the Sanctioned PRC Customer X did not involve items subject to the EAR, and (ii) our sales to the Sanctioned PRC Customer X did not represent a violation of the applicable sanctions. We will (i) continue to closely monitor our procurement process and raw materials used in our products to ensure we will not sell any products subject to EAR or sell any products to entities designated on the Entity List that would cause us to violate the International Sanctions; (ii) add specific terms and conditions in our purchase agreement with our suppliers, confirming that the products or services we procure do not contain any U.S. origin parts and are not subject to the EAR; and (iii) appoint a business compliance officer to conduct overall supervision of our procurement procedure, ensuring that we will not procure any products or services subject to the EAR or have any U.S. origin parts.

Our largest customer in 2020, and also the fifth largest customer for the five months ended May 31, 2022 (the "**Sanctioned PRC Customer Y**") engages in the provision of military equipment and system and was designated by the U.S. Treasury Department on the Non-SDN Chinese Military-Industrial Complex Companies List ("**CMIC**") on June 3, 2021 with relevant sanctions effective on August 2, 2021. We generated revenue from our sales to the Sanctioned PRC Customer Y in 2020 and the five months ended May 31, 2022, which amounted to RMB40.5 million and RMB3.1 million, respectively, representing 31.8% and 3.8% of our total revenue in the same period, respectively. We had completed all of contractual obligations with the Sanctioned PRC Customer Y as of the Latest Practicable Date. In addition, we will not have any new dealings with it in the future, which we believe would not have any material adverse impact on our business, financial results and operation given that provision of data transmission and processing services for IoT applications is generally project-based and of non-recurring nature.

Sanctions under CMIC only prohibit the purchase or sale of any publicly traded securities, or any publicly traded securities that are derivative of such securities or are designed to provide investment exposure to such securities, of designated entities under CMIC by U.S. persons. Since our business activities with the Sanctioned PRC Customer Y only involved sales and provision of our products and services, and did not involve the activities prohibited under the sanctions on Sanctioned PRC Customer Y, nor are we a U.S. person, as advised by our International Sanctions Legal Advisor, our business activities with Sanctioned PRC Customer Y did not implicate Primary Sanctioned Activities nor Secondary Sanctionable Activities pursuant to the HKEX-GL101-19.

Save as our business activities with the Russian Distributor, the SDN end-customer, the Sanctioned PRC Customer X and the Sanctioned PRC Customer Y (collectively, as the "**Sanctioned PRC Customers**"), which did not violate the international and U.S. sanctions as discussed above, we had no business activities (i) in a Sanctioned Country or (ii) with, or directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target during the Track Record Period and up to the Latest Practicable Date. Therefore, we had not engaged in Primary Sanctioned Activity that violates relevant sanctions during the Track Record Period and up to the Latest Practicable Date. Based on the aforementioned, our International Sanctions Legal Advisor is of the view that we did not violate relevant sanctions in relation to any Primary Sanctioned Activity for the purpose of the guidance letter HKEX-GL101-19 issued by the Stock Exchange.

In addition, our International Sanctions Legal Advisor is of the view that we did not violate relevant sanctions in relation to any Secondary Sanctionable Activity for the purpose of the guidance letter HKEX-GL101–19 issued by the Stock Exchange given that we had not engaged in Secondary Sanctionable Activity during the Track Record Period and up to the Latest Practicable Date because we had no business activities targeted by extra-territorial provisions of sanctions laws or regulations in the Relevant Jurisdiction and our sales of antenna products used for smart power grids and for automotive application (i.e., vehicle mounted antennas) to customers in Russia are unlikely to be viewed by the OFAC as we ourselves having "operated in the technology sector" of Russia for purposes of Executive Order 14024, which is one of the basis of designation under that authority, or as we are providing a material support to an SDN end-customer (in light of the fact that OFAC's general license was in effect when our Russian Distributor was reselling our products to SDN end-customer). As such, it is unlikely that our activities would result in the imposition of sanctions on the Relevant Persons as defined in the guidance letter HKEX-GL101-19.

