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## **Application Proof of**

# **Howkingtech International Holding Limited**

(the “**Company**”)

*(Incorporated under the laws of the Cayman Islands with limited liability)*

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### Howkingtech International Holding Limited

(Incorporated under the laws of the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	[REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED]	:	[REDACTED] Shares (subject to reallocation)
Number of [REDACTED]	:	[REDACTED] Shares (subject to reallocation and the [REDACTED])
Maximum [REDACTED]	:	HK\$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.005% and Accounting and Financial Reporting Council transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal Value	:	US\$0.01 per Share
[REDACTED]	:	[REDACTED]

Sole Sponsor



**中国平安资本(香港)**

PING AN OF CHINA CAPITAL (HONG KONG)

[REDACTED]

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[REDACTED]

**IMPORTANT**

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**[REDACTED]**

**IMPORTANT**

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**[REDACTED]**

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]

**EXPECTED TIMETABLE<sup>(1)</sup>**

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[REDACTED]



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## SUMMARY

*This summary is an overview of the information contained in this Document and does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the [REDACTED].*

*There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed “Risk Factors” in this Document. You should read that section carefully before you decide to invest in the [REDACTED].*

## OVERVIEW

We are a PRC IoT solution and telecommunication equipment provider, serving a broad range of industrial customers. During the Track Record Period, we mainly provided customized IoT solutions to customers in various industries, 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. As a technology-driven company, we continuously invest and are planning to invest more in R&D, in order to cater the changing needs from customers in diversified industries with advanced technologies. In particular, according to the Frost & Sullivan Report, the PRC private 5G network market has become an emerging industry segment in the PRC IoT market since 2020, occupying approximately 0.2% market share of the PRC IoT market in 2021. The market share of the PRC private 5G network market in the PRC IoT market is expected to further increase to approximately 4.3% in 2026. With the promotion of 5G commercial applications in the PRC, we have strategically started providing 5G telecommunication equipment and private 5G network solutions to our customers since 2019 and 2020, respectively.

We are an IoT solution provider in the PRC. Leveraging our advanced technologies in IoT hardware and software and in-depth industry insights, we offer customized IoT solutions to our customers in manufacturing, municipal services and other industries in the PRC to assist our customers to monitor operational conditions, improve facilities utilization and enhance business operation efficiency through digitalization. Catering to customers’ specific needs, we are flexible in providing our customers with either integrated IoT solutions or IoT software solutions. In return, our customers pay us service fees for such solutions. In particular, leveraging our strong R&D capabilities in 5G radio frequency area, we are able to offer our customers with private 5G network solutions of high multi-Gbps peak data speeds, ultra-low latency, reliability, massive network capacity, increased availability, enhanced information security and uniform user experience. During the Track Record Period and up to the Latest Practicable Date, we had accomplished a total of 93 IoT solution projects, among which 18 projects were private 5G network solutions.

## SUMMARY

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In addition to our IoT solutions, we also sell 5G and other telecommunication equipment in the PRC and export antennas to the United States and Russia, which contribute a recurring and relatively predictable revenue stream to us. 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 336 SKUs.

One of our core competitive strengths that underpins our success is our comprehensive R&D capability and hardware and software integration capacity. 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. 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. Meanwhile, we also developed and have been upgrading an IoT software product, namely Universal IoT Platform, our centralized data platform of our IoT solutions, which provides the infrastructural functions for upper applications, such as data sieving, reformulation and classification and device management. As of the Latest Practicable Date, we had 92 utility model patents, 17 patents for invention, two patents for industrial design and 80 copyrights registered in the PRC in relation to such IoT solutions and telecommunication equipment. We have continuously expanded our R&D department, which comprising 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 the 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 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.

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 IoT solutions and telecommunication equipment, revenue generated from 5G technologies-related solutions, 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.

## SUMMARY

### OUR ROLES AND RESPONSIBILITIES IN THE PRC IOT SOLUTIONS MARKET

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. The following table sets forth (i) the overall functions of each layer of the value chain, and (ii) our roles, responsibilities and value proposition within each layer of the value chain:



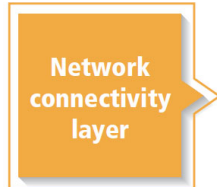
- Market players in the application services layer are responsible for delivering application specific services to IoT solution users. The application services layer is the interface between the IoT and users, and the smart application of the IoT. Application combines the IoT with specific industry needs and provides a set of solutions for smart application of the IoT. Such applications could be applied in fields as such smart factory, smart tourism, smart community, smart mining, smart agriculture and otherwise.
- Although we have been focusing on the network connectivity layer and the platform layer since our inception, we have been also expanding our footprint in the application services layer. The primary application scenarios of our IoT solutions are IIoT industry, such as smart manufacturing, smart mining, smart agriculture, smart finance, and smart city (including smart community and smart tourism). In our IIoT solutions, we developed MES system that deployed in the integrated IIoT solutions as upper application services for customers in manufacturing industry.

## SUMMARY

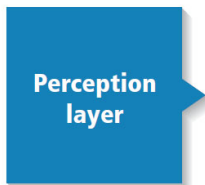


- Market players in the platform layer are responsible for data processing, including among others, data analytics, management, and archiving. This layer is an optional layer based on customers’ needs, primarily comprising intelligent platforms, big data, and AI analysis platforms.
- We developed and 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. Our Universal IoT Platform is set up between network connectivity layer and the application services layer. 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 its functions, our IoT solutions help our customers to connect various kinds and brands of sensors and terminals laid in the perception layer, which collect and receive the environment data within the coverage area, transmit the data collected from these devices through common gateway interface to our Universal IoT Platform, and then filter, reformulate and classify data for application interface and display via our Universal IoT Platform. We store the reformulated data by classification in the server 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.

## SUMMARY



- Market players in the network connectivity layer are responsible for data transmission, which acts as a bridge between perception layer and upper layers. It carries and transmits the information collected from the physical objects through sensors. The medium for the transmission can be wireless or wire based.
- 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 the network connectivity layer, such as 5G and 4G, and help them to establish the network connection by deploying such equipment. With years of efforts at the network connectivity layer, we successfully developed our proprietary 5G telecommunication equipment, 5G pRRU, with certain self-developed core modules and software embedded, such as front-end module, digital front-end algorithm and protocol stack. In addition to our proprietary telecommunication equipment, we also co-developed or procured other telecommunication equipment with/from our suppliers, such as 5G BBU and certain 4G telecommunication equipment. Although we designed and deployed relevant equipment pursuant to customers' particular needs in various projects during the Track Record Period, the production of equipment used in such solutions are generally outsourced to our OEM partners.



- Market players in the perception layer, which also known as a sensor layer or physical layer, are responsible for design and produce data collection devices. Such devices generally have sensors for sensing and gathering information about the environment.
- We do not focus our business on the perception layer. However, when we provide integrated IoT solutions to our customers, we might procure and deploy sensors upon request by our customers.

Leveraging our success at 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 IoT solutions.

## SUMMARY

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### OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have differentiated us from our competitors:

- As an IoT solution 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;
- We offer one-stop IoT solutions with hardware and software integration and short solution delivery capabilities to our customers, which stand us out from our competitors;
- Our strong innovation and research capabilities underpin the foundation of our growth;
- Our diversified product portfolio provides us with stable and growing revenue stream; and
- Our highly motivated, experienced and visionary management combining academic excellence and business insights will ensure the successful development of our business.

### OUR BUSINESS STRATEGIES

We intend to leverage our existing strengths and carry out the following strategies to capture growing market opportunities and further solidify our market position:

- Further upgrade and improve our IoT solutions at network connectivity layer;
- Further upgrade our Universal IoT Platform to enhance the platformization of data and provision of the service-oriented application interface;
- Continue to strengthen our R&D capabilities;
- Further strengthen our business development capabilities and broaden our customer base; and
- Selectively pursue strategic acquisitions to integrate industry resources.



## SUMMARY

### OUR BUSINESS MODEL

During the Track Record Period, we focused on offering IoT solutions and telecommunication equipment to our customers in manufacturing, municipal services and other industries to assist our customers to monitor operational conditions, improve facilities utilization, and enhance business operation efficiency through digitalization. Our revenue were primarily generated from (i) provision of IoT solutions and (ii) sales of telecommunication equipment. To a lesser extent, we also generated revenue from provision of other services, such as telecommunication equipment maintenance and telecommunication consulting services.

We dedicate ourselves fully to developing and providing integrated IoT solutions with hardware and software incorporated. We outsource the production of a substantial portion of our telecommunication equipment to OEM manufacturers, and conduct strict quality control on the products produced by such OEM manufacturers. We generally price our IoT solutions, telecommunication equipment and other services on a “cost-plus” basis, under which we estimate costs to be incurred in the project or transaction plus a reasonable margin with reference to market price.

The following table sets forth the breakdown of our revenue, 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		
	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
	<i>(RMB'000, except percentages)</i>														
	<i>(Unaudited)</i>														
Provision of IoT solutions <sup>(1)</sup>	41,719	24,164	57.9%	75,518	29,997	39.7%	123,298	57,210	46.4%	29,614	9,408	31.8%	29,576	14,360	48.6%
Sales of telecommunication equipment <sup>(2)</sup>	31,252	7,521	24.1%	41,931	13,537	32.3%	59,969	18,461	30.8%	23,481	7,880	33.6%	52,690	13,980	26.5%
Others <sup>(3)</sup>	7,914	4,713	59.6%	9,976	7,847	78.7%	6,285	3,128	49.8%	-	-	-	681	634	93.1%
<b>Total</b>	<b>80,885</b>	<b>36,398</b>	<b>45.0%</b>	<b>127,425</b>	<b>51,381</b>	<b>40.3%</b>	<b>189,552</b>	<b>78,799</b>	<b>41.6%</b>	<b>53,095</b>	<b>17,288</b>	<b>32.6%</b>	<b>82,947</b>	<b>28,974</b>	<b>34.9%</b>

## SUMMARY

*Notes:*

- (1) IoT solutions include integrated IoT solutions and IoT software solutions. The gross profit margin of provision of IoT solutions decreased from 57.9% in 2019 to 39.7% in 2020, primarily due to the launch of our private 5G network solutions in 2020, the gross profit margin of which is lower than that of non-5G network solutions, as our private 5G network solutions generally incurred higher material costs for the 5G equipment embedded in such solutions. The gross profit margin of our IoT solutions increased from 39.7% in 2020 to 46.4% in 2021, primarily attributable to the increasing proportion of gross profit derived from non-5G IoT solutions in 2021, which were more software-based and had relatively higher gross profit margin.
- (2) Telecommunication equipment includes antennas, 5G telecommunication equipment and other telecommunication equipment. The gross profit margin of sales of telecommunication equipment increased from 24.1% in 2019 to 32.3% in 2020 mainly attributable to the increasing gross profit margin of our antenna products, which contributed to the largest portion of our gross profit from sales of telecommunication equipment in 2020. The increasing gross profit margin of our antenna products was primarily attributable to the relatively higher gross profit margin of IoT antenna products that we exported to the United States in 2020. The gross profit margin from the sales of telecommunication equipment remained relatively stable at 32.3% in 2020 and 30.8% in 2021.
- (3) Others primarily include provision of telecommunication equipment maintenance and telecommunication consulting services.

According to Frost & Sullivan, the PRC private 5G network market has become an emerging industry segment in the PRC IoT market since 2020, the market size of which is expected to increase significantly from 2022 to 2026, reaching RMB236.1 billion in 2026. To capture the vast growth potential of 5G-based IoT market in the PRC, we have begun to upgrade our offering of IoT solutions, telecommunication equipment and services by adopting 5G technologies and started to generate revenue from providing 5G telecommunication equipment and private 5G network solution to our customers, 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
	<i>(RMB'000, except percentages)</i>														
	<i>(Unaudited)</i>														
5G business	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%
<b>Total</b>	<b>80,885</b>	<b>36,398</b>	<b>45.0%</b>	<b>127,425</b>	<b>51,381</b>	<b>40.3%</b>	<b>189,552</b>	<b>78,799</b>	<b>41.6%</b>	<b>53,095</b>	<b>17,288</b>	<b>32.6%</b>	<b>82,947</b>	<b>28,974</b>	<b>34.9%</b>

## SUMMARY

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The gross profit margin of our 5G business decreased from 44.0% in 2019 to 32.6% in 2020 mainly because we strategically switched our 5G business focus from sales of 5G antenna products in 2019, to (i) sales of 5G base station and (ii) provision of IoT solution projects involving 5G base stations in 2020, which generally had a lower profit margin but higher contract value than 5G antenna products. The gross profit margin of our 5G business remained stable at 32.6% in 2020 and at 31.1% in 2021, respectively, but it decreased significantly from 33.0% for the five months ended May 31, 2021 to 26.3% for the same period in 2022 despite the gross profit growth during the same period. The decrease in gross profit margin during this period was mainly because the sales of 5G telecommunication equipment that contributed to 89.3% of all gross profit for the five months ended May 31, 2022 had a lower gross profit margin than the 5G IoT solution that contributed to all gross profit for the same period in 2021. For details, see “Financial Information — Description of Key Statement of Profit or Loss Items — Gross Profit and Gross Profit Margin.”

As the PRC private 5G network market is still at an early stage of development, it is common that the cost of products that adopt 5G technologies is higher than that of products adopt mature technologies. However, along with the iteration and development of 5G technologies and 5G products, the cost of 5G products is expected to reduce gradually. In addition, the market size of the PRC private 5G network market is expected to increase significantly in the next few years, and the market demand of our existing and potential customers will also increase under such circumstances. Furthermore, we, as an early mover in the PRC private 5G network market, had accumulated certain successful experiences and gained certain R&D achievement in the PRC private 5G network market during the Track Record Period. As such, we continued to increase the portion of 5G business during the Track Record Period, even though the gross profit margin of 5G business was temporarily lower than that of non-5G business. Considering the huge growth potential of the PRC private 5G network market and the expected cost optimization of 5G products as a result of technology development, we strive to focus on our 5G business in the near future.

## SUMMARY

Geographically, we derived our revenue from the PRC, Russia and the United States. Our business in the PRC covers the provision of IoT solutions, sales of telecommunication equipment and other services, while we only export 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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
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%
<b>Total</b>	<b>80,885</b>	<b>100.0%</b>	<b>127,425</b>	<b>100.0%</b>	<b>189,552</b>	<b>100.0%</b>	<b>53,095</b>	<b>100.0%</b>	<b>82,947</b>	<b>100.0%</b>

## OUR CUSTOMERS AND SUPPLIERS

### Our Customers

Our main customers include (i) state-owned or private project owners, (ii) main contractors of IoT solution project 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. In 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, accounting for 70.2%, 81.9%, 65.1% and 91.5% of our total revenue, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in the five largest customers of our Group. For more details of our customers, see “Business — Customers — Our Customers.”

### Our Suppliers

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 suppliers primarily consist of (i) suppliers of hardware components, (ii) OEM manufacturers, and (iii) software developers. 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 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. 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 2019, 2020 and 2021 and the five months ended May

## SUMMARY

31, 2022, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in the five largest suppliers of our Group. For more details of our suppliers, see “Business — Suppliers and Procurement — Supplier Management and Top Suppliers.”

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the [REDACTED]), Howking Tech Holding will hold approximately [REDACTED]% of the issued share capital of our Company.

On the basis that (i) Ms. Wang and Ms. Jin hold their respective interest in our Company through a common investment holding company, i.e. Howking Tech Holding, which in turn will be entitled to exercise 30% or more of the voting power at the general meetings of our Company; (ii) Dr. Chen, our executive Director, chairman and chief executive officer of our Company, is the spouse of Ms. Wang; and (iii) each of Ms. Wang and Ms. Jin entered into the Concert Party Confirmation, Ms. Jin, Ms. Wang, Dr. Chen and Howking Tech Holding are regarded as a group of controlling shareholders of our Company within the meaning of the Listing Rules. For details of shareholdings information of our Company, see “History, Reorganization and Corporate Structure” and “Relationship with our Controlling Shareholders.”

### [REDACTED] INVESTMENTS

As of the Latest Practicable Date, we underwent two rounds of [REDACTED] Investments.

The investors under Series A investments are: (i) Ms. Ding Di and Zhangzhou Heze; (ii) Mr. Li Zhangpeng; (iii) Huixin Qianhai; (iv) Shenzhen Zhichen; (v) Ningbo Qipu; and (vi) Dongzheng Hande and Dongzheng Xiade (the “**Series A Investors**”). Pursuant to their respective equity transfer/investment agreements, the Series A Investors acquired equity interests in Nanjing Howking from Shanghai Juyi and/or subscribed for capital contribution in Nanjing Howking during September to December 2019, and became shareholders of Nanjing Howking before the Reorganization.

The investors under the Series B investments are: (i) Mr. Wu Chak Man; (ii) Shenzhen Brightmin; (iii) Mr. Huang Jianzhong; (iv) Ms. Wu Chin-Shan (the “**Series B Investors**”), who acquired the existing Shares from Howking Tech Holding pursuant to their respective share transfer agreements. In addition, Zibo Puhao (the “**Series B+ Investors**,” together with the Series B Investors, the “**Series B and Series B+ Investors**”) subscribed for new Shares issued by our Company pursuant to its investment agreement. Upon completion of the above investments, the Series B and Series B+ Investors became our Shareholders before completion of the [REDACTED] and the [REDACTED].

For details, see “History, Reorganization and Corporate Structure — [REDACTED] Investments.”

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Report set out in Appendix I to this Document.

### Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
			(RMB'000)		
				(Unaudited)	
Revenue	80,885	127,425	189,552	53,095	82,947
Cost of sales	(44,487)	(76,044)	(110,753)	(35,807)	(53,973)
<b>Gross profit</b>	<b>36,398</b>	<b>51,381</b>	<b>78,799</b>	<b>17,288</b>	<b>28,974</b>
<b>PROFIT BEFORE TAX</b>	<b>18,635</b>	<b>32,793</b>	<b>40,068</b>	<b>6,877</b>	<b>11,178</b>
<b>PROFIT FOR THE YEAR/PERIOD</b>	<b><u>17,351</u></b>	<b><u>28,553</u></b>	<b><u>34,380</u></b>	<b><u>6,317</u></b>	<b><u>10,527</u></b>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(486)</u></b>	<b><u>(385)</u></b>	<b><u>414</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>	<b><u>17,351</u></b>	<b><u>28,553</u></b>	<b><u>33,894</u></b>	<b><u>5,932</u></b>	<b><u>10,941</u></b>

*Notes:*

- (1) We received government grants under other income and gains of RMB1.2 million, RMB3.5 million, RMB3.8 million and RMB0.4 million in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.
- (2) Our administrative expenses increased significantly by 86.8% from RMB15.1 million in 2020 to RMB28.3 million in 2021, primarily due to (i) an increase in our R&D expenses as a result of the hiring of 12 additional R&D staff and the overall salary raise for our employees in 2021; and (ii) an increase in [REDACTED] of RMB[REDACTED]. Our net impairment losses on financial and contract assets increased by 138.0% from RMB4.8 million in 2020 to RMB11.5 million in 2021 primarily due to the enlarging amount and aging of trade receivables in line with our revenue growth from 2020 to 2021. For details, see “Financial Information — Year to Year comparison of Results of Operations.”

## SUMMARY

Our net profit increased from RMB17.4 million in 2019 to RMB34.4 million in 2021 at a CAGR of 40.8%, and 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. Such increase was in line with the increase in our revenue and gross profit for the same periods, reflecting the improvement of our profitability benefiting from the industry experiences obtained, market recognition built and scale of business achieved during the Track Record Period.

### *Non-HKFRS Measure*

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also present the adjusted net profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that this non-HKFRS measure facilitates comparison of operating performance from period to period by eliminating impacts of [REDACTED], which are relating to the [REDACTED]. For details, see “Financial Information — Description of Key Statement of Profit or Loss Items — Non-HKFRS Measure.”

We believe that this non-HKFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across the Track Record Period. The use of this non-HKFRS measure has limitations as an analytical tool. As such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore, may not be comparable to similar measures presented by other companies.

We define adjusted net profit (non-HKFRS measure) as net profit adding back [REDACTED]. The table below sets out the adjusted net profit (non-HKFRS measure) in each respective period during the Track Record Period:

	Year ended December 31,			Five months ended	
	2019	2020	2021	2021	2022
	(RMB'000)			(Unaudited)	
Profit for the year/period	17,351	28,553	34,380	6,317	10,527
Add: [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>Adjusted net profit for the year/period (non-HKFRS measure)</b>	<b><u>17,351</u></b>	<b><u>29,402</u></b>	<b><u>41,755</u></b>	<b><u>6,635</u></b>	<b><u>17,617</u></b>



## SUMMARY

### Summary of Consolidated Statements of Financial Position

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	<i>(RMB'000)</i>			
Current assets	108,378	155,938	339,345	218,162
Current liabilities	(38,055)	(45,506)	(197,880)	(65,849)
<b>Net current assets</b>	<b>70,323</b>	<b>110,432</b>	<b>141,465</b>	<b>152,313</b>
Non-current assets	11,587	8,897	13,352	12,796
Non-current liabilities	(668)	(34)	(1,783)	(1,134)
<b>Net assets</b>	<b>81,242</b>	<b>119,295</b>	<b>153,034</b>	<b>163,975</b>

Our net current assets increased from RMB70.3 million as of December 31, 2019 to RMB110.4 million as of December 31, 2020, primarily attributable to an increase in trade and notes receivables of RMB49.1 million in line with our revenue growth. Our net current assets further increased to RMB141.5 million as of December 31, 2021, primarily attributable to (i) an increase in prepayments, deposits and other receivables of RMB101.5 million mainly caused by the receivables from shareholders who had not fully performed their capital injection obligations to our Company, (ii) an increase in cash and cash equivalents of RMB57.5 million mainly as a result of a loan from a director for the reorganization purpose, and (iii) an increase in trade receivables of RMB19.8 million in line with our business expansion, which was partially offset by the elimination of financial assets at fair value through profit or loss as all our wealth management products had been fully redeemed as of December 31, 2021. Our net current assets further increased to RMB152.3 million as of May 31, 2022, primarily attributable to (i) a decrease in other payables and accruals of RMB140.9 million as we settled the payables arising from the Reorganization and the amount due to a director, and (ii) an increase in trade and notes receivables of RMB26.8 million, which was partially offset by (i) a decrease in prepayments, other receivables and other assets of RMB94.7 million mainly because we settled receivables due from shareholders in January 2022, and (ii) a decrease in cash and cash equivalent of RMB59.4 million mainly as a result of loan repayment to a director of RMB40.9 million. For details, see “Financial Information — Certain Balance Sheet Items.”

Our net assets increased from RMB81.2 million as of December 31, 2019 to RMB119.3 million as of December 31, 2020 primarily attributable to total comprehensive income for the year of RMB28.6 million and capital injection from shareholders of RMB9.5 million. Our net assets increased to RMB153.0 million as of December 31, 2021 primarily attributable to profit for the year of RMB34.4 million, total comprehensive income for the year of RMB33.9 million and issue of shares of RMB117.4 million, which was partially offset by capital reduction of RMB108.4 million. Our net assets further increased to RMB164.0 million as of May 31, 2022 primarily attributable to profit for the period of RMB10.5 million and total comprehensive



## SUMMARY

income for the period of RMB10.9 million. For details, see “Consolidated Statements of Changes in Equity” in the Accountants’ Report in Appendix I to this Document.

### Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
			<i>(RMB'000)</i>		
				<i>(Unaudited)</i>	
Net cash flows (used in)/from operating activities	(3,746)	(13,938)	16,940	(287)	(4,844)
Net cash flows (used in)/from investing activities	(11,474)	24,550	(1,407)	(16,196)	(4,248)
Net cash flows from/(used in) financing activities	13,037	12,105	42,463	(92)	(50,677)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b><u>(2,183)</u></b>	<b><u>22,717</u></b>	<b><u>57,996</u></b>	<b><u>(16,575)</u></b>	<b><u>(59,769)</u></b>
Cash and cash equivalents at the beginning of the year/period	9,581	7,458	28,807	28,807	86,337
Effect of foreign exchange rate changes, net	60	(1,368)	(466)	(162)	347
<b>Cash and cash equivalents at the end of the year/period</b>	<b><u>7,458</u></b>	<b><u>28,807</u></b>	<b><u>86,337</u></b>	<b><u>12,070</u></b>	<b><u>26,915</u></b>

Our net cash used in operating activities was RMB4.8 million for the five months ended May 31, 2022. This net cash outflow was primarily due to an increase in trade and notes receivables of RMB27.3 million, which was partially offset by (i) profit before tax of RMB11.2 million, (ii) an increase in trade payables of RMB9.6 million mainly due to the purchase of the private 5G network system equipment, and (iii) an increase in other payables and accruals of RMB5.5 million. Our net cash used in operating activities was RMB14.0 million for the year ended December 31, 2020. This net cash outflow was primarily due to an increase in trade receivables of RMB53.1 million as a result of the commencement of 5G network project constructions, mainly for entities associated with state-owned enterprises, which was partially offset by profit before tax of RMB32.8 million. Our cash used in operating activities was RMB3.7 million for the year ended December 31, 2019. This net cash outflow was primarily

## SUMMARY

due to an increase in trade receivables of RMB43.6 million as a result of the commencement of more projects in 2019, which was partially offset by (i) profit before tax of RMB18.6 million, and (ii) an increase in trade payables of RMB12.7 million primarily attributable to (a) the outsourcing fees due to a recruiting company of RMB6.3 million, and (b) project fees due to a project contractor based in Guizhou of over RMB5.0 million as a result of our rapid business expansion. For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows.”

Taking into account the financial resources available to us, including cash flow from our business operations, bank borrowings and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this Document.

### Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	As of/For the year ended December 31,			As of/For the five months ended May 31,
	2019	2020	2021	2022
<b>Profitability ratios</b>				
Gross profit margin <sup>(1)</sup>	45.0%	40.3%	41.6%	34.9%
Net profit margin <sup>(1)</sup>	21.5%	22.4%	18.1%	12.7%
Return on equity <sup>(1)</sup>	34.1%	28.5%	25.2%	N/A
Return on assets <sup>(1)</sup>	18.0%	20.1%	13.3%	N/A
<b>Liquidity ratios</b>				
Current ratio <sup>(1)</sup>	2.8	3.4	1.7	3.3
Quick ratio <sup>(1)</sup>	2.8	3.4	1.7	3.3
<b>Capital adequacy ratio</b>				
Gearing ratio <sup>(1)</sup>	5.5%	6.5%	4.1%	4.7%

*Note:*

- (1) See “Financial Information — Key Financial Ratios” for the methodology for the calculation of these ratios, as well as the reasons for material fluctuations of these ratios.

## SUMMARY

[REDACTED]

Our [REDACTED] mainly include [REDACTED], professional fees paid to legal advisors and the Reporting Accountants for their services rendered in relation to the [REDACTED] and the [REDACTED]. The estimated total [REDACTED] (based on the mid-point of our indicative price range for the [REDACTED] and assuming that the [REDACTED] is not exercised, excluding any discretionary incentive fee which may be payable by us) for the [REDACTED] are approximately RMB[REDACTED], which include (i) [REDACTED]-related expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED], (ii) professional fees and expenses of legal advisors and reporting accountants of approximately RMB[REDACTED], and (iii) other fees and expenses, including fees to the Sole Sponsor, financial printer and other professional parties, of approximately RMB[REDACTED]. The estimated total [REDACTED] are estimated to represent [REDACTED]% of the gross [REDACTED] from the [REDACTED]. During the Track Record Period, we incurred [REDACTED] of RMB[REDACTED], of which RMB[REDACTED] was charged to the consolidated statements of profit or loss as administrative expenses and RMB[REDACTED] (deferred [REDACTED] in the consolidated statements of financial position as of May 31, 2022) will be deducted from equity upon the [REDACTED]. We expect to incur additional [REDACTED] of approximately RMB[REDACTED], of which approximately RMB[REDACTED] is expected to be recognized as administrative expenses and approximately RMB[REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2022.

## DIVIDENDS

As advised by our Cayman Islands Legal Advisors, under the Cayman Companies Act and the Memorandum and Articles, we may declare and pay a dividend out of either profits or share premium account, provided always that under no circumstances may a dividend be declared or paid if such payment would result in our Company being unable to pay its debts when they fall due in the ordinary course of business. The payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries.

PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

No dividends had been paid or declared by our Company since its incorporation, or any subsidiaries of our Group during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

## SUMMARY

[REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] after deducting the [REDACTED] and expenses payable by us in the [REDACTED], assuming the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] per Share to HK\$[REDACTED] per share in this Document.

We intend to use the [REDACTED] we receive from the [REDACTED] as follows:

<u>% of</u> <u>[REDACTED]</u>	<u>Future Plans</u>	<u>Approximately</u> <u>HK\$ in Millions</u>
[REDACTED]%	Improving our private 5G network solutions	[REDACTED]
[REDACTED]%	Research and development of industrial WLAN	[REDACTED]
[REDACTED]%	Developing a common digitalization foundation to further upgrade our Universal IoT Platform	[REDACTED]
[REDACTED]%	R&D infrastructure upgrades	[REDACTED]
[REDACTED]%	Strengthening business development capabilities	[REDACTED]
[REDACTED]%	Additional working capital and other general corporate purpose	[REDACTED]

See the section headed “Future Plans and [REDACTED]” for more details.

## REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, (i) we had not been involved in any actual or pending legal, arbitration or administrative proceedings, nor (ii) had we experienced any material or systemic non-compliance incidents, which we believe, taken as a whole, would likely to have a material adverse effect on our business or financial position. See “Business — Legal Proceedings and Compliance.”

## RISK FACTORS

There are certain risks involved in our operations or relating to an investment in our [REDACTED], many of which are beyond our control. For details, please see the section headed “Risk Factors.” As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the “Risk Factors” section in its entirety before you decide to invest in our [REDACTED]. Some of the major risks that we face include:

- We operate in a rapidly evolving industry. If we fail to continuously innovate our technology and provide useful solutions and products that meet the expectation of our customers, we may fail to retain existing customers and attract new customers in sufficient numbers, and our business, results of operations and prospects may be materially and adversely affected.

## SUMMARY

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- If the market for our solutions fails to grow as we expect, or if our customers or potential customers fail to adopt our solutions, our business, operating results, and financial condition could be adversely affected.
- If we are unable to ensure compatibility of our solutions with a variety of terminals, telecommunication devices and infrastructures developed by others, including our partners, we may become less competitive, and our results of operation may be harmed.
- We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results. Any significant default on our receivables or any impairment charges incurred could materially and adversely affect our liquidity, financial condition and results of operations.
- We may be unable to obtain new contracts from our main contractor customers, or to claim payment from them successfully.
- We derive a significant portion of our revenue from our top five customers, and any decrease or loss of business with them could adversely affect our business.
- 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 rely on proper operation and maintenance of Internet infrastructure and telecommunications networks in the PRC. Any malfunction, capacity constraint or operation interruption may have an adverse impact on our business.
- Our success depends on the continuing efforts of our senior management and key personnel, as well as a competent pool of talents who support our existing operations and future growth. If our senior management is unable to work together effectively or efficiently or if we fail to recruit, retain, train and motivate such personnel, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.
- We involve third parties in our operations to supply certain components of our products and manufacture, assemble, test, package and deliver certain of our products. Such arrangements may reduce our control over supply sufficiency, product quantity and quality, development, enhancement and product delivery schedule and could harm our business.

## SUMMARY

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### IMPACT OF THE COVID-19 PANDEMIC

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then, which has adversely affected the global economy. In order to contain the COVID-19 pandemic, the PRC Government has implemented a series of measures, including travel restrictions, quarantines and business shutdowns. Our Directors have carried out a holistic review of the impact of the COVID-19 pandemic on our operations and confirmed that as of May 31, 2022, COVID-19 pandemic did not bring material adverse impact on our operations and finance performance based on the following grounds.

- ***Impact on our business operations.*** The COVID-19 pandemic resulted in temporary closures of many corporate offices, manufacturing facilities and factories across the PRC. In particular, the PRC has recently experienced upticks in cases that have prompted selective restrictions in affected regions. Certain travel restrictions, lock-down measures and other limitations were imposed in various places in response to these new cases. For example, we temporarily closed our Shenzhen offices and suspended our assembly and testing center in Shenzhen for a period of (i) one month in February 2020 due to the outbreak of COVID-19; and (ii) seven days in March 2022 due to the outbreak of Omicron variant in Shenzhen. We temporarily closed our Nanjing office for a period of (i) 24 days in January and February 2020 due to the outbreak of COVID-19; and (ii) 20 days in August 2021 due to the outbreak of Delta variant in Nanjing. Even though we had fully resumed our offices and assembly and testing activities immediately after lifting the lockdown, we have also experienced certain negative impact of COVID-19 pandemic on our business operations, primarily including (i) the delay for delivery our antenna products during the lockdown period, which the aggregate order value amounted to USD0.1 million; and (ii) reduced offline communication with customers amid the temporary government-mandated travel restrictions or bans to contain the spread of the COVID-19. Save as disclosed above, we did not (i) experience any material delay or failure by our suppliers to deliver our orders, or (ii) fail to provide solutions/services or deliver products to our customers during such period.
- ***Impact on our financial performance.*** As we had not experienced any material delay or suspension of our projects, nor experienced any material difficulties in settlements with our customers due to the impact of COVID-19 pandemic, our financial performance has not been materially and adversely affected by the outbreak of COVID-19. We have been granted deduction in the contribution of social insurance premiums for our employees of approximately RMB0.3 million in 2020, according to relevant government relief policies during the COVID-19 pandemic. During the Track Record Period, we had incurred the cost for hygiene and precaution measures of RMB30,000.

## SUMMARY

In line with the PRC Government’s measures and requirements to contain the pandemic, and to protect our employees from infection, we have taken various precautionary measures in response to the COVID-19 outbreak, such as (i) setting up temperature reporting procedures for our employees; and (ii) requiring our employees to wear face masks during the working time.

Despite the impact of the COVID-19 pandemic, we achieved continuous growth in revenue during the Track Record Period. Our senior management has played an important role in implementing our strategies to mitigate the impact of the pandemic, such as leading our R&D to make technological advancements, exploring new and potential customers, maintaining multiple supplies for our raw materials and components. As of the Latest Practicable Date, we had not received any cancellation of projects or transactions by customers due to the COVID-19 outbreaks. We believe that the COVID-19 pandemic will not (i) significantly disrupt the operation of our major suppliers, or (ii) have a significant on-going impact on our ability to provide solutions/services or deliver products as agreed with our customers.

It is uncertain when and whether COVID-19 could be contained globally. There is no assurance that the COVID-19 pandemic will not escalate significantly or continue to have a material adverse effect on our financial condition, results of operations or prospects. See “Risk Factors — Risks Relating to Our Business and Industry — The COVID-19 pandemic has adversely affected, and may continue to adversely affect our business, operating results and financial condition.”

### RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we had obtained 36 newly awarded contracts, among which 29 for IoT solution projects, six for sales of telecommunication equipment, and one for other services. The following table sets forth the details of our newly awarded contracts subsequent to the Track Record Period and up to the Latest Practicable Date:

Project/Transaction	Technologies adopted (5G/Non-5G)	Contract date	Status as of the Latest Practicable Date	Contract value <i>RMB'000</i>	Revenue recognized up to the Latest Practicable Date <sup>(1)</sup> <i>RMB'000</i> <i>(Unaudited)</i>
Underground municipal facilities data management platform project	Non-5G	June 1, 2022	Completed	5,185	4,892
Territorial space basic information platform and data governance project	Non-5G	June 1, 2022	Completed	3,950	3,726
Intelligent sanitation supervision system technology development service project	Non-5G	June 1, 2022	Completed	5,120	4,830
Village grassroots digital supervision cloud platform project	Non-5G	June 2, 2022	Completed	4,530	4,274



SUMMARY

Project/Transaction	Technologies adopted (5G/Non-5G)	Contract date	Status as of the Latest Practicable Date	Contract value	Revenue recognized up to the Latest Practicable Date <sup>(1)</sup>
				RMB'000	RMB'000 (Unaudited)
Banking smart marketing big data analysis and 5G customer service technology development service project	5G	June 2, 2022	Completed	4,200	3,962
Video structured big data platform development project	Non-5G	June 7, 2022	Completed	2,520	2,377
Video stream image recognition application modeling system development project	Non-5G	June 7, 2022	Completed	2,460	2,321
Big data analysis system development project for smart city comprehensive governance	Non-5G	June 7, 2022	Completed	2,680	2,528
Full-stack intelligent operation and maintenance monitoring platform development project	Non-5G	June 15, 2022	Completed	5,324	5,023
Intelligent industry management platform development service projects	Non-5G	June 15, 2022	Completed	3,860	3,642
Smart city convenient service management system development project	Non-5G	June 15, 2022	Completed	4,350	4,104
Comprehensive enforcement digital management system development project	Non-5G	June 15, 2022	Completed	5,600	5,283
Shaanxi 12345 citizen Service hotline project	Non-5G	June 24, 2022	Completed	1,844	1,740
Software test project of the intelligent networking system	Non-5G	June 28, 2022	Completed	140	132
Smart community security monitoring platform construction project	Non-5G	June 28, 2022	Completed	1,222	1,103
Mobile dispatch command system construction project	5G	July 22, 2022	Completed	224	198
Sales of IoT and Beidou positioning terminal modules	Non-5G	July 22, 2022	Completed	2,180	1,929
Map simulation data center development project	Non-5G	August 2, 2022	In-progress	6,810	–
Development project of 3D map simulation and drill system (Phase I)	Non-5G	August 2, 2022	In-progress	5,760	–
Sales of IoT and Beidou positioning terminal modules	Non-5G	August 5, 2022	Completed	1,962	1,736
Application service platform project	Non-5G	August 10, 2022	Completed	200	177
Big data real-time decision center platform project	Non-5G	August 10, 2022	Completed	322	285



SUMMARY

Project/Transaction	Technologies adopted (5G/Non-5G)	Contract date	Status as of the Latest Practicable Date	Contract value	Revenue recognized up to the Latest Practicable Date <sup>(1)</sup>
				RMB'000	RMB'000 (Unaudited)
Sales of IoT and Beidou positioning terminal modules	Non-5G	August 12, 2022	Completed	3,052	2,701
Sales of 5G pRRU and accessories	5G	August 18, 2022	Completed	8,075	7,146
Development project of 3D map simulation and drill system (Phase II)	Non-5G	August 25, 2022	In-progress	4,920	-
Sales of corollary equipment for smart medical GY6000A project	5G	August 26, 2022	Completed	32,723	28,958
Medical financial management system development project	Non-5G	September 2, 2022	In-progress	4,470	-
Big data integrated management platform technical services	Non-5G	September 8, 2022	Completed	6,400	6,038
Industrial IoT platform technical services based on 5G applications	5G	September 8, 2022	Completed	8,300	7,830
Comprehensive emergency command platform technical services based on 5G applications	5G	September 8, 2022	Completed	8,500	8,019
Industrial digital cloud platform technical services based on the IoT	Non-5G	September 8, 2022	Completed	8,600	8,113
Smart community security monitoring platform construction project (Phase II)	Non-5G	September 13, 2022	In-progress	882	-
Sales of monitoring equipment	Non-5G	September 13, 2022	In-progress	630	-
Device operation awareness platform development project	Non-5G	October 12, 2022	In-progress	4,379	-
Cultural travel customization platform development project	Non-5G	October 12, 2022	In-progress	3,520	-
Sales of high-speed wireless gateway	Non-5G	October 14, 2022	In-progress	31	-
<b>Total</b>				<b>164,924</b>	<b>123,067</b>

Note:

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

## SUMMARY

In addition, a series of conflicts have escalated between Russia and Ukraine since February 2022, which had led to sanctions from a number of countries towards Russia targeting businesses, monetary exchanges, bank transfers, and imports and exports (the “**Russia-Ukraine Crisis**”). Adversely affected by the Russia-Ukraine Crisis, revenue generated from our Russian distributor decrease significantly by 76.6% for the five months ended May 31, 2022 as compared to the same period in 2021. Although the Russia-Ukraine Crisis has been adversely affecting Russian’s vehicle mounted antenna market since February 2022, and therefore, revenue generated from our export of vehicle mounted antenna business have decreased significantly since then and is expected to further decrease in the foreseeable future, nevertheless, considering that (i) export of vehicle mounted antenna was not our major business line, the gross profit contribution of which was about 8.7% during the Track Record Period; and (ii) we dedicate to continuing focusing on IoT solution business, which is expected to have strong market growth rate according to Frost & Sullivan, we do not expect the Russia-Ukraine Crisis will result in material adverse impact on our overall business operations in a long term.

We estimate our net profit margin will decrease for the year ending December 31, 2022, primarily due to the [REDACTED] to be recognized in 2022.

Our Directors confirm that save as disclosed above, (i) there had been no material adverse change in our business, the industry in which we operate, or market or regulatory environment to which we are subject, (ii) there had been no material adverse change in our financial or trading position or prospects, since May 31, 2022, being the end date of our latest audited financial statements, and up to the Latest Practicable Date, and (iii) there has been no event since May 31, 2022 and up to the date of this Document that would materially affect the information shown in the Accountants’ Report set forth in Appendix I to this Document.

### [REDACTED] STATISTICS

	Based on an [REDACTED] of HK\$[REDACTED] per Share	Based on an [REDACTED] of HK\$[REDACTED] per Share
Market capitalization of our Share <sup>(1)</sup>	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted net tangible asset value per Share <sup>(2)</sup>	HK\$[REDACTED] (RMB[REDACTED])	HK\$[REDACTED] (RMB[REDACTED])

*Notes:*

- (1) The calculation of the market capitalization is based on [REDACTED] Shares expected to be in issue immediately following the completion of the [REDACTED] and the [REDACTED] and assuming that the [REDACTED] is not exercised.
- (2) The unaudited pro forma adjusted net tangible asset value per Share is calculated after marking the adjustments referred to in “Financial Information — Unaudited Pro Forma Adjusted Net Tangible Assets” and on the basis of [REDACTED] Shares expected to be in issue and outstanding immediately following the completion of [REDACTED] and the [REDACTED] and assuming that the [REDACTED] is not exercised.

## DEFINITIONS

*In this Document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain technical terms are explained in the section headed “Glossary of Technical Terms” in this Document.*

“Accountants’ Report”	our accountants’ report set out in Appendix I to this Document
“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company conditionally adopted on [date] which will become effective upon [REDACTED], as amended or supplemented from time to time, a summary of which is set out in “Summary of the Constitution of Our Company and Cayman Companies Act” in Appendix III to this Document
“Audit Committee”	the audit committee of our Board
“BIS”	the U.S. Department of Commerce’s Bureau of Industry and Security
“BIS List”	the Bureau of Industry and Security’s Entity List, Denied Parties List, or the Unverified List maintained by the U.S. Department of Commerce
“Board” or “Board of Directors”	the board of Directors
“business day(s)” or “Business Day(s)”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business to the public
“BVI”	the British Virgin Islands

## DEFINITIONS

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[REDACTED]

[REDACTED]

“Cayman Companies Act” or  
“Companies Act”

the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time

“Cayman Islands Legal Advisors”

Ogier, our legal advisor as to Cayman Islands laws in connection with the [REDACTED]

[REDACTED]

[REDACTED]

## DEFINITIONS

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[REDACTED]

[REDACTED]

“Central to Northwestern China”

For the purpose of this Document, Central to Northwestern China refers to the region spanning Provinces of Gansu, Shaanxi and Qinghai, Ningxia Hui Autonomous Region, and Xinjiang Uygur Autonomous Region

“Central to Southwestern China”

For the purpose of this Document, Central to Southwestern China refers to the region spanning Provinces of Guizhou, Henan, Hubei, Hunan, Sichuan, and Yunan, the Municipality of Chongqing and the Tibet Autonomous Region

## DEFINITIONS

“Changshu Wulian”	Changshu M2Micro Electronics Co., Ltd. (物聯微電子(常熟)有限公司), a limited liability company established in the PRC on March 3, 2011, which ceased to be our Group company upon deregistration on October 11, 2019
“China” or “the PRC”	the People’s Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires otherwise, reference in this Document to China and the PRC do not apply to Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company,” “our Company” or “the Company”	Howkingtech International Holding Limited, an exempted company with limited liability incorporated in Cayman Islands on August 25, 2021, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 13, 2022
“Concert Party Confirmation”	the acting in concert confirmation dated January 6, 2022 entered into between Ms. Wang and Ms. Jin in relation to, among others, the governing of the exercise of their voting rights in our Company
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules, and unless the context otherwise requires, refers to Dr. Chen, Ms. Wang, Ms. Jin and Howking Tech Holding
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time

## DEFINITIONS

“Countries subject to International Sanctions”	Countries or territories for which Relevant Jurisdictions maintain various forms of sanctions programs in place
“COVID-19”	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, believed to have first emerged in late 2019
“Deed of Non-competition”	the deed of non-competition dated <i>[date]</i> entered into by our Controlling Shareholders with and in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in “Relationship with Our Controlling Shareholders — Deed of Non-competition” in this Document
“Deed of Indemnity”	the deed of indemnity dated <i>[date]</i> and entered into by and among our Controlling Shareholders, in favor of our Company (for itself and as trustee for its subsidiaries), further information of which is set out in “Statutory and General Information — E. Other Information — 1. Estate Duty, Tax and Other Indemnity” in Appendix IV to this Document
“Director(s)”	the director(s) of our Company
“Dongzheng Hande”	Haining Dongzheng Hande Investment Partnership (LLP) (海寧東證漢德投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 22, 2017, the sole general partner of which is Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司) holding 11.11111% interest, and the remaining ten limited partners of which are Ningbo Oaks Investment Management Co., Ltd. (寧波奧克斯投資管理有限公司) holding 44.44444% interest, and nine other Independent Third Parties holding 44.44445% interest in aggregate, and one of our [REDACTED] Investors

## DEFINITIONS

“Dongzheng Xiade”	Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership (LLP) (寧波梅山保稅港區東證夏德投資合夥企業(有限合夥)), a limited partnership established in the PRC on February 11, 2018, the sole general partner of which is Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司) holding 18.88889% interest, and the remaining eight limited partners of which are Independent Third Parties holding 81.11111% interest in aggregate, and one of our [REDACTED] Investors
“Dr. Chen”	Dr. Chen Ping (陳平), our co-founder and chief executive officer, chairman of the Board, an executive Director, the spouse of Ms. Wang and the son-in-law of Ms. Jin, and one of our Controlling Shareholders
“Eastern China”	For the purpose of this Document, Eastern China refers to the region spanning Provinces of Anhui, Fujian, Jiangsu, Jiangxi, Shandong, Taiwan and Zhejiang and the Municipality of Shanghai
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), enacted on March 16, 2007, effective from January 1, 2008, last amended on December 29, 2018 by the SCNPC and newly effective on the same date
[REDACTED]	[REDACTED]
“Etic Industrial”	Etic Industrial Co., Ltd., a limited liability company incorporated in Hong Kong on September 8, 2020, which is ultimately controlled by Dr. Chen
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the government of Hong Kong



## DEFINITIONS

“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global provider of market research and analysis, growth strategy consulting, and corporate training services, which is an Independent Third Party
“Frost & Sullivan Report”	the independent market research for the PRC IoT market, the PRC telecommunication equipment market, IoT antennas market in the U.S. and vehicle mounted antenna market in Russia prepared by Frost & Sullivan and commissioned by us
“FSE List”	the list of Foreign Sanctions Evaders maintained by OFAC, which sets forth individuals and entities that are determined to have violated, attempted to violate, conspired to violate, or caused a violation of U.S. sanctions on Syria or Iran, and are prohibited to transact with U.S. persons or within the United States but whose assets/property interest are not subject to blocking
[REDACTED]	[REDACTED]
“Greater China”	the geographical regions including mainland China, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
[REDACTED]	[REDACTED]
“Group,” “our Group,” “we,” “our” or “us”	the Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, such subsidiaries and businesses operated by them or their predecessors (as the case may be)
[REDACTED]	[REDACTED]

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## DEFINITIONS

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[REDACTED]

[REDACTED]

“HK\$,” “Hong Kong dollars,”  
“HK dollars” or “cents”

Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

“HKFRS”

Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

“HKSCC”

Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited

“HKSCC Nominees”

HKSCC Nominees Limited, a wholly owned subsidiary of HKSCC

“Hong Kong” or “HK”

the Hong Kong Special Administrative Region of the PRC

[REDACTED]

[REDACTED]

“Hong Kong Howking”

HONGKONG HOWKING TECHNOLOGY LIMITED (香港濠暎通訊科技有限公司), a limited company incorporated in Hong Kong on January 23, 2020 and an indirect wholly-owned subsidiary of our Company

[REDACTED]

[REDACTED]

“Hong Kong Stock Exchange” or  
“Stock Exchange”

The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
[REDACTED]	[REDACTED]
“Howking Tech BVI”	Howkingtech (BVI) Limited, a company incorporated in BVI with limited liability on September 3, 2021 and a direct wholly-owned subsidiary of our Company
“Howking Tech HK”	HowKingTech Hong Kong Limited, a limited company incorporated in Hong Kong on September 17, 2021 and an indirect wholly-owned subsidiary of our Company
“Howking Tech Holding”	Howkingtech Holding Limited, a limited liability company incorporated in the BVI on August 11, 2021, which is owned as to 56.7980% by Ms. Wang and 43.2020% by Ms. Jin, and one of our Controlling Shareholders
“Huixin Qianhai”	Shenzhen Huixin Qianhai Equity Investment Enterprise (LLP) (深圳匯信前海股權投資企業(有限合夥)), a limited partnership enterprise established in the PRC on March 30, 2016, the sole general partner of which is Ningbo Huixin Zhiyuan Investment Management Partnership (LLP) (寧波匯信致遠投資管理合夥企業(有限合夥)) holding 1.0417% interest, and the remaining seven limited partners of which are Ms. Xie Xiongqing (謝雄清) holding 34.7222% interest, and six other Independent Third Parties holding 64.2361% interest in aggregate, and one of our [REDACTED] Investors

## DEFINITIONS

“Huizhou Wulian”	Huizhou M2Micro Electronics Co., Ltd. (惠州市物聯微電子有限公司), a limited liability company established in the PRC on August 28, 2015, which was owned as to 81%, 10% and 9% by M2Micro Group (Seychelles), Shanghai Yingqi and Zunyi Anzhilian, respectively, and was deregistered on April 13, 2022
“IAS”	International Accounting Standards
“INRM”	intelligent network resource management
“Independent Third Party(ies)”	third party(ies) who is, to the best knowledge of our Directors having made due and reasonable enquiries, not a connected person of the Company (having the meaning ascribed to it under the Listing Rules)
[REDACTED]	[REDACTED]
“International Sanctions”	all applicable laws and regulation to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted administered and enforced by the U.S. Government, the EU and its member states, UN or Government of Australia
“International Sanctions Legal Advisor”	Hogan Lovells, our legal advisor as to International Sanctions laws in connection with the [REDACTED]

## DEFINITIONS

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[REDACTED]

[REDACTED]

“Latest Practicable Date”

October 21, 2022, being the latest practicable date prior to the printing of this Document for the purpose of ascertaining certain information contained in this Document prior to its publication

[REDACTED]

[REDACTED]

“Listing Committee”

the Listing Committee of the Stock Exchange

[REDACTED]

[REDACTED]

“Listing Rules”

the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

## DEFINITIONS

“M2Micro Group (Brunei)”	M2Micro Group Co., Ltd., a limited liability company incorporated in Brunei on December 10, 2010, which was ultimately controlled by Dr. Chen and wound up as of the Latest Practicable Date
“M2Micro Group (Seychelles)”	M2Micro Group Co., Ltd., a limited liability company incorporated in Seychelles on February 13, 2015, which was ultimately controlled by Ms. Wang
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company, a summary of which is set out in Appendix III to this Document, and as amended from time to time
“MIIT”	Ministry of Industry and Information Technology (中華人民共和國工業和信息化部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Ms. Jin”	Ms. Jin Yan (金豔), the mother of Ms. Wang, the mother-in-law of Dr. Chen and one of our Controlling Shareholders
“Ms. Wang”	Ms. Wang Zheshi (王者師), co-founder and chief administrative and human resources officer, an executive Director, the spouse of Dr. Chen and the daughter of Ms. Jin, and one of our Controlling Shareholders
“Nanjing Haoxin”	Nanjing Haoxin Microelectronics Partnership (LLP) (南京毫芯微電子合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on June 10, 2019, the sole general partner of which is Ms. Wang holding 74.337% interest and the remaining limited partners of which are Independent Third Parties holding 25.663% interest in aggregate

## DEFINITIONS

“Nanjing Howking”	Nanjing Howking Technology Co., Ltd. (南京濠暉通訊科技有限公司), a limited liability company established in the PRC on September 29, 2013 and an indirect wholly-owned subsidiary of our Company
“Nanjing Maitumai”	Nanjing Maitumai Intelligent Technology Co., Ltd. (南京邁途邁智能科技有限公司), a limited liability company established in the PRC on September 1, 2016, which ceased to be our Group company upon deregistration on March 20, 2019
“Nanjing Yitaike”	Nanjing ETIC Communication Technology Co., Ltd. (南京易太可通信技術有限公司), a limited liability company established in the PRC on January 21, 2021, which is owned as to 65.95% by Etic Industrial and 34.05% in aggregate by two Independent Third Parties
“Nanjing Zeputuo”	Nanjing Zeputuo Information Technology Co., Ltd. (南京仄普托信息科技有限公司), a limited liability company established in the PRC on December 24, 2013, which is held as to 58.4501% by Nanjing Haoxin, 12.4999% by Ms. Wang and 29.0500% by an Independent Third Party
“Ningbo Qipu”	Ningbo Qipu Growth Ruiying Investment Management Partnership (LLP) (寧波啟浦成長睿贏投資管理合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on May 26, 2017, the sole general partner of which is Shanghai Qipu Investment Management Co., Ltd. (上海啟浦投資管理有限公司) holding 0.1664% interest, and the remaining five limited partners of which are Mr. Xing Wenlong (邢文龍) holding 33.2779% interest and four other Independent Third Parties holding 66.5557% interest in aggregate, and one of our [REDACTED] Investors
“Nomination Committee”	the nomination committee of the Board established by the Board