Based on the aforementioned, as advised by our International Sanctions Legal Advisor, we were not involved in any activities that could cause our Group to violate any international and U.S. sanction laws during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had neither reported to nor been requested by our principal banks to declare whether we had received any payments from sales involving the persons, entities or countries subject to International Sanctions during the same period. As advised by our International Sanctions Legal Advisor, the laws and regulations of the International Sanctions do not create a legal obligation nor is it common practice to self-report to our principal banks that we had transactions involving sales to the Russian Distributor and the Sanctioned PRC Customers during the Track Record Period and up to the Latest Practicable Date. Based on the above, we have no intention to conduct a self-report in this regard to our principal banks in the future unless otherwise required by laws, regulations, or principal banks. In addition, during the Track Record Period and up to the Latest Practicable Date, our principal banks had not suspended or terminated their business relationships with us, such as deactivating or freezing our accounts, withholding payments to us, or terminating our loans or banking facilities.

Based on the above and given the scope of the [**REDACTED**] and the expected [**REDACTED**] as set out in this Document, our International Sanctions Legal Advisor is of the view that the involvement by parties in the [**REDACTED**] will not impose material risks on such parties, including our Company and our subsidiaries, the respective directors and employees of our Company and our subsidiaries, our Company's or our subsidiaries' investors, shareholders as well as the Stock Exchange and its related group companies (including HKSCC, HKSCC Nominees Limited and the SFC). For details regarding sanctions risks, see "Risk Factors — Risks Relating to Our Business and Industry — We could be adversely and materially affected as a result of business activities with certain entities or in countries or territories that are, or become subject to, sanctions administered by the United States, the European Union, the United Kingdoms, the United Nations, Australia and other relevant sanctions authorities."

We will cease our business activities in Russia after completing all existing contractual obligations with our Russian Distributor in light of the uncertainties and potential risks in relation to international sanctions. We expect to complete our existing purchase orders received from our Russian Distributor, in mid December 2022, with an estimated contract value of USD0.2 million in aggregate. In addition, to control the potential risks in relation to international sanctions, we had instructed our Russian Distributor not to resell our products to the SDN end-customer in the future in light of the expiration of OFAC's general license on May 25, 2022. To the best knowledge of our Directors and as confirmed by our Russian Distributor, there was not and will not be any sales to the SDN end-customer for the year ending December 31, 2022. In order to guarantee the Russian Distributor's compliance, we further enhanced our internal control measures as follows: (i) we entered into a supplementary agreement to the framework distribution agreement entered between Russian Distributor and us on January 10, 2017 (the "**Agreement**") with our Russian Distributor on August 19, 2022 (the "**Supplementary Agreement**"), under which our Russian Distributor provided that it would not take any actions, including the sale, distribution or delivery of any products of our Group

covered under the Agreement, that would cause our Group or the Russian Distributor to violate any applicable sanctions (the "**Actions**"), which as advised by our International Sanctions Legal Advisor, including reselling our Group's products to the SDN end-customer after expiration of OFAC's general license and to other Sanctioned Targets going forward; and (ii) we request our Russian Distributor to provide us with (a) the identity of the potential end-customer for each order, so that we may double check whether such end-customer is a Sanctioned Target; and (b) an end-customer certificate to confirm that the potential end-customer is not a Sanctioned Target. Based on the aforementioned, our Directors are of the view that such enhanced internal control measures are sufficient to prevent our sales activities with Russian Distributor from violation of any International or U.S. sanctions laws and regulations. In addition, our Russian Distributor provided us with an annual sales certificate on August 19, 2022, confirming that it had not taken any Actions as of the date of this certificate.

In addition, we had completed all of contractual obligations with the Sanctioned PRC Customer X and the Sanctioned PRC Customer Y as of the Latest Practicable Date and will not have any new dealings with them in the future.

We have undertaken to the Stock Exchange that (i) we will refrain from using any funds raised through the SEHK to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the United States, the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia; and (ii) we will not enter into any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders and investors to violate or become a target of International Sanctions laws by the United States, the European Union, the United Nations, the United Kingdom, the United Kingdom overseas territories or Australia.