## DEFINITIONS

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“Northern to Northeastern China” For the purpose of this Document, Northern to Northeastern China refers to the region spanning Provinces of Hebei, Heilongjiang, Jilin, Liaoning, and Shanxi (山西), the Municipalities of Beijing and Tianjin, and the Inner Mongolia Autonomous Region

“OFAC” the U.S. Department of Treasury’s Office of Foreign Assets Control

[REDACTED]

[REDACTED]

“Parka Aragon” Parka Aragon Hong Kong Limited (香港派克阿拉貢有限公司), a limited liability company incorporated in Hong Kong on October 27, 2021, which is wholly owned by Parka Aragon BVI, and the then investment vehicle ultimately owned by Mr. Wu Chak Man (胡澤民) which is an indirect wholly-owned subsidiary of our Company upon completion of the Reorganization



## DEFINITIONS

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“Parka Aragon BVI”	Parka Aragon Holding Limited, a limited liability company incorporated in the BVI on October 13, 2021, which was the then investment vehicle directly wholly owned by Mr. Wu Chak Man (胡澤民), and a direct wholly-owned subsidiary of our Company upon completion of the Reorganization
“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Government” or “State”	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organizations of such government or, as the context requires, any of them
“PRC laws and regulations”	any and all laws, regulations, statutes, rules, orders, decrees, notices, and supreme court’s judicial interpretations and other legislation currently in force and publicly available in the PRC as of the date hereof
“PRC Legal Advisors”	Jingtian & Gongcheng, a qualified PRC law firm as the PRC legal advisors to our Company for the [REDACTED]

[REDACTED]

[REDACTED]

## DEFINITIONS

“Primary Sanctioned Activity”	any activities 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 the Company 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 law and regulation
[REDACTED]	[REDACTED]
“Qianhai Sitong”	Shenzhen Qianhai Sitong Jiade Industry Merger and Acquisition Fund (LLP) (深圳前海四通嘉得產業併購基金(有限合夥)), a limited partnership enterprise established in the PRC on February 2, 2016 which was subsequently deregistered on June 15, 2020, the sole general partner of which was JADE TEAMS Asset Management Co., Ltd. (深圳嘉得天晟資產管理有限公司), holding 10% interest, and the remaining limited partner of which was Guangdong Sitong Group Co., Ltd (廣東四通集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603838), holding 90% interest
“Regulation S”	Regulation S under the U.S. Securities Act
“Relevant Jurisdiction”	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assess or certain countries, governments, person or entities targeted by such law or regulation
“Relevant Persons”	means the Company, together with its investors and shareholders and persons who might directly or indirectly, be involved in permitting the listing, trading clearing and settlement of its shares including the Stock Exchange and related group companies
“Remuneration Committee”	the remuneration committee of the Board

## DEFINITIONS

“Reorganization”	the reorganization of our Group in preparation for the [REDACTED], details of which are set forth in “History, Reorganization and Corporate Structure” in this Document
“Reorganization Agreement”	the reorganization agreement dated October 8, 2021 among Ms. Wang, Ms. Jin, Huixin Qianhai, Dongzheng Hande, Dongzheng Xiade, Mr. Li Zhangpeng, Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu, Ms. Ding Di, Nanjing Howking and our Company in relation to the Reorganization
“RMB” or “Renminbi”	the lawful currency of the PRC
“Russian distributor”	our overseas distributor who distributed our vehicle mounted antennas in Russia during the Track Record Period
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SAIC” or “SAMR”	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), now known as State Administration for Market Regulation (國家市場監督管理總局)
“Sanctioned Countries”	countries or territories subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction, currently Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/Ukraine, self-proclaimed Donetsk People’s Republic and self-proclaimed Luhansk People’s Republic regions
“Sanctioned Person”	certain person(s) and identity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the U.S., EU, UK, UN or Australia

## DEFINITIONS

“Sanctioned Target”	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Country subject to International Sanctions; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
“SAT”	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“SDN”	individuals and entities that are listed on the SDN List
“SDN List”	the list of Specially Designated Nationals, and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealings with U.S. persons
“Secondary Sanctionable Activity”	certain activity by the Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus with that Relevant Jurisdiction
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanghai Jinyuan”	Shanghai Jinyuan Changfu Enterprise Management Partnership (LLP) (上海進源長富企業管理合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on September 16, 2021 and an investment vehicle controlled by Huixin Qianhai as the sole general partner holding 99.99% interest, the limited partner of which is Mr. Ye Xiang (葉翔) holding 0.01% interest

## DEFINITIONS

“Shanghai Juyi”	Shanghai Juyi Enterprise Management Center (LLP) (上海炬懿企業管理中心(有限合夥)), a limited partnership enterprise established in the PRC on August 6, 2019 which was deregistered on April 29, 2020, the sole general partner of which was Ms. Jin holding approximately 55.56% interest and the remaining limited partner of which was Ms. Wang holding approximately 44.44% interest
“Shanghai Yingqi”	Shanghai Yingqi Enterprise Management Center (LLP) (上海贏元企業管理中心(有限合夥)), a limited partnership enterprise established in the PRC on August 6, 2019, the sole general partner of which is Ms. Jin holding approximately 55.56% interest and the remaining limited partner of which was Ms. Wang holding approximately 44.44% interest
“Share(s)”	the ordinary share(s) of nominal value of US\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Share Option Scheme”	the share option scheme conditionally adopted by our Shareholders on [●], the principal terms of which are summarized in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this Document
“Shenzhen Howking”	Howking Technology (Shenzhen) Co., Ltd. (濠曝科技(深圳)有限公司), a limited liability company established in the PRC on September 5, 2012, which ceased to be our Group company upon deregistration on April 2, 2022
“Shenzhen Brightmin”	Shenzhen Brightmin Management Consulting Partnership (LLP) (深圳市亮敏管理諮詢合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on September 1, 2021 and an investment vehicle controlled by Ms. Sun Shaomin (孫少敏) as the sole general partner holding 99.9% interest, and the limited partner of which is an Independent Third Party holding 0.1% interest

## DEFINITIONS

“Shenzhen Tim Win”	Shenzhen Tim Win Investment Partnership (LLP) (深圳市添運投資合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on September 7, 2021 and an investment vehicle controlled by Mr. Li Zhangpeng (李章鵬) as the sole general partner holding 99% interest, the limited partner of which is an Independent Third Party holding 1% interest
“Shenzhen Wulian”	Shenzhen M2Micro Electronics Co., Ltd. (深圳市物聯微電子有限公司), a limited liability company established in the PRC on April 17, 2012 and an indirect wholly-owned subsidiary of our Company
“Shenzhen Zhichen”	Shenzhen Zhichen Wuqi Venture Investment Partnership (LLP) (深圳智宸五期創業投資合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on July 5, 2018, the sole general partner of which is Shenzhen Zhichen Private Equity Fund Management Co., Ltd. (深圳智宸私募股權基金管理有限公司), which is controlled by Mr. Chen Ning (陳寧), holding 1% interest, and the remaining three limited partners of which are Mr. Chen Ning and Mr. Huang Zebin (黃澤斌), each holding 45% interest, and another Independent Third Party holding 9% interest, and one of our [REDACTED] Investors
“Sole Sponsor”	Ping An of China Capital (Hong Kong) Company Limited
“Southern China”	For the purpose of this Document, Southern China refers to the region spanning Provinces of Guangdong and Hainan, the Guangxi Zhuang Autonomous Region, the Hong Kong Special Administrative Region and the Macao Special Administrative Region

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## DEFINITIONS

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“SSI List”	the list of the Sectoral Sanctions Identifications parties maintenance boy OFAC, which sets forth entities designated by OFAC in Russia’s energy, financial and/or defense sectors that are subject to more limited, sectoral, sanctions imposed under one or more OFAC Directives that prohibit certain (but not all) dealing with U.S. persons or within the United States
[REDACTED]	[REDACTED]
“Track Record Period”	the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022
“U.S. and Russian Legal Advisor”	Winston & Strawn LLP, our legal advisor as to U.S and Russian import and export laws in connection with the [REDACTED]
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
[REDACTED]	[REDACTED]
“Universal IoT Platform”	our self-developed centralized data platform of IoT solutions, which provides the infrastructural functions for upper applications
“US\$,” “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“VAT”	value added tax

## DEFINITIONS

“Zhangzhou Heze”	Zhangzhou Merchants Economic Development District HeZe Limited Partnership (LLP) (漳州招商局經濟技術開發區合澤股權投資合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on December 6, 2018, the sole general partner of which is Ningbo Meishan Bonded Port Mofan Investment Management Co., Ltd. (寧波梅山保稅港區魔範投資管理有限責任公司), which is in turn controlled by Ms. Ding Di (丁迪), one of our [REDACTED] Investors, holding 0.5882% interest, and the remaining 12 limited partners of which include Ms. Ding Di holding 10.0000% interest who together with eleven Independent Third Parties holding 99.4118% interest in aggregate, and one of our [REDACTED] Investors
“Zibo Puhao”	Zibo Puhao Equity Investment Partnership (LLP) (淄博浦濠股權投資合夥企業(有限合夥)), a limited partnership enterprise established in the PRC on January 7, 2021, the sole general partner of which is Shanghai Puchang Equity Investment Fund Management Co., Ltd. (上海浦昌股權投資基金管理有限公司) holding 50% interest, and the remaining eight limited partners of which are Independent Third Parties holding 50% interest in aggregate, and one of our [REDACTED] Investors
“Zunyi Anzhilian”	Zunyi Anzhilian Enterprise Consulting Service Center (LLP) (遵義安智聯企業諮詢服務中心(有限合夥)), a limited partnership enterprise established in the PRC on December 12, 2017, the sole general partner of which is Ms. Wang holding 99% interest and the remaining limited partner of which is Ms. Jin holding 1% interest

% per cent.

*In this Document, the terms “associate,” “close associate,” “connected person,” “connected transaction,” “core connected person,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

*The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese included in this Document is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.*



## GLOSSARY OF TECHNICAL TERMS

*The section of glossary of technical terms contains explanations of certain terms used in this Document in connection with the business of our Group. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.*

“3GPP”	the 3rd Generation Partnership Project, an umbrella term for a number of standards organizations which develop protocols for mobile telecommunications
“5G”	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G, and 4G networks
“AI”	artificial intelligence, simulation of human intelligence by machines
“API”	the acronym for application programming interface, which is a software intermediary that allows two applications to talk to each other
“bandwidth”	a measure of the width of a range of frequencies, measured in hertz
“BBU”	base band unit, a device in telecom systems that transports a baseband frequency, usually from a remote radio unit, to which it may be tied through optical fiber
“broadband”	a signalling method that includes or handles a relatively wide range (or band) of frequencies, which may be divided into channels, the wider or broader the bandwidth, the greater the information-carrying capacity
“CAGR”	compound annual growth rate; the CAGR formula involves (i) dividing the ending value by the beginning value, (ii) making a radical of the amount by the number of years (e.g. 2019~2021=2 years) and (iii) subtracting one to make the rate a percentage.
“capacity”	refers to the tightest upper bound on the amount of information that can be reliably transmitted over the wireless communication channel

## GLOSSARY OF TECHNICAL TERMS

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“CFR”	Crest Factor Reduction, a technique to reduce the peak to average power ratio of a waveform to a desired value
“channel simulator”	specialized test equipment that provides test and interference signal generation capability
“cloud”	a network of remote servers hosted on the Internet and used to store, manage, and process data in place of local servers or personal computers
“CU”	centralized unit, which provides support for the higher layers of the protocol stack in base station
“DAS”	distributed antenna system, a network of antenna that sends and receives cellular signals
“DFE”	digital front end, the interface between the analog front-end and digital baseband modules in a wireless system
“DMP”	data management platform, a software platform used for collecting and managing data
“DPD”	Digital Pre-Distortion, a technique to increase linearity or compensate for non-linearity in power amplifiers
“DU”	distributed unit, which provides support for the lower layers of the protocol stack in base station
“EDA software”	electronic design automation software, a category of software for designing electronic systems
“edge computing”	a distributed computing paradigm that brings computation and data storage closer to the location where it is needed to improve response times and save bandwidth
“FEM”	the finite element method, a popular method for numerically solving differential equations arising in engineering and mathematical modeling.

## GLOSSARY OF TECHNICAL TERMS

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“ERP”	enterprise resource planning, a business process management software that allows an organization to use a system of integrated applications to manage the business and digitalize back-office functions relating to technology, services, and human resources
“error vector magnitude”	deviation of the actual signal point from the ideal signal point in a transmission path, which indicates the quality of the transmitted radio signal
“FOB”	free on board, a term in international commercial law specifying at what point respective obligations, costs, and risk involved in the delivery of goods shift from the seller to the buyer under the Incoterms standard published by the International Chamber of Commerce
“FPGA”	field programmable gate array, a type of semiconductor device that can be reprogrammed to desired application of functionality after manufacturing
“fronthaul”	fiber-based connection in in RAN infrastructure between the Baseband Unit (BBU) and Remote Radio Head (RRH), which is established to supplement to the backhaul connection between the BBU and central network core
“Gbps”	Gigabits per second, representing billions of bits per second and commonly used as a measure of bandwidth on a digital data transmission medium such as optical fibre
“GDP per capita”	gross domestic product divided by the number of people in the same area
“GFA”	gross floor area
“GHz”	gigahertz
“heterogeneous network”	a network connecting computers and other devices where the operating systems and protocols have significant differences

## GLOSSARY OF TECHNICAL TERMS

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“IEEE”	Institute of Electrical and Electronics Engineers, the world’s largest association of technical professionals established for the advancement of technology
“IT”	information technology
“IoT”	Internet of things, a massive network connecting all sorts of information sensory devices, such as radio frequency identification units, ultra-red sensors, global positioning systems and laser scanners, to the internet with the aim of connecting all things to the network for easy identification and management
“IIoT”	industrial Internet of things
“jitter”	the variation in time delay between when a signal is transmitted and when it is received over a network connection
“LORA”	Long Range, a proprietary low-power wide-area network modulation technique
“LTE-U”	long-term evolution-unlicensed, a standard for wireless broadband communication for mobile devices and data terminals
“MES”	manufacturing execution systems, which are computerized systems used in manufacturing to track and document the transformation of raw materials to finished goods
“multiple-input multiple-output” or “MIMO”	a term used to describe the use of multiple antennas at both the transmitter and receiver to improve communication performance
“MU-MIMO”	multi-user, multiple-input, multiple-output technology, which allows a Wi-Fi router to communicate with multiple devices simultaneously

## GLOSSARY OF TECHNICAL TERMS

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“Multi-TRP”	transmission and reception point, a key technology that has been studied in fourth-generation (4G) mobile communication to alleviate the inter-cell interference via dynamic coordination between the multi-TRPs, to provide joint scheduling and transmissions or receptions
“OEM”	original equipment manufacturer
“O-RAN”	open radio access network (O-RAN), a network architecture integrating software and hardware which allows BBU and RRU components from different sources to work together seamlessly
“parameter tuning”	a process of adjusting all the related parameters, such as channel model, user traffic volume and application scenarios, of radio access network to match the actual communication environment
“peak throughput”	the maximum volume of data that can be transferred within a given timeframe. For example, when the peak throughput reaches 15Gbps, the maximum volume of data transferred within a second is 15G bits
“protocol stack”	a set of protocols used in a communication network to accommodate different network architectures
“pRRU”	pico remote radio unit, which is used to the baseband unit
“private network”	a computer network that uses a private address space of IP addresses. These addresses are commonly used for local area networks (LANs) in residential, office, and enterprise environments
“radio frequency” or “RF”	the oscillation rate of an alternating electric current or voltage or of a magnetic, electric or electromagnetic field or mechanical system in the frequency range from around 20kHz to around 300 GHz
“R&D”	research and development

## GLOSSARY OF TECHNICAL TERMS

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“rHub”	a switch device, which is converge and forward common public radio interface data to allow multiple pRRUs to serve multiple indoor floors or areas
“RRU”	remote radio unit, which can be configured to communicate with a BBU via a physical communication link and can communicate with a wireless mobile device via an air interface
“sensitivity”	refers to the minimum magnitude of input signal that is required to produce an output signal which meet specified criteria
“signal analyzer”	equipment that can analyze the capabilities of modern radiofrequency signals
“signal generator”	a type of electronic devices that generates signals with set properties of amplitude, frequency and wave shapes and can be used as stimulus in designing, testing and troubleshooting
“spectrum analyzer”	equipment that measures the power of signal spectrum
“SKU”	stock keeping unit, a distinct type of item for sale
“Wi-Fi”	the name of a wireless networking technology that uses radio waves to provide wireless high-speed internet and network connections
“WLAN”	wireless local-area network

## FORWARD-LOOKING STATEMENTS

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This Document contains, and the documents incorporated by reference herein may contain certain statements that are, or may be deemed to be, "forward-looking statements." These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe(s)," "aim(s)," "estimate(s)," "plan(s)," "project(s)," "anticipate(s)," "expect(s)," "intend(s)," "may," "seek(s)," "can," "could," "ought to," "potential," "will" or "should" or similar expressions, or, in each case, their negative or other variations, or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. In particular, references to "estimate(s)" only refer to situations where best estimates have been adopted by the management. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Document and include, but are not limited to, statements regarding our intentions, beliefs or current expectations concerning, among other things, our business, results of operations, financial position, liquidity, prospects, growth, strategies and the industries and markets in which we operate or may operate in the future.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements are not guarantees of future performance or the actual results of our operations, financial position and liquidity. The development of the markets and the industries in which we operate may differ materially from the description or implication suggested by the forward-looking statements contained in this Document. In addition, even if our results of operations, financial position and liquidity as well as the development of the markets and the industries in which we operate are consistent with the forward-looking statements contained in this Document, those results or developments may not be indicative of results or developments in subsequent periods. A number of risks, uncertainties and other factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation:

- our operations and business prospects;
- our ability to maintain relationship with, and the actions and developments affecting, our major customers and suppliers;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel, and recruit qualified staff;

## FORWARD-LOOKING STATEMENTS

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- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices;
- our ability to defend our intellectual rights and protect confidentiality;
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes;
- commodity prices and overall market trends;
- capital market developments; and
- our dividend policy.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this Document reflect our management's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions. Investors should specifically consider the factors identified in this Document, which could cause actual results to differ, before making any investment decision. Subject to the requirements of the Listing Rules and except as may be required by applicable laws, we undertake no obligation to revise any forward-looking statements that appear in this Document to reflect any change in our expectations, or any events or circumstances, that may occur or arise after the date of this Document. All forward-looking statements in this Document are qualified by reference to this cautionary statement.