Moreover, to control or mitigate the risks regarding international sanctions, we have established overseas risk control and management working group to ensure our compliance with applicable sanction laws. The duties of our overseas risk control and management working group include, among others, (i) supervising and preventing our Group from sanction-related risks by implementing certain internal control measures to ensure the compliance of our business operations with sanction laws and regulations; (ii) appointing overseas risks control staff to conduct overseas risk control and management; (iii) preparing overseas risks control report to the Board for review; (iv) assessing the potential sanction risks of business activities to be conducted by reviewing commercial contracts and information received in business activities; (v) engaging an external sanctions expert or legal advisor to provide updates to us from time to time on latest information on the relevant sanction laws and regulations; and (vi) arranging for external international sanctions legal advisors to provide training programs relating to sanction laws and trade restrictions to our Directors, senior management and other relevant personnel.

Subject to the full implementation and enforcement of such measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanction laws.

Conducting business with Sanctioned Targets, directly or indirectly, during the Track Record Period might expose us to International Sanctions risks. See "Risk Factors — We could be adversely and materially affected as a result of business activities with certain entities or in countries or territories that are, or may become subject to, sanctions administered by the United States, the European Union, the United Kingdoms, the United Nations, Australia and other relevant sanctions authorities." However, our Directors are of the view, and the Sole Sponsor concurs with our Directors' view, that our business has not been and would not be materially and negatively affected by International Sanctions risks given that (i) our sales with the Russian Distributor and the Sanctioned PRC Customers were in compliance with the applicable International Sanctions as advised by our International Sanctions Legal Advisor, and we had not been notified that any International Sanctions penalties would be imposed on us for our historic business activities; (ii) we have completed all of contractual obligations with the Sanctioned PRC Customers and will cease our business in Russia after completing all existing contractual obligations with our Russian Distributor; (iii) we will not knowingly and intentionally conduct any future business with persons, entities or organizations that may involve International Sanctions risks or in any Sanctioned Countries, nor will we use the [**REDACTED**] from the [**REDACTED**] to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or Sanctioned Targets; and (iv) we have adopted enhanced internal control and risk management measures which we believe enable us to monitor and evaluate our business to address International Sanctions risks.

RISK MANAGEMENT AND INTERNAL CONTROL

Overview

We are exposed to various risks in our operations, including the various risks relating to our business and industry and market risks in the ordinary course of our business. For further details, please see the section headed "Risk Factors" in this Document. Our risk management and internal control system and procedures are designed to meet our specific business needs and minimize our risk exposure. We have adopted various internal guidelines, along with policies and procedures to monitor and reduce the impact of risks which are relevant to our business, control our daily business operations, improve our corporate governance and ensure compliance with the applicable laws and regulations.

Our Board and senior management are responsible for identifying and analyzing risks associated with our operations, preparing risk mitigation plans and assessing and reporting its effectiveness. In particular, we have established an audit committee under our Board, whose primary duties are to assist the Board in providing an independent view on the effectiveness of our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. Our audit committee consists of three Independent non-executive Directors, namely Mr. Gu Jiong, Mr. Fong Wo and Mr. Yang Hai. For the professional qualifications and experiences of the members of our audit committee, see "Directors and Senior Management — Board of Directors."

In order to improve our corporate governance, we have adopted and will continue to adopt a series of internal control measures and policies designed to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control include the following:

- we have improved the existing internal control framework by adopting a set of internal control manual and policies, which cover corporate governance, risk management, operation and legal matters;

- our Directors have received trainings conducted by our legal advisor as to Hong Kong laws on the continuing obligations, duties and responsibilities of directors of publicly listed companies under the applicable laws of Hong Kong;

- each of our Directors is aware of the fiduciary duties as a director which require, among other things, that he or she must act for the benefit and in the best interest of our Company and must not allow any conflict between his duties as a director and his personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and Directors or their respective associates, any interested Director will be abstained from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;

- we have adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management and information disclosure;

- we have appointed external legal advisor to advise us on the compliance requirements of the Listing Rules and ensure our compliance with relevant regulatory requirements and applicable laws, where necessary;

- we will assess and monitor the implementation of our internal control manual and policies by the relevant departments and companies in our Group through regular audits and inspections;

- we will provide internal training to employees as appropriate in order to enable them to follow the internal control and corporate governance procedures;

- we will provide anti-corruption and anti-bribery compliance policies in our manual and implement a whistle-blower program under which our employees are encouraged to report instances of briberies directly to the finance department; and

- we will keep implementing updated policies to the extent necessary to ensure future compliance with applicable laws and regulations.

Detailed risk management framework regarding to environmental, social and governance matters, financial reporting risk management, credit risk management, and human resources risk management are summarized as below:

Environmental, Social and Governance Risk Management

We have established policies in respect of environmental, social and governance ("**ESG**") in accordance with the standards of Appendix 27 to the Listing Rules, which outlined, among others, (i) appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) identification of key stakeholders and the communication channels to engage with them; (iii) ESG strategy formation procedures; (iv) ESG risk management and monitoring; and (v) the identification of key performance indicators, the relevant measurements and mitigating measures. Our Directors have overall responsibility regarding ESG-related risks, ensuring that our relevant policies are duly implemented and have continuous updates for full compliance with the latest laws, regulations and standards. We have established an ESG working group that comprises three members, including our general manager, financial manager and administrative manager. The ESG working group serves as a supportive role to our Directors in implementing the agreed ESG policies, targets and strategies by (i) conducting materiality assessments of environmental-related, climate-related, social-related risks and assessing how our Group adapts its business in light of climate change; (ii) collecting ESG data from different parties while preparing for the ESG report; and (iii) continuous monitoring of the implementation of measures to address our Group's ESG-related risks. Furthermore, we will keep ourselves abreast of the Stock Exchange's ESG requirements and our Directors will oversee the compilation of our ESG report after the [**REDACTED**] and shall review its content and quality before publication. We will seek advice from external professionals on enhancing our ESG compliance level where necessary. For details of our risk management and internal control measures regarding ESG matters, see "— Environmental, Social and Governance Matters."

Financial Reporting Risk Management

We have implemented a set of accounting policies for the risk management of financial reporting, such as financial reporting management policies, budget management policies, financial statement preparation policies, and finance department and employee management policies. We have implemented various procedures to put such accounting policies in place, and our finance department will review our management accounts in accordance with such procedures. We also provide trainings to personnel in the finance department on an as-needed basis focusing on accounting policies, tax management, financial reporting and other related topics.

Credit Risk Management

We are exposed to the credit risks in relation to defaults of our customers. In order to mitigate the credit risks and ensure the collectability of trade and note receivables of our projects and transactions, we have adopted credit risk measures to review and monitor our trade

and note receivables from time to time. Before accepting any new customers, our staff from finance department will assess the creditworthiness of potential customers and determine their appropriate credit limits individually, which will also be reviewed by our finance department regularly in order to effectively monitor our customers. These procedures are designed to provide us with the information needed to implement adjustments where necessary, and to take proactive corrective actions in time.

In addition, we have adopted procedures to deal with material overdue payments, which include (i) close monitoring of material overdue payments; (ii) evaluation of the risk based on factors such as its payment history, and the general economic environment; and (iii) designing of appropriate follow-up actions such as making phone calls, issuing demand letters, visiting the customer's office and initiating legal proceedings.

Human Resources Risk Management

We have established a set of internal control policies that cover all aspects of human resource management, including recruitment, training, professional ethics and legal compliance. We provide general training to all employees together with certain customized trainings to employees in different departments as necessary.

Internal Control Review

In preparation for the [**REDACTED**], we have further engaged an independent internal control consultant (the "**Internal Control Consultant**") to perform a comprehensive internal control review on our internal control system in relation to financial reporting, particularly in the aspects of revenue management, procurement management, inventory management, human resources management, fixed assets, cash and treasury management, insurance management, financial reporting management, taxes management, general IT controls, compliance management, construction in progress management and investment management. Subsequently, the Internal Control Consultant recommended certain rectification and improvement measures on our internal control system based on its findings, and we have implemented such rectification and improvement measures in response to these findings and recommendations accordingly. The internal control consultant performed a follow-up review with regard to those actions taken by us for all findings in the internal control report, and there are no material deficiencies identified.

With respect to the system design of the internal control mechanism, our Directors are of the view that our enhanced internal control system is adequate and effective for our current operations.