## RISK FACTORS

*You should carefully consider all of the information in this Document including the risks and uncertainties described below before making an investment in the [REDACTED]. You should pay particular attention to the fact that we are a company incorporated in the Cayman Islands, our business is primarily conducted in China, and we are governed by a legal and regulatory environment that in some respects may differ from that prevailing in other countries. Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks. The trading price of our Shares could also decrease significantly due to any of these risks and you may lose all or part of your investment.*

Our operation involves certain risks and uncertainties, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in China; and (iii) risks relating to the [REDACTED] and our Shares to caution you the risks associated with your investment decision.

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

**We operate in a rapidly evolving industry. If we fail to continuously innovate our technology and provide useful solutions and products that meet the expectation of our customers, we may fail to retain existing customers and attract new customers in sufficient numbers, and our business, results of operations and prospects may be materially and adversely affected.**

The industries for IoT solutions and telecommunication equipment in China where we operate and compete are constantly changing with innovations. For example, 5G technologies are expected to be iterated by the next generation of cellular technology, just as it have been iterating the previous generation of cellular technology. We need to constantly anticipate the emergence of new technologies and assess their market acceptance. To remain competitive in IoT solutions and telecommunication equipment industries, we must continue to stay abreast of rapid technological developments and continuously evolving industry trends. In addition, any changes in use policies of IoT solutions and telecommunication equipment implemented by countries where our customers operate may have certain impacts on the development of new technologies. We may experience difficulties in developing new technologies as it is costly and time consuming, which in turn could delay or prevent the development, introduction or implementation of new products, services and enhancements. While we have invested a significant amount of time and money in research and development to date and made other efforts in response to these constant changes, but we can make no assurance that these efforts will generate our expected return, or any return at all. To the extent that we are unable to innovate our technology and enhance the functionality, performance, reliability, design, security, adaptability and scalability of our solutions and products in a manner that timely responds to our customers' evolving needs and copes with rapid technological developments, we may lose our customers and our business, financial condition, results of operations, and prospects may be materially and adversely affected. Nevertheless, we may not be able to

## RISK FACTORS

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leverage new technologies effectively or adapt our solutions to meet customer needs or emerging industry standards, and our technology approach might not align with our future development plans or even obsolete if we are unable to adapt in a cost-effective and timely manner to changing market conditions, whether for technical, legal, financial or other reasons.

Furthermore, uncertainties about the timing and nature of new technologies, or modifications to existing technologies, could delay introduction of our solutions and products, and increase our research and development expenses. Any failure of our solutions and products to operate effectively with future technologies could reduce the demand for our solutions and products, resulting in customer dissatisfaction and harming our business.

**If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.**

The industries in which we operate are highly competitive. We primarily compete with enterprises that focus on providing IoT solutions and telecommunication equipment, among which may also dedicate to developing and commercializing 5G technologies. In particular, certain large-scale enterprises are beginning to extend their footprints into the area of customized IoT solutions, which we primarily provided during the Track Record Period. Similar with the developing trend of the PRC IoT market, market players in private 5G network industry in the PRC are expected to expand exponentially. Our competitors may have longer corporate operating history, or have or in the future gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than us. In addition, as we expand into areas, namely private 5G network market, the basis for competition will be different and we are likely to face additional competitors. As a result, our competitors may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or customer demand than us.

We may also face competition from new entrants who may offer lower prices or new technologies and products, and thus increase the level of competition in the future. Increased competition could result in lower sales, price reductions, reduced margins or loss of market share. Further, we may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining top telecommunication scientists and innovative talents, and acquiring technologies complementary to, or necessary for, our current and future products in order to respond to such competitive threats, and we cannot assure you that such measures will be effective. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition and results of operations may be materially and adversely affected.

## RISK FACTORS

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**If the market for our solutions or telecommunication equipment fails to grow as we expect, or if our customers or potential customers fail to adopt our solutions or telecommunication equipment, our business, operating results, and financial condition could be adversely affected.**

It is difficult to predict customer adoption rates and demand for our IoT solutions, the entry of competitive solutions, or the future growth rate and size of the IoT solution industry. Although the demand for IoT solutions has been growing in recent years, the market for these solutions continues to evolve. We cannot be sure that the market demand for IoT solutions in China will continue to grow or, even if it does grow, that businesses will adopt our solutions. In addition, to capture the market opportunities of private 5G network, we continue to develop and introduce private 5G network solutions, and will continue to invest considerable resources in developing private 5G network solutions. We cannot assure you that the market size of private 5G network in China will grow as we expect. Our future success will depend in large part on our ability to further penetrate the markets where we operate. Our ability to further penetrate such markets depends on a number of factors, including the cost, performance and perceived value associated with our IoT solutions, as well as customers’ willingness to adopt our IoT solutions. We have spent, and intend to keep spending, considerable resources to educate potential customers about IoT and 5G technologies in general and our solutions in particular. However, we cannot be sure that these expenditures will help our solutions achieve any additional market acceptance. Furthermore, potential customers may be unwilling to invest in novel solutions. If the market fails to grow or grows slower than we expect or enterprises fail to adopt our IoT solutions, in particular, our private 5G network solutions, our business, operating results and financial condition could be adversely affected. In addition, we developed Universal IoT Platform as one of our core business capabilities of our IoT solutions during the Track Record Period. However, we cannot assure you that our competitor will not develop similar platform to compete with us, which may weaken our competitiveness in the PRC IoT market to some extent.

In addition, similar with the market for IoT solutions, the market for our telecommunication equipment is also unpredictable and evolving. If the market demand for our telecommunication equipment in the PRC is not grow as we expect, or we fail to capture the evolving market trends by developing new equipment or upgrading current technologies in a timely manner, the sales of our telecommunication equipment may decrease, our business, operating results and financial condition could be adversely affected.

## RISK FACTORS

**We may not be able to sustain our historical growth rates, and our historical growth may not be indicative of our future growth or financial results.**

We commenced operations in 2012 and have achieved tremendous growth during the Track Record Period. Our total revenue increased by 57.5% from RMB80.9 million in 2019 to RMB127.4 million in 2020, and further increased to RMB189.6 million in 2021. Our total revenue 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. We have strategically introduced 5G technologies into our business and generated revenue from it since 2019. Revenue generated from 5G technologies-related solutions, equipment and services reached RMB2.0 million, RMB69.5 million, RMB72.9 million and RMB51.0 million, representing 2.4%, 54.5%, 38.4% and 61.5% of our total revenue in 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our growth prospects should be considered in light of the risks and uncertainties that fast-growing companies with a limited operating history may encounter, including, among other things, risks and uncertainties regarding:

- China’s overall economic growth;
- technology development of telecommunication industry;
- accumulation of telecommunication experts in China;
- awareness of enterprises to deploy 5G telecommunication devices;
- our investment in technology innovation and private 5G network solutions;
- our ability to recruit qualified professionals and staff;
- our ability to attract and retain our customers;
- our ability to create value for customers with our private 5G network solutions;
- our ability to manage our costs and enhance operating leverage;
- our ability to expand into new industry verticals and launch new products and services;
- our ability to further expand into international markets;
- our ability to adapt to evolving regulatory environment; and
- our ability to successfully compete with other companies that are currently in, or may in the future enter, the industries and verticals we have entered.

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## RISK FACTORS

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All of these endeavors involve risks and will require significant research and development expenses, operating expenses, capital expenditure and allocation of valuable management and employee resources. We cannot assure you that we will be able to effectively manage our growth or implement our business strategies. If the market for our solutions and products does not develop as we expect or if we fail to address the needs of this dynamic market, our business, results of operations and financial condition will be materially and adversely affected.

**We are exposed to credit risk in relation to defaults of our customers, which could adversely impact our financial condition, results of operations and operating cash flow.**

We are exposed to credit risk related to defaults of our customers. As of December 31, 2019, 2020 and 2021 and May 31, 2022, our trade receivables amounted to RMB74.6 million, RMB122.3 million, RMB140.8 million and RMB166.5 million, respectively, representing 62.2%, 74.2%, 39.9% and 72.5% of our total assets as of the same dates, respectively. As of December 31, 2019, 2020 and 2021 and May 31, 2022, our impairment losses recognized on trade receivables amounted to RMB6.4 million, RMB11.2 million, RMB22.4 million and RMB23.1 million, respectively. Our trade receivables turnover days were 266 days, 308 days, 286 days and 321 days, respectively, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022. We may not be able to collect all such trade receivables due to a variety of factors that are beyond our control. For example, if the relationship between us and any of our customers is terminated or deteriorated, or if any of our customers experience financial difficulties in settling the trade receivables, our corresponding trade receivables recoverability might be adversely affected. Our trade receivables balance may continue to grow alongside our business expansion, which may increase our risks for uncollectible receivables. If we are unable to collect our trade receivables from our customers, our business, financial condition and results of operation may be materially and adversely affected. In addition, increase in our trade receivables might result in an increase of our impairment loss on trade receivables and might also cause working capital pressure for us, which may in turn adversely affected our business, financial condition and result of operations.

In addition to trade receivables, we are also exposed to credit risk in relation to the recoverability of contract assets. Contract assets refer to our right to considerations in exchange for goods or services that we have transferred or rendered to our customers. Contract assets will be converted into trade receivables upon our satisfaction of all contract obligations upon the end of warranty period. Revenue that we are able to derive from a project/transaction may be higher or lower than the contract value due to factors including recoverability of contract assets. We recorded RMB1.1 million, RMB1.0 million, RMB8.2 million and RMB9.1 million as contract assets as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively, which were primarily attributable to the unexpired warranty period we provided for each project and transaction. As of December 31, 2019, 2020 and 2021 and May 31, 2022, our impairment losses recognized on contract assets amounted to RMB43,000, RMB41,000, RMB0.3 million and RMB0.3 million, respectively. While we estimate that the amount of loss allowance for expected credit loss on contract assets based on reasonable and supportable forward-looking information that is available without undue cost or effort, we cannot assure you that we will be able to recover the full amount of contract assets, failure of which might materially and adversely affect our financial performance and position.

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**We may be unable to obtain new contracts from our main contractor customers, or to claim payment from them successfully.**

During the Track Record Period, certain of our customers are main contractors of IoT solution projects, who sub-contracted a pre-defined section of the project to us. Since the main contractor customers are not the project owner, we cannot assure you that they will continue to sub-contract the project to us in the future. If such customers cease to sub-contract part of their projects to us, our business, financial condition and result of operation may be adversely affected. In addition, we may face difficulties in claiming the due payment from our main contractor customers since they generally do not make the payment until settling their payments with the project owners, which may increase our credit risk, and could adversely affect our revenue, gross margin, profitability, financial condition and cash flow. As such, if we are unable to improve the gross margin of our 5G solutions in the future, our profitability might be adversely affected.

**We derive a significant portion of our revenue from our top five customers, and any decrease or loss of business with them could adversely affect our business.**

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 periods, respectively. 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 periods, respectively.

There is no assurance that we would be able to maintain good business relationships with our major customers in the future. As we generally do not enter into long-term contracts with our top five customers, our top five customers are not obliged to continue their purchase agreements with us at a level similar to those in the past or at all. Many of our IoT solution projects are one-off services. There is no guarantee that they will not reduce their purchases from us in the future or take actions to exploit their comparably superior bargaining position in negotiating the terms of agreements. Upon completion of our agreements on hand with these major customers, if we are unable to secure new agreements or have not commenced work for any of our new agreements, our revenue and profitability may be adversely affected. If any of our major customers ceased to purchase from us or reduced significantly their purchases in the future due to reasons such as loss of market share, reduced competitiveness, trade restrictions, changes in business strategies or plans, deterioration in their business relationship with us, operational difficulties and deterioration in financial condition, or if we are unable to renew our contracts with our customers or identify new customers promptly or at all, our sales volume may significantly decrease, which may materially and adversely affect our business, results of operations, financial condition and prospects.



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**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.**

The United States and other jurisdictions or organizations, including the European Union, the United Kingdom, the United Nations and Australia (together, the “**Relevant Jurisdictions**”), 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.

During the Track Record Period, we exported our vehicle mounted antenna products to Russia (excluding Crimea) via a Russian distributor and provided IoT solutions to (i) a customer in the PRC, who was designated by the BIS on the Entity List and is restricted from receiving items subject to the United States Export Administration Regulations; and (ii) a customer in the PRC, who was designated by the U.S. Treasury Department on the Non-SDN Chinese Military-Industrial Complex Companies List with relevant sanctions (collectively, the “**Relevant Customers**”).

Although (i) as advised by Hogan Lovells, (a) our activities during the Track Record Period do not implicate restrictions under International Sanctions; and (b) the involvement by parties in the [REDACTED] will not implicate any applicable International Sanctions on such parties, and (ii) our Directors confirm that we had not been notified that any International Sanctions had been or would be imposed on us for our sales and/or deliveries to the countries subject to International Sanctions during the Track Record Period and up to the Latest Practicable Date. We cannot predict the interpretation or implementation of government policy at the United States federal, state or local levels or the interpretation or implementation of any policy by the European Union, the United Kingdom, the United Nations or the Government of Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries or regions. See “Business — Legal Proceedings and Compliance — Business Activities with Entities and/or in Countries or Territories Subject to International Sanctions.” Our business and reputation could be adversely affected if any of our activities is determined to constitute violations of the sanctions imposed by Relevant Jurisdictions. We may have to cease our business relationships with the Relevant Customers, as a result of which our financial results may be materially and adversely affected. In the event that any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

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### **Default or misconduct of our Russian distributor may expose us in potential risks in relation to International Sanctions.**

On August 19, 2022, we entered into a supplementary agreement with our Russian distributor (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 in the framework distribution agreement entered into between the Russian distributor and us, that would cause our Group or the Russian distributor to violate any applicable sanctions. In addition, our Russian distributor provided us with an annual sales certificate on August 19, 2022, confirming that it had not taken any such actions as discussed above as of the date of this certificate. Under such circumstances, we plan to complete our existing purchase orders received from the Russian distributor. However, we cannot predict the compliance of our Russian distributor to the Supplementary Agreement. Failure in complying with the Supplementary Agreement by our Russian distributor may cause our Group to violate International Sanctions, in turn, our business and reputation could be adversely affected. Furthermore, we may have to discontinue our business with the Russian distributor before we complete the existing purchase orders from it due to the potential economic sanction risks. In such events, our financial results may be materially and adversely affected.

### **Our brands are integral to our success. If we fail to effectively maintain, promote and enhance our brands, our business and competitive advantages may be harmed.**

We believe that maintaining, promoting and enhancing our key brand, namely HowKing Tech, is critical to our business. Maintaining and enhancing our brands depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative IoT solutions and telecommunication equipment, which we cannot assure you we will do successfully.

We believe the importance of brands recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful IoT solutions and telecommunication equipment at competitive prices, successful promotion of our brands will also depend on the effectiveness of our marketing efforts. We market our IoT solutions and telecommunication equipment through our in-house sales force, as well as customers’ word-of-mouth referrals. Our efforts to market our brand have incurred significant costs and expenses and we intend to continue such efforts. We cannot assure you, however, that our selling and marketing expenses will lead to increases in revenue, and even if they do, such increase in revenue may not be sufficient to offset the expenses incurred.

### **If we are unable to ensure compatibility of our solutions with a variety of terminals, telecommunication devices and infrastructures developed by others, including our partners, we may become less competitive, and our results of operation may be harmed.**

Our IoT solutions may be integrated with a variety of terminals and telecommunication devices and should operate based on telecommunication infrastructures. As a result, we need to modify and enhance our IoT solutions to adapt to changes in telecommunication technologies in



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a timely and cost-effective manner. In addition, we should enhance our Universal IoT Platform, which plays as the centralized data platform in our IoT solutions and connects with terminals in the lower layer and applications in the upper layer, by improving its compatibility to connect all kinds of terminals in the lower layer and transfer unified data format to the applications in the upper layer. Compatibility of our solutions and telecommunication devices and infrastructures developed by others is critical to the performance of our solutions. Failure to ensure compatibility of our solutions may negatively affect our competitive edge, and our business results of operations and financial condition would be harmed.

**We rely on proper operation and maintenance of Internet infrastructure and telecommunications networks in the PRC. Any malfunction, capacity constraint or operation interruption may have an adverse impact on our business.**

Currently, many of our services and sales of products operate through the Internet infrastructure and telecommunication networks in the PRC. Therefore, our business depends on the performance, reliability and availability of the Internet infrastructure and telecommunication networks in the PRC. The functions of our services and products depend on telecommunication carriers and other third-party providers for communications and storage capacity, including bandwidth and server storage, among other things. If we are unable to enter into and renew agreements with these providers on acceptable terms, or if any of our existing agreements with such providers are terminated as a result of our breach or otherwise, our ability to provide products and services could be adversely affected. Access to Internet in the PRC is maintained through state-owned telecommunications carriers under administrative control, and our customers use our product and service through connecting the networks operated by such telecommunications carriers. The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our services and products. Service interruptions would cause the operation of our services and products being suspended, and frequent interruptions could frustrate customers and discourage them from using or purchasing our services or products, which could cause us to lose customers and harm our operating results.

**Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyberattacks. Our reputation, business and results of operations may be harmed by service disruptions or by our failure to timely and effectively scale and adapt our existing technology and infrastructure.**

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our technology infrastructure may be vulnerable to damage or interruption caused by telecommunication failures, power loss, human error or other accidents. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in the availability of our solutions. It may be difficult for us to respond to such interruptions in a timely manner, or at all. Such interruptions may affect the ability of customers to use our solutions, which would damage our reputation, reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead our customers to seek alternative solutions.

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Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes and other natural disasters, power loss and telecommunications failures. Any network interruption or inadequacy that causes interruptions to our operations, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our customer satisfaction, which in turn could adversely affect our reputation, business and financial condition.

**We involve third parties in our operations to supply certain components of our products and manufacture, assemble, test, package and deliver certain of our products. Such arrangements may reduce our control over supply sufficiency, product quantity and quality, development, enhancement and product delivery schedule and could harm our business.**

We engage suppliers and contract manufacturers to supply certain components of our products and produce, assemble and test our products. We have also outsourced much of our transportation and logistics management, including packaging and delivery of our products. While these arrangements may lower our operating costs, they may also reduce our direct control over production and distribution. We may experience operational difficulties with our suppliers, contract manufacturers and logistics service providers, including supply shortage, reductions in the availability of production capacity, failures to comply with product specifications, insufficient quality control, failures to meet production deadlines, increases in assembling costs and longer lead time required. For example, supply shortages for semiconductors broadly in the market, as occurred in 2021, may have an impact on the supply of semiconductors for our 5G telecommunication equipment. Our suppliers, contract manufacturers and logistics service providers may experience disruptions in their production and assembly operations due to equipment breakdowns, labor strikes or shortages, natural disasters, component or material shortages, cost increases, environmental non-compliance issues or other similar problems. In addition, we may not be able to renew contracts with our suppliers, contract manufacturers or logistics service providers or identify substitute partners who are capable of supplying services, components and assembly capacities for new products we target to launch in the future. Although arrangements with these partners may contain provisions for warranty expense reimbursement, we may remain responsible for the customer for warranty service in the event of product defects and could experience an unanticipated product defect or warranty liability. Any failure of our suppliers, contract manufacturers and logistics service providers to perform their responsibilities or to be in compliance with all applicable laws and regulations may have a material negative impact on our cost or supply of components or finished goods. In addition, assembly or logistics in our primary locations or transit to final destinations may be disrupted for a variety of reasons including, but not limited to, natural and man-made disasters, information technology system failures, commercial disputes, military actions or economic, business, labor, environmental, public health, or political issues.

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### **We may fail to maintain or renew relationships with our distributor, or further expand our network of distributors.**

We rely on Russian distributor to distribute our vehicle mounted antennas in Russia, as such Russian distributor has strong customer base and familiarity in such market. We also engage our Russian distributor to provide customer service to the end-users, leveraging its strong technical background. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue generated from our Russian distributor amounted to RMB13.2 million, RMB13.2 million, RMB24.3 million and RMB2.5 million, respectively, representing 16.3%, 10.3%, 12.8% and 3.0% of our total revenue generated during the same period, respectively. Our ability to maintain and expand our business will depend on our ability to maintain effective distributor networks that ensure timely distribution of our antenna products to the relevant markets where we generate market demand through our sales and on our distribution agreement to manage our distributor. However, our Russian distributor is a third party over whom we have limited control. Moreover, we typically enter into framework agreement with our distributor, who places separate purchase order as needed. Our distributor might elect not to make any purchase order, renew their agreements with us or otherwise terminate their business relationships with us for various reasons. In addition, if the purchase orders placed by our distributor are not delivered as scheduled due to reasons beyond our control, we may not receive corresponding payments in time or at all, which may have adverse impact on our financial positions and results of operations.

In 2019, 2020 and 2021, our Russian distributor was among our five largest customers. We believe alternative distributors are readily available overseas. However, if our Russian distributor voluntarily or involuntarily suspends or terminates its relationship with us, or we are otherwise unable to maintain and expand our distributor network effectively, our sales volume and business prospects could be adversely affected. In addition, the rolling forecast provided by our Russian distributor may not be accurate, which may result in an unmatched projection of the production and sales volume of our telecommunication equipment. Furthermore, the demands of our telecommunication equipment may also be affected by the operation conditions of our Russian distributor. If our Russian distributor experiences any operation difficulties, our sales of telecommunication equipment business could be adversely affected.

### **Our international business is subject to various risks and uncertainties. If we are unable to manage the risks presented by our expansion in international markets, our financial results and future prospects may be adversely impacted.**

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, revenue generated from our international business amounted to RMB20.5 million, RMB23.6 million, RMB39.8 million and RMB6.6 million, respectively, representing 25.2%, 18.5%, 21.0% and 7.9% of our total revenue generated during the same period, respectively. We expect to expand further into international markets, and may subject ourselves to the following risks:

- challenges in providing products, services and support, in recruiting personnel in international markets, and in managing sales channels and distribution networks effectively;

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- revenue fluctuation from period to period in the future due to unfavorable market conditions, intensified competition, unattractive products and services, downward pressure on our selling price and any other inherent risks associated with our international business operations;
- challenges in commercializing our solutions and products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;
- difficulties in dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, in order to obtain permits, licenses and approvals necessary to manufacture or import, market and sell products in or to various jurisdictions;
- potentially reduced protection for our intellectual property rights and potential breach of third-party intellectual rights;
- differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses;
- challenges in credit and collectability risk on our trade receivables with customers in certain international markets;
- inability to effectively enforce contractual or legal rights;
- changes in laws, regulations and policies, such as policies on usage restrictions of the PRC telecommunication or 5G equipment and trade tariffs imposed on PRC-originated equipment, as well as political, economic and market instability or civil unrest in the relevant jurisdictions; and
- international activities including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability.

In particular, our vehicle mounted antennas are sold in Russia. Wars in Ukraine might have negatively impact on our product sales in Russia. Since there are substantial uncertainties in the development of wars and the situations in Ukraine and Russia, we are unable to predict our sales in Russia, or the business operation conditions of our Russian distributor. With respect to removing certain Russian banks from SWIFT system, although our Russian distributor currently settles the payment with us through its overseas bank account, we are unable to ensure there will not have any negative impacts for our Russian distributor to purchase antennas from us, otherwise it might have to switch to other payment options. In general, taking into account the product we sell to Russian distributor and the current payment arrangement, we do not expect wars in Ukraine or sanctions against Russia will result in material adverse impact on our overall business operations. However, we are unable to predict how the wars in Ukraine and

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sanctions against Russia will develop. Any deterioration of the situation in Ukraine and Russia in the future may have material negative impact on our business operations, results of operations and financial condition.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

**The current tensions in international trade and rising political tensions, particularly between the United States and China, may adversely impact our business, financial condition and results of operations.**

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the global financial and economic conditions. There have been political matters that resulted in increased tensions between the United States and China. In particular, the United States government imposed restrictions on certain China’s chip manufacturers, determining that unacceptable risk equipment supplied to these manufacturers could potentially be used for military purpose. Under the restrictions, the suppliers were barred from exporting the chip without an export license. In addition, China has implemented and may further implement measures in response to new trade policies, treaties and tariffs initiated by the United States government. Such measures may further escalate the tensions between the countries or even lead to a trade war. Any further escalation in trade tensions between the United States and China or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not only the two countries concerned, but the global economy as a whole. As a result, our business, results of operations and prospects would be adversely affected.

**Export control and economic or trade restrictions that were imposed on a number of entities may affect our business, financial conditions and results of operations.**

In recent years, the U.S. government imposed targeted economic and trade restrictions on a number of Chinese companies and institutions that limit their access to U.S.-origin goods, software and technologies (collectively, “**Items**”), as well as items that contain a significant portion of certain U.S.-origin Items or are a direct product of certain U.S.-origin Items. Although we did not conduct business with these entities during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that any changes of regulations and policies regarding export controls would not have any impact on our business operations.

U.S. export controls and trade laws and regulations are complex and likely subject to frequent changes, and the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by political and/or other factors that are not within our control or that are heightened by national security concerns. If any potential

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restrictions, any associated inquiries or investigations, or any other government actions occur, they may be difficult or costly to comply with and may, among other things, delay or impede the development of our technology and solutions, and hinder the stability of our supply chain. They could also result in negative publicity, require significant time and attention of the management and subject us to fines, penalties or orders that we cease or modify our existing business practices, if they occur. Any of these events may have a material and adverse effect on our business, financial conditions and results of operations.

**If our expansion into new verticals is not successful, our business, prospects and growth momentum may be materially and adversely affected.**

Leveraging our market position in the IoT solution market and our core technologies, we are able to provide customized IoT solutions to address diversified needs of our customers across different verticals. Expanding into new verticals involves new risks and challenges. Unfamiliarity with new verticals may make it more difficult for us to keep pace with evolving customer demands and preferences. In addition, there may be one or more existing market leaders in any verticals that we decide to expand into. Such companies may be able to compete more effectively than us by leveraging their experience in doing business in that vertical as well as their deeper industry insight and greater brand recognition. We could be subject to additional regulatory restrictions that are relevant to these businesses. Expansion into any new vertical may place significant strain on our management and resources, and failure to expand successfully could have a material adverse effect on our business and prospects.

**If we fail to obtain and maintain the requisite licenses and approvals required under the regulatory environment applicable to our business, or if we are required to take actions that are time consuming or costly in order to obtain and maintain such licenses and approvals, our business, financial condition and results of operations may be materially and adversely affected.**

Under the current PRC regulatory scheme, a number of governmental authorities, including but not limited to MIIT and its local bureau and SAMR, jointly regulate major aspects of our industries.

We cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future business. Considerable uncertainties exist regarding the interpretation and implementation of existing and future laws and regulations governing our business activities. We cannot assure you that we will not be found in violation of any future laws and regulations or any of the laws and regulations currently in effect due to changes in the relevant authorities' interpretation of these laws and regulations. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the revenue that was generated through the affected operations, the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.



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### **We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.**

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial condition and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws or regulations, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

### **Our exchange, return and warranty policies may adversely affect our results of operations.**

Our policy allows products with defects to be returned and exchanged by our customers. In addition, we offer a limited warranty for our solutions. 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. We generally provide technical support and upgrade services for our IoT solution customers for one year, helping them fix the technical errors and upgrade their systems after deploying our solutions. For telecommunication equipment provided in our integrated IoT solutions, we typically offer our customers with warranty period ranges from six months to one year upon acceptance of our solutions. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. These policies improve user experience and promote user loyalty, which in turn help us acquire and retain customers. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue. Even though we had not experienced any product returns during the Track Record Period, we cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

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**We recorded negative cash flow from operating activities during the Track Record Period and may be subject to liquidity risks, which could constrain our operational flexibility and materially and adversely affect our business, financial condition and results of operations.**

We recorded negative operating cash flow of RMB3.7 million, RMB13.9 million and RMB4.8 million in 2019 and 2020 and the five months ended May 31, 2022, respectively. Our operating cash outflow primarily comprises payments for procuring raw materials, OEM expenses, research and development expenses, employee benefit expenses, and other operating expenses incurred during our daily operation. For details, see “Financial Information — Liquidity and Capital Resources — Cash Flows — Operating Activities.”

We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

**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.**

The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in research and development to lead technological advancement in order to make our solutions and products innovative and competitive in the market. As a result, we continuously invested on our research and development and 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. We expect that our research and development expenses will continue to increase in absolute amount. Furthermore, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. Our significant expenditures on research and development may not generate corresponding benefits. To further enhance our R&D capabilities, we also cooperate with an external institution to leverage their academic background and laboratory equipment. However, we cannot assure you that we are able to maintain or renew such cooperation with the existing institution or enter into any new cooperation relationships with other institutions in the future. We may lose the external technical and equipment support. In addition, we may also face difficulties in recruiting qualified professionals under the fierce talent competition. Failure to retain current talents or recruit new talents may have adverse effect on our R&D capabilities. Given the fast pace with which the technology has been and will continue to develop, we may not be able to timely upgrade our technologies in a cost-effective and timely manner, or at all. New technologies in our industries could render our technologies, our technological infrastructure or solutions that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting



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our ability to recover related research and development costs, which could result in a decline in our revenues, profitability and market share.

**We are exposed to changes in the fair value of our financial assets.**

Our results of operations are affected by changes in the fair value of our financial assets. As of December 31, 2019 and 2020 and May 31, 2022, our financial assets at fair value through profit or loss were RMB26.1 million, RMB1.3 million and RMB5.0 million, respectively. We did not have any financial assets at fair value through profit or loss as of December 31, 2021. Although our financial assets include short-term wealth management products, which were issued by banks in the PRC with no fixed maturity term and can be redeemed on demand at our discretion, we are subject to credit risk arising from such wealth management products and may not be able to recognize fair value gains from such financial assets in the future.

**We may need to recognize impairment loss on prepayments, other receivables and other assets, which could adversely affect our financial position.**

We recorded prepayments, other receivables and other assets of RMB0.8 million, RMB1.4 million, RMB103.1 million and RMB8.4 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. Our prepayments, other receivables and other assets primarily comprise prepayments to our suppliers, deferred [REDACTED], deductible input value-added tax, due from a director, due from a related party, deposit and other receivables and due from shareholders during the Track Record Period. If our suppliers fail to provide relevant products to us, or relevant directors, related parties or shareholders fail to repay their loans/advances from us in a timely manner or at all, we may be exposed to prepayment default risk and impairment loss risk in relation to prepayments, other receivables and other assets, which may in turn adversely affect our financial position. We conduct assessments on the recoverability of prepayments, other receivables and other assets based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, current economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. However, there is no assurance that our expectations or estimates will be entirely accurate for the future, as we are not in control of all the underlying factors affecting such prepayments, other receivables and other assets. Therefore, if we are not able to recover the prepayments, other receivables and other assets as scheduled, our financial position and results of operations may be adversely affected. For details, see “Financial Information — Certain Balance Sheet Items — Prepayments, other receivables and other assets.”

**We are uncertain about the recoverability of our deferred tax assets, which may affect our financial positions in the future.**

As of December 31, 2019, 2020 and 2021 and May 31, 2022, our deferred tax assets amounted to RMB2.4 million, RMB2.3 million, RMB4.0 million and RMB4.2 million, respectively. Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. This requires significant

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judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

**We face inventory obsolescence risks. Our results of operations could be materially harmed if we are unable to accurately forecast demand for our products.**

Our inventories comprise raw materials, work in progress and finished goods. As of December 31, 2019, 2020 and 2021 and May 31, 2022, we had inventories of RMB2.1 million, RMB3.1 million, RMB2.5 million and RMB3.3 million, respectively. Maintaining an optimal level of inventory is important for the success of our business. However, we are exposed to inventory obsolescence risks as a result of a variety of factors beyond our control, including, among others, changes of customer needs and the inherent uncertainty of the success of product launches. We regularly track our inventory to keep it at a level sufficient to fulfill customers' orders. However, we cannot assure you that we can accurately predict these trends and events and avoid under-stocking or overstocking inventory, or that our inventory management measures will be implemented effectively so that we will not have significant levels of inventory obsolescence, shortage or excess. As a result of unforeseen or sudden events, we may experience slow movement of our inventories, fail to utilize or sell our inventories swiftly, or face the risk of inventory obsolescence, and our business, results of operations, financial condition and prospects may be adversely affected.

**Our performance is subject to seasonal fluctuations.**

Provisions of IoT solutions are subject to seasonality. For the years ended December 31, 2019, 2020 and 2021, 78.3%, 89.8%, 62.0% of our total annual revenue were generated in the second half, respectively. The situation was mainly due to the fact that during the Track Record Period, most orders for our IoT solutions were confirmed in the second half of the year. As a result, most IoT solutions were completed in the second half of the year, leading to more concentrated revenue recognition in the same period. On the other hand, some components of our costs and expenses such as rental expenses and staff costs are relatively fixed in nature and not affected by the seasonality impact. If we fail to manage the seasonality effect and our relatively fixed costs and expenses structure, our financial performance may be adversely affected.

**We are subject to risks associated with changes in government grants and preferential tax treatment.**

We have received various types of government grants in the past. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we recognized government grants of RMB1.2 million, RMB3.5 million, RMB3.8 million and RMB0.4 million, respectively. However, the timing, amount and conditions of government economic incentives are within the sole discretion of relevant governmental authorities. In addition, governmental authorities may require us to perform certain contractual obligations before we could receive

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government subsidies. However, there can be no assurance that we could fully satisfy these conditions or perform such obligations, and it is possible that such governmental authorities may stop subsidizing us.

In addition, some of our subsidiaries currently enjoy preferential tax treatments. For example, Nanjing Howking and Shenzhen Wulian are recognized as High and New Technology Enterprises and entitled to a preferential income tax rate of 15%.

There is no assurance that the government grants and preferential tax treatments will remain at the same level in the future, or that we will continue to be eligible for these government grants or preferential tax treatments. If such government grants reduce or becomes discontinued, or our preferential tax treatments are terminated or reduced, our profitability, financial condition and results of operations may be materially and adversely affected.

### **Various evolving PRC laws and regulations regarding cybersecurity and data privacy may affect our business.**

In recent years, cybersecurity, data security, data and personal information protection have become the increasing regulatory focus of government authorities across the world. The PRC Government has enacted a series of laws, regulations and governmental policies governing such areas in the past few years and recently. Such regulatory requirements on these areas are constantly evolving and can be subject to varying interpretations, or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard.

We primarily offer IoT solutions and telecommunication equipment to our customers. In particular, we provide enterprise-level IoT solutions to organizations rather serve individuals. Any data collected or transmitted within our solutions is reserved or stored in the server or cloud server designated by our customers, which is under control of our customers, and we cannot access such data without consent by customers. As such, we do not own data of personal information and do not involve in processing personal information in the course of our business. Therefore, the current PRC laws and regulations in relation to data protection and privacy will not have material and negative effect on our regulatory compliance with applicable laws and regulations.

However, if we engage in data processing activities in the future thus should fulfill applicable obligations accordingly or, that any additional requirement of data protection and privacy will be imposed on us in connection with our current and future business, we may incur additional costs and obligations to comply with applicable laws and regulations, and establish and maintain additional internal compliance policies. If we are unable to manage these risks, we may become subject to penalties and fines, and our reputation and results of operations could be materially and adversely affected.

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**The COVID-19 pandemic has adversely affected, and may continue to adversely affect our business, operating results and financial condition.**

Since early 2020, the PRC and elsewhere in the world have been affected by the COVID-19 outbreak, and in response, governments have implemented, among other measures, restrictions on mobility and travel and cancellation of public activities to contain the spread of the virus, including quarantines of our employees, closures of our offices or assembly and testing centers, lock-down of certain cities or regions, and import and export restrictions. As a result, in the first half of 2020, our operations had to a certain extent been impacted by delays in business activities, commercial transactions and general uncertainties surrounding the duration of the governments' extended business and travel restrictions. In particular, the PRC has recently experienced upticks in cases that have prompted selective restrictions in affected regions, such as Shenzhen. Certain travel restrictions, lock-down measures and other limitations were imposed in various places in response to these new cases.

We took a series of measures in response to the outbreak to protect our employees, including, among others, temporary closure of our offices, remote working arrangements for our employees, and travel restrictions or suspension. These measures temporarily reduced the capacity and efficiency of our operations. We also provided our employees with masks, hand sanitizers and other protective equipment immediately after the outbreak, which had increased and may continue to increase our operations and support costs. In addition, our business operations could be disrupted if any of our employees is suspected of contracting COVID-19 or any other epidemic disease, since our employees could be quarantined, and our offices may have to be shut down for disinfection. Furthermore, as social and work gatherings were banned, mandatory quarantine requirements were imposed and public transportation was suspended in certain cities where our offices and facilities were located, a portion of our employees have been working remotely and our operations in those regions have been interrupted to the extent that onsite services of our employees were required.

Although during the Track Record Period and up to the Latest Practicable Date, none of our employees had been confirmed infected with COVID-19, we temperately closed our offices and arranged remote working for our employees in August 2021 after the outbreak of Delta variant in Nanjing where our headquarters locate, and temporarily closed our Shenzhen offices and suspended our assembly and testing center in Shenzhen for a period of seven days in March 2022 due to the outbreak of Omicron variant in Shenzhen. The extent to which the COVID-19 pandemic may continue to affect our operations and financial performance will depend on future developments, including the duration and severity of the pandemic, the progress in administration of COVID-19 vaccines and development of new drugs and vaccines, and government measures to contain the pandemic, all of which are highly uncertain and beyond our control. Our operations could be disrupted if any of our employees were suspected of infecting COVID-19 or any of the epidemic diseases. While we believe the impact on our business due to the outbreak of COVID-19 was limited, it is hard for us to quantify the impact and estimate the extent to which the COVID-19 outbreak impacts our long-term results.

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**Pandemics and epidemics, natural disasters, terrorist activities, political unrest and other outbreaks may disrupt our business operations, which could materially and adversely affect our business, financial condition, results of operations and prospects.**

In recent years, there have been outbreaks of epidemics globally. In addition to the impact of COVID-19 as described above, our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods; the outbreak of other widespread health epidemic, such as swine flu, avian influenza, severe acute respiratory syndrome, Ebola or Zika; or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions we operate in could materially disrupt our business and operations. Such events could also significantly affect our industry and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material adverse effect on our business, financial condition, results of operations and prospects. Our operations could be disrupted if any of our employees are suspected of having any of the epidemic illnesses, since this could require us to quarantine some or all of such employees or disinfect the facilities used for our operations. In addition, our revenues could be materially reduced to the extent that a natural disaster, health epidemic or other outbreak harms the Chinese or global economy in general. Our operations could also be severely disrupted if our customers, suppliers or other business partners were affected by such natural disasters, health epidemics or other outbreaks.

We may be subject to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, riots, political and military upheavals and other outbreaks in the country or region where we have our operations or where a portion of our customers are located. Such events could significantly disrupt our operations and negatively impact our business, financial condition, results of operations and prospects.

**Our success depends on the continuing efforts of our senior management and key personnel, as well as a competent pool of talents who support our existing operations and future growth. If our senior management is unable to work together effectively or efficiently or if we fail to recruit, retain, train and motivate such personnel, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.**

Our future success depends heavily on continuing efforts of our senior management, many of whom are difficult to replace. In particular, we rely on the expertise, experience and vision of our executive Directors, as well as other members of our senior management team. If any of our senior management becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily, or at all. As a result, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.

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In addition, we believe that our future success also depends on our continuing ability to attract, recruit and train a large number of qualified employees and retain existing key employees. In particular, we rely on our top-notch research and development team to develop our advanced technologies and solutions, and our experienced sales personnel to maintain relationships with our customers. Qualified individuals are in high demand, particularly in telecommunication industry, and we may have to incur significant costs to attract and retain them. Moreover, if any member of our R&D team or qualified individuals joins a competitor or forms a competing business, we may lose crucial business secrets, technological know-how and other valuable resources. We cannot assure you that we will be able to attract or retain qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts.

**Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent the disclosure of trade secrets and other proprietary information.**

We have devoted substantial resources to the development of our technology and know-how. Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. For example, we engage our OEM manufacturers to produce a substantial portion of our telecommunication equipment. Any breach of the confidential clause or agreements by our OEM manufacturers, or any infringement of our intellectual property made by our OEM manufacturers may have adverse effect on our business, reputation and results of operation. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

**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.**

We regard our patents, copyrights, trademarks, trade secrets and other intellectual properties as critical to our success and rely on a combination of patent, trademark and copyright laws, trade secrets protection, restrictions on disclosure and other agreements that restrict the use of our intellectual properties to protect these rights. Although our contracts with our business partners prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential



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information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

Policing unauthorized use of our proprietary technology, patents, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources and could disrupt our business, as well as materially and adversely affect our financial condition and results of operations.

**Trademarks registered, internet search engine keywords purchased and domain names registered by third parties that are similar to our trademarks, brands or websites could cause confusion to our customers, divert customers away from our solutions or harm our reputation.**

Competitors and other third parties may register trademarks or purchase internet search engine keywords or domain names that are similar to ours, in order to divert potential customers from our platforms to theirs. Preventing such unfair competition activities is inherently difficult. If we are unable to prevent such activities, competitors and other third parties may drive potential customers away from our platforms, which could harm our reputation and materially and adversely affect our results of operations.

**We may be subject to intellectual property infringement claims, which could be time consuming or costly to defend and may result in diversion of our financial and management resources, and indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.**

Although we have paid attention to protecting our own intellectual property and preventing the infringement on the intellectual property owned by third parties, we cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, copyrights or other intellectual property rights held by third parties. We may from time to time be subject to such proceedings and claims. We cannot assure you that holders of patents purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents against us in China or any other jurisdictions. Further, the application and interpretation of China's patent laws and the procedures and standards for granting patents in China are still evolving and uncertain, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. Defending against such infringement or licensing allegations and claims is costly and time consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or an injunctive relief was issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the

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intellectual property in question, and our business, financial position and results of operations could be materially and adversely affected.

Further, our agreements with customers and other third parties generally include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, or other liabilities relating to or arising from our software, services or other contractual obligations. Large indemnity payments could harm our business, results of operations and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, generally, those limitations may not be fully enforceable in all situations, and we may still incur substantial liability under those agreements. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

**Any failure to offer high-quality maintenance and support services to our customers or end users may harm our relationships with them and, consequently, our business.**

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient support and effective maintenance that meet our customers' needs at scale. We may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers and end users of our products and services. As a result, we may be unable to respond quickly enough to accommodate short-term increases in customer and end user demand for technical support or maintenance assistance. We also may be unable to modify the future scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors. In addition, we rely on our Russian distributor to provide customer service for our overseas antenna product customers. If our Russian distributor fails to provide customer service or the service provided by our Russian distributor fails to meet the customers' needs, our reputation would be harmed.

If we experience increased customer and end user demand for support and maintenance, we may face increased costs that may harm our results of operations. If we are unable to provide efficient customer and end user maintenance and support, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers and end users. Any failure to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers and end users would harm our business.

Our policy allows products with defects to be returned and exchanged by our customers within the warranty period. In addition, we typically offer a limited warranty for our products. If we experience any deterioration in the quality of our products, we will incur higher costs associated with returns, exchanges and warranties. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us



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acquire and retain customer, they also subject us to additional costs and expenses which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and may materially and adversely affect our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

**We may be subject to product liability claims if our products and/or services contain defects. We could incur significant expenses to remediate such defects, as a result, our reputation could be damaged, we could lose market shares, and our financial condition and results of operations may be negatively affected.**

Products and services within the industry, such as those we develop, may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Despite internal testing, our products and services may contain serious errors or defects, security vulnerabilities or software issues which we are unable to successfully correct in a timely manner or at all, which could result in revenue loss, significant expenditures of capital, a delay or loss in market acceptance and damage to our reputation and brand, any of which could have an adverse effect on our business, reputation, financial condition, and results of operations.

Given that many of our customers use our products and services in processes that are critical to their businesses, any error, defect, security vulnerability, service interruption or software issue in our products and services could result in losses to our customers. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. As we typically offer a limited warranty for our IoT solutions and telecommunication equipment but do not purchase any product insurance for our IoT solutions and telecommunication equipment, we may suffer significant loss due to such claims. Further, our customers may share information about their negative experiences on social media, which could damage our reputation and result in a loss of future sales. We cannot assure you that provisions limiting our exposure to claims, which we typically include in agreements with our customers, would be enforceable, adequate, or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if unsuccessful, a claim brought against us by any of our customers would likely be time-consuming, costly to defend and may have a material adverse impact on our reputation and brand, making it harder for us to sell our products and services.

**Our risk management and internal control system may not be adequate or effective.**

We have designed and implemented risk management and internal control systems comprising organizational framework policies and procedures, financial reporting processes, compliance rules and risk management measures we believe are appropriate for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring,

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among other things, accurate reporting of our financial results and the prevention of fraud. See "Business — Risk Management and Internal Control" for further information on our internal control policies. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

### **Misconduct, non-compliance and omission by our employees or third parties involved in our business could adversely affect our business.**

Misconduct and omission by our employees could subject us to liability or negative publicity. Although we have implemented strict human resources risk management policies, and we have in place an employee handbook approved by our management and distributed to all our employees, which contains broad internal rules and guidelines and covers areas such as best commercial practices, work ethics, fraud prevention mechanisms and regulatory compliance, there can be no assurance that our employee will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition and result of operations.

Our business partners, including our various suppliers and customers, as well as other third parties who have entered into business relationships with our business partners, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third parties have infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any noncompliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or noncompliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

### **Changes in the market for our solutions and products may affect our pricing models and adversely affect our operating results.**

Our pricing models face challenges from evolving market changes. As the market for our solutions and products grows, as our competitors introduce new solutions that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. Given our limited operating history and limited experience with our historical pricing models, we may not be able to accurately predict customer renewal or retention. In addition, regardless of the pricing model used, certain customers may demand higher price discounts. As a result, we may be required to reduce our prices, offer shorter contract durations or offer

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alternative pricing models, which could adversely affect our revenue, gross margin, profitability, financial position and cash flow. In addition, the gross profit margin of our private 5G network solutions was lower than that of non-5G solutions during the Track Record Period, which primarily because the proportion of contract value related to embedded hardware equipment in a private 5G network solution project was generally much higher than that in a non-5G solution project during the same period. 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 solutions was lower as compared to that of our non-5G solutions. As such, if we are unable to improve the gross margin of our 5G solutions in the future, our profitability might be adversely affected.

**Future operating results depend upon our ability to obtain raw materials, components and products in sufficient quantities on commercially reasonable terms.**

As we currently obtain certain core raw materials and components from limited sources, we are subject to supply and pricing risks. Purchases from our five largest suppliers accounted for 72.2%, 60.6% and 61.0% of our total purchases in 2019, 2020 and 2021, respectively. Some raw materials and components, including those that are available from multiple sources, are at times subject to industry-wide shortage and significant commodity 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 and the outbreak of COVID-19. Due to the ongoing global chip shortage, the price of chip has been increasing significantly. In addition, the world-wide chip shortage also affects the production volume of vehicles, which has the adverse impact on the market demand of vehicle mounted antenna products. While we have entered into agreements for the supply of many raw materials and components, there can be no assurance that we will be able to extend or renew these agreements on similar terms, or at all. A number of suppliers of raw materials and components may suffer from poor financial conditions, which can lead to business failure for the supplier or consolidation within a particular industry, further limiting our ability to obtain sufficient quantities of raw materials and components on commercially reasonable terms. The effects of global or regional economic conditions on our suppliers also could affect our ability to obtain raw materials and components. Therefore, we remain subject to significant risks of supply shortage and price increases.

**We may be involved in legal proceedings and commercial disputes, which could have a material adverse effect on our business, financial condition and results of operations.**

We may be subject to claims and various legal and administrative proceedings, and, as a result, penalties and new claims may arise in the future. In addition, agreements we entered into sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party.

Regardless of the merit of particular claims, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into new or supplemental agreements or other arrangements to

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settle litigation and resolve such disputes. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no legal or administrative proceedings pending or threatened against us or any of our Directors that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, legal or administrative proceedings and claims may arise in the future. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts in excess of our management’s expectations or certain injunctions are granted to prevent us from using certain technologies in our solutions, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our financial condition and operating results. For further details regarding our legal proceedings and compliance matters, see “Business — Legal Proceedings and Compliance.”

### **Our limited insurance coverage could expose us to significant costs and business disruption.**

We maintain various insurance policies to safeguard against risks and unexpected events. As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments for our PRC-based full-time employees including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing funds. We believe we maintain insurance policies in line with industry standards. We do not maintain business interruption insurance, product liability, key-man life insurance or litigation insurance. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. If such risk materializes, we may also suffer substantial losses as we do not have insurance coverage.

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### RISKS RELATING TO DOING BUSINESS IN CHINA

**Changes in economic, political, and social conditions in the PRC could materially and adversely affect our business, financial condition, results of operations, and prospects.**

A significant portion of our business assets are located in the PRC and a significant majority of our revenue are derived from the PRC. Accordingly, our results, financial position and prospects are subject, to a significant degree, to the economic, political and legal developments of the PRC. Political and economic policies of the PRC Government could affect our business and financial performance and may result in our inability to sustain our growth.

In recent years, the PRC Government implemented a series of new laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control and supervision and inspection of enterprises engaged in telecommunication industry. See “Regulatory Overview” for more details. If the PRC Government continues to impose stricter regulations on the telecommunication industry, we could face higher costs in order to comply with those regulations, which could impact our profitability.

The economic growth over the past few decades in China was rapid; however, its continued growth has faced downward pressure since 2008 and its annual GDP growth rate has declined from 9.6% in 2011 to 2.3% in 2020, according to the National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that the future growth will be sustained at similar rates or at all. The PRC Government’s economic, political and social policies, including those related to our industry may materially and adversely affect our business, financial position, results of operations and prospects.

**The PRC legal system has inherent uncertainties that could limit the legal protection available to you and us.**

Our business and operations are primarily conducted in the PRC and are governed by PRC laws and regulations. In addition, our offshore holding companies and certain transactions between them may be subject to various PRC laws and regulations. The PRC legal system is based on written statutes and their interpretation by the Supreme People’s Court. Prior court decisions may be cited for reference but have limited weight as precedents.

Since the late 1970s, the PRC Government has significantly enhanced the PRC legislation and regulations to provide protection to various forms of foreign investments in the PRC. However, recently-enacted laws and regulations may not sufficiently cover all aspects of economic activity in the PRC. As many of these laws, rules and regulations are relatively new, and because of the limited volume of published court decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may not be as consistent and predictable as in other jurisdictions.

From time to time, we may have to resort to administrative and court proceedings to interpret and/or enforce our legal rights. However, since Chinese administrative and court

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authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Furthermore, the Chinese legal system is based in part on government policies and internal rules (some of which are not published in a timely manner or at all) that may have retroactive effect.

As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainty over the scope and effect of our contractual, property (including intellectual property) and procedural rights, and any failure to respond to changes in the regulatory environment in China may materially and adversely affect our business and impede our ability to continue our operations.

**We may be subject to the approval or other requirements of the China Securities Regulatory Commission or other PRC governmental authorities in connection with the [REDACTED] and future capital raising activities.**

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the *Opinions on Rigorously Cracking Down on Illegal Securities Activities* (《關於依法從嚴打擊證券違法活動的意見》) (the “**July 6 Opinions**”), which called for the enhanced administration and supervision of overseas-listed China-based companies (中概股公司), proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there are still uncertainties regarding the interpretation and implementation of the July 6 Opinions.

In addition, on December 24, 2021, the CSRC published the *Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments)* (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (the “**Draft Administrative Provisions**”), and the *Administrative Measures for Record-filings of the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments)* (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Draft Measures for Record-filings**,” together with the Draft Administrative Provisions, the “**Drafts relating to Overseas Listings**”) for public comments. Pursuant to Drafts relating to Overseas Listings, PRC domestic companies that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC company limited by shares, and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. Failure to complete the filing under the Draft Administrative Provisions may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. If the circumstances are serious, the PRC domestic company may be ordered to suspend its business or suspend its



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business until rectification, or its permits or businesses license may be revoked. If the Drafts relating to Overseas Listing as currently drafted become effective, we may be required to file in accordance with the Drafts relating to Overseas Listings and we cannot predict whether we will be able to fulfill applicable obligation, and thereby the progress of the [REDACTED], our business and prospects could be adversely affected. As of the Latest Practicable Date, Drafts relating to Overseas Listing had not been formally adopted, and due to the lack of detailed guidance or implementation rules, there are still uncertainties regarding the Drafts relating to Overseas Listing.

We cannot guarantee that no additional requirement will be imposed on us when the Drafts relating to Overseas Listing become effective, or when new rules or regulations are promulgated in the future pursuant to the July 6 Opinions. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial conditions. Furthermore, any uncertainty and/or negative publicity regarding such an approval, filing or other requirements may also have a material adverse effect on the [REDACTED] of our Shares.

**Fluctuations in the value of the Renminbi against other currencies may materially and adversely affect our results of operations, other comprehensive income, and the value of your investment.**

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in China's and international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve policies goals.

There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which, together with domestic policy considerations, may result in a significant appreciation of Renminbi against the U.S. dollar, the Hong Kong dollar or other foreign currencies.

The [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against Hong Kong dollars or U.S. dollars in the future. There are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors may materially and adversely affect our business, financial condition, results of operations and prospects, and may reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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**More stringent restrictions on currency conversion and the remittance of Renminbi into and out of the PRC may affect our foreign exchange transactions and use of revenues, limit our ability to pay dividends and other obligations, and affect the value of your investment.**

The Renminbi is not currently a freely convertible currency, as the PRC Government imposes controls on the convertibility of Renminbi into foreign currencies and in certain cases, the remittance of currency out of China. We receive substantially all of our payments from customers in Renminbi and will need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our Shares and to fund our business activities outside China. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under the PRC's existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE or its local branches by complying with certain procedural requirements. However, the PRC Government may take measures at its discretion in the future to restrict access to foreign currencies for current account transactions if foreign currencies become scarce in the PRC. We may not be able to pay dividends in foreign currencies to our Shareholders if the PRC Government restricts access to foreign currencies for current account transactions. Foreign exchange transactions under our capital account continue to be subject to significant foreign exchange controls and require the approval of the SAFE or its local branches. These limitations could affect our ability to obtain foreign exchange through equity financing, or to obtain foreign exchange for capital expenditures.

**We rely mainly on dividends and other distributions on equity paid by our subsidiaries to fund any cash and financing requirements we have, and any limitations on the ability of our subsidiaries to pay dividends to us could materially and adversely affect our ability to conduct our business.**

We are a holding company incorporated in the Cayman Islands. We conduct substantially all our business through our consolidated subsidiaries incorporated in the PRC. We rely on dividends paid by these consolidated subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in the PRC is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to set aside at least 10% of its after-tax profit based on PRC laws and regulations each year to its general reserves or statutory capital reserve fund until the aggregate amount of such reserves reaches 50% of its respective registered capital. Our statutory reserves are not distributable as loans, advances or cash dividends. We anticipate that in the foreseeable future our PRC subsidiaries will need to continue to set aside 10% of their respective after-tax profits to their statutory reserves. Furthermore, if any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our subsidiaries to transfer funds to us could



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materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

In addition, under the EIT Law, the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), the Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates (《國家稅務總局關於下發協定股息稅率情況一覽表的通知》), or Notice 112, which was issued on January 29, 2008 and amended on February 29, 2008, the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排(國稅函[2006]第884號)》) (the “**China-Hong Kong Tax Arrangement**”), which became effective on December 8, 2006, and the Announcement of the State Administration of Taxation on Issues Concerning “Beneficial Owners” in Tax Treaties (《國家稅務總局關於稅收協定中“受益所有人”有關問題的公告》) (the “**Announcement 9**”), which became effective on April 1, 2018, dividends from our PRC subsidiaries paid to us through our indirectly wholly-owned subsidiary incorporated in Hong Kong, which holds our PRC subsidiaries, may be subject to a withholding tax at a rate of 10%, or at a rate of 5% if such Hong Kong subsidiary is considered as a “beneficial owner” that is generally engaged in substantial business activities and entitled to treaty benefits under the China-Hong Kong Tax Arrangement. According to the Announcement 9, the PRC tax authorities must evaluate whether an applicant qualifies as a “beneficial owner” on a case-by-case basis. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimize the corresponding tax impact.

**We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.**

We are incorporated under the laws of the Cayman Islands and indirectly hold interests in our PRC operating subsidiaries. Pursuant to the PRC EIT Law, which became effective on January 1, 2008, and was last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which took effect on January 1, 2008 and was last amended on April 23, 2019, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor’s jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement.

The PRC EIT Law provides that if an enterprise incorporated outside the PRC has its “de facto management bodies” within the PRC, such enterprise may be deemed a “PRC resident enterprise” for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. “De facto management body” is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated the Notice of the State Administration of Taxation on Issues Concerning the Determination of Chinese-Controlled Enterprises Registered Overseas as Resident Enterprises on the Basis of Their Bodies of Actual Management (《國家稅務總局關於

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境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) which was amended on December 29, 2017 to clarify the certain criteria for the determination of the “de facto management bodies” for foreign enterprises controlled by PRC enterprises. These criteria include: (i) the enterprise’s premises where its senior officers and senior management departments in charge of routine production and operation management perform their duties are mainly located in the PRC; (ii) decisions relating to the enterprise’s financial and human resource matters are made or subject to approval by organizations or personnel in the PRC; (iii) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders’ meeting minutes are located or maintained in the PRC; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in the PRC. However, there have been no official implementation rules regarding the determination of the “de facto management bodies” for foreign enterprises which are not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. We cannot assure you that we will not be considered a PRC resident enterprise for PRC enterprise income tax purposes and be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the PRC EIT Law provides that dividend payments between qualified PRC resident enterprises are exempted from enterprise income tax, due to the short history of the PRC EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC incorporated subsidiary to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

Furthermore, the PRC EIT Law provides that, (i) if the enterprise that distributes dividends is domiciled in the PRC, or (ii) if gains are realized from transferring equity interest of enterprises domiciled in the PRC, then such dividends or capital gains are treated as PRC-sourced income. It is not clear how “domicile” may be interpreted under the PRC EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered a PRC resident enterprise for tax purposes, any dividends we pay to our overseas corporate Shareholders who are not deemed a PRC resident enterprise as well as gains realized by such Shareholders from the transfer of our Shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%.

### **Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under PRC tax laws.**

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, PRC withholding tax at a rate of 10% is normally applicable to dividends from a PRC source paid to investors that are “non-resident enterprises,” which do not have an establishment or place of business in China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such is generally subject to a 10% PRC income tax if such gain is regarded as income derived from sources within China.

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Under PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed “— We may be deemed to be a PRC tax resident under the EIT Law and our global income may be subject to a 25% PRC enterprise income tax.” dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within China and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may apply to the PRC tax authorities to be recognized as eligible for such benefits in accordance with the Announcement of the SAT on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《國家稅務總局關於發布〈非居民納稅人享受協定待遇管理辦法〉的公告》) (the “**Circular 35**”), which was issued on October 14, 2019 and came into effect on January 1, 2020. According to the Circular 35, the preferential tax rate does not automatically apply. With respect to dividends, the “beneficial owner” tests under the Circular 9 will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would be subject to higher PRC tax rates. In such cases, the value of your investment in our Shares may be materially and adversely affected.

**The EIT Law may affect tax exemptions on dividends received by our Shareholders and us, and may increase the EIT rate we subject to.**

Under the EIT Law and its implementing rules, both of which became effective from January 1, 2008, an enterprise established outside of the PRC with “de facto management bodies” situated within the PRC could be considered a PRC resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income with any relevant foreign tax paid available to be claimed as a foreign tax credit. The implementing rules of the EIT Law define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise.” The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“**Guo Shui Fa [2009] No. 82**,” or “**Circular 82**”) (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》, 國稅發[2009]82號), on April 22, 2009, which was newly amended on December 29, 2017. Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals or foreigners, like our Company, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation’s general position on how the “de facto

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management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. If the PRC authorities were to subsequently determine that we should be so treated and if we derive any global income in future, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability. Further, if we are regarded as a PRC resident enterprise, dividends that we receive from the subsidiary which are considered as PRC resident enterprises would be exempt from EIT and no withholding tax would be applied either. However, as there is still uncertainty as to how the EIT Law and its implementation rules will be interpreted and implemented, we cannot assure you that our income may not be subject to the EIT Law and that we are eligible for such PRC enterprise income tax exemptions or reductions.

In addition, because there remains uncertainty regarding the interpretation and implementation of the EIT Law and its implementing rules, it is uncertain whether, if we are regarded as a PRC resident enterprise, dividends we pay with respect to our Shares, or the gain you may realize from the transfer of our Shares, would be treated as income derived from sources within the PRC and be subject to a 10% withholding income tax, unless any such foreign corporate shareholder is qualified for a preferential withholding rate under a tax treaty. For further details, see “Regulatory Overview — Regulations on Taxation — Corporate income tax.” If we are required under the EIT Law to withhold PRC income tax on our dividends payable to our non-PRC corporate shareholders, or if you are required to pay PRC income tax on the transfer of our Shares, your investment in our Shares may be materially and adversely affected.

**PRC regulations relating to the establishment of offshore special purpose vehicles by PRC residents may subject our PRC resident Shareholders to personal liability, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries’ ability to distribute profits to us, and adversely affect our financial position.**

The SAFE promulgated the Domestic Resident’s Investment and Financing and Round-trip Investment through Special Purpose Vehicles, or Circular 37, on July 4, 2014 to replace the Circular of the SAFE on Relevant Issues Concerning Foreign Exchange Administration for Financing and Return Investments by Domestic Residents through Special-Purpose Overseas Companies (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**Circular 75**”). According to Circular 37, PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local bureau to register for foreign exchange for overseas investments before contributing to special purpose vehicles (the “**SPVs**”) with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals and may not always be able to compel our beneficiaries to comply with

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the requirements of the Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by the Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

**You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in China or Hong Kong based on foreign laws against us and our Directors and senior management.**

We are incorporated in the Cayman Islands. A significant majority of our assets are located in the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2006 Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC, and vice versa. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute do not agree to enter into a choice of court agreement in writing under the 2006 Arrangement. As a result, it may be difficult or impossible for investors to effect service of process against our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”) was signed between the Supreme People’s Court of China and Hong Kong. Comparing with the 2006 Arrangement, the 2019 Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC laws. The 2019 Arrangement will apply to judgments made by the courts of Hong Kong and the PRC on or after its commencement date, which will be announced by Hong Kong and the PRC after necessary procedures of both places



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have been completed. The 2006 Arrangement will be superseded upon the effective date of the 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a "choice of court agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. Although the 2019 Arrangement has been signed, it remains unclear as to its effective date and uncertain as to the outcome and effectiveness of any action brought under the 2019 Arrangement.

**PRC regulations of loans and direct capital investments to PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED].**

Any loans provided by us to our PRC subsidiaries are subject to PRC regulations, and such loans must be registered with the local branch of SAFE. Additionally, our capital contributions must be filed with or approved by the MOFCOM or its local counterpart and registered with the SAIC or its local branch. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete filing and registration procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to obtain such approvals or registrations, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be materially and adversely affected. This may materially and adversely affect our PRC subsidiaries' liquidity, their ability to fund their working capital and expansion projects, and their ability to meet their obligations and commitments. As a result, this may have a material and adverse effect on our business, financial condition and results of operations.

**Inflation in the PRC could materially and adversely affect our profitability and growth.**

While the PRC economy as a whole has experienced rapid growth, such growth has become uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth may lead to growth in the money supply and accordingly inflation. If the amounts we charge our customers go up at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected.

### **RISKS RELATING TO THE [REDACTED] AND OUR SHARES**

**There has been no public market for our Shares and the market price of our Shares may be volatile; there is no assurance of an active trading market in our Shares.**

Prior to the [REDACTED], there has been no public market for our Shares. The initial [REDACTED] range of our Shares, and the [REDACTED], will be the result of negotiations between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us. In addition, while we have applied to have our Shares [REDACTED] on the [REDACTED], there can be no guarantee that (i) an active trading market for our Shares will develop or, (ii) if it does, that it will be sustained following the completion of the [REDACTED], or (iii) that the market price of our Shares will not decline below the [REDACTED]. You may not be able to resell your shares at a price that is attractive to you, or at all.

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The trading prices of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, the PRC, the United States and elsewhere in the world. In particular, the market price of our Shares may fluctuate significantly and rapidly as a result of the following factors:

- variations of our results of operations (including variations arising from foreign exchange rate fluctuations);
- loss of customers;
- changes in securities analysts’ estimates of our financial performance;
- announcement by us of significant acquisitions, greenfield developments, strategic alliances or joint ventures;
- addition or departure of key personnel;
- fluctuations in stock market price and volume;
- involvement in litigation;
- trading price performance of other telecommunication companies based in Asia; and
- general economic and stock market conditions.

In addition, stock markets and the shares of other companies [REDACTED] on the Stock Exchange with significant operations and assets in the PRC have experienced increasing price and volume fluctuations in recent years, some of which have been unrelated or disproportionate to the operating performance of such companies. These broad market fluctuations may materially and adversely affect the market price of our Shares.

**Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.**

The [REDACTED] of our [REDACTED] is expected to be determined on the [REDACTED]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares may fall before trading begins as a result of adverse market conditions or other adverse developments, that may occur between the time of sale and the time trading begins.

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**Future issuances or substantial sales of the Shares in the public market could materially and adversely affect the prevailing market price of our Shares and our Company's ability to raise capital.**

Sales of substantial amounts of Shares in the public market after the completion of the [REDACTED], or the perception that these sales could occur, could adversely affect the market price of our Shares. Although our Controlling Shareholders are subject to restrictions on its sales of Shares within 12 months from the [REDACTED] Date as described in "[REDACTED]" in this Document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the [REDACTED], or the perception that these sales may occur, may cause the market price of our Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Statutory and General Information — A. Further Information About Our Company and Its Subsidiaries" in Appendix IV to this Document or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, may materially and adversely affect the prevailing market price of the Shares.

**Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our [REDACTED] best interests.**

Our interests may conflict with those of our Controlling Shareholders, who may take actions that are not in, or may conflict with, our or our [REDACTED] best interests. Immediately following the [REDACTED], our Controlling Shareholders will, in aggregate, beneficially own approximately [REDACTED]% of our Company's outstanding shares, assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholder conflict with the interests of our other Shareholders, or if our Controlling Shareholder cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders may be disadvantaged by the actions that our Controlling Shareholders choose to cause us to pursue.

Our Controlling Shareholders may have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. As such, our Controlling Shareholders' interests may not necessarily be in line with the best interests of our Company or the interests of our other Shareholders, which may have a material and adverse effect on our Company's business operations and the price at which our Shares are traded on the Stock Exchange.



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## RISK FACTORS

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### **There may be difficulties in protecting your interests under the laws of the Cayman Islands.**

Our corporate affairs are governed by, among other things, our Memorandum of Association, Articles of Association, the Companies Law and common law of the Cayman Islands. The rights of Shareholders to take actions against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which is persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions. Such differences may mean that the remedies available to the minority shareholders may be different from those they would have under the laws of other jurisdictions.

### **Purchasers of the [REDACTED] will experience an immediate dilution and may experience further dilution if our Company issues additional Shares or other securities in the future.**

Based on the [REDACTED], the [REDACTED] is expected to be higher than the net tangible assets value per Share immediately prior to the [REDACTED]. Therefore, the purchasers of the [REDACTED] will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets value. See "Unaudited Pro Forma Financial Information" in Appendix II to this Document for further details. Additional funds may be required in the future to finance the expansion or new developments of the business and operations of our Group or new acquisitions. If additional funds are raised through the issue of new equity or equity-linked securities of our Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders in our Company may be diluted or such new securities may confer rights and privileges that take priority over those conferred by the [REDACTED].

### **Substantial future sales of our Shares by existing Shareholders in the public market could materially and adversely affect the prevailing market price of the Shares.**

Sales of our Shares in the public market, or the perception that these sales may occur, may cause the market price of our Shares to decline significantly. Divestiture in the future of our Shares by shareholders, the announcement of any plan to divest our Shares, or hedging activity by third-party financial institutions in connection with similar derivative or other financing arrangements entered into by shareholders, may cause the price of our Shares to decline.

The Shares held by the Controlling Shareholders are subject to lock-up beginning on the [REDACTED] Date. There is no assurance that the Controlling Shareholders will not further dispose of the Shares held by them. We cannot predict the effect, if any, of any future sales of the Shares by any Substantial Shareholder or Controlling Shareholder, or the availability of the Shares for sale by any Substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any Substantial Shareholder or

## RISK FACTORS

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Controlling Shareholder or the issue of a substantial amount of new Shares by our Company, or the market perception that such sales or issue may occur, may materially and adversely affect the prevailing market price of the Shares.

### **Whether and when the dividends will be declared and paid cannot be assured.**

No dividend was declared or paid by our Group to the Shareholders of our Company during the Track Record Period. A declaration of dividends is proposed by our Board of Directors and the amount of any dividends may depend on various factors, including, without limitation, our results of operations and earnings, capital requirements and surplus, financial condition, future prospects and other factors which our Board of Directors may determine are important. Our Company may not be able to distribute dividends to the Shareholders as a result of the abovementioned factors. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy, and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined. Accordingly, we cannot assure you as to whether and when we will distribute dividend in the future. We may not be able to record profits and have sufficient funds above its funding requirements, other obligations and business plans to declare dividends to the Shareholders.

### **We have not independently verified government statistics and facts in this Document.**

This Document includes certain statistics that have been extracted from the PRC Government official sources and publications. Our Directors believe the sources of these statistics are appropriate for such statistics and have taken reasonable care in extracting and reproducing such statistics. Our Directors have no reason to believe that such statistics are false or misleading or that any fact has been omitted that would render such statistics false or misleading. However, these statistics from these sources have not been independently verified by our Company, the Sole Sponsor, [[REDACTED], the [REDACTED] and the [REDACTED], and the [REDACTED]], any of their respective directors or any other parties involved in the [REDACTED] and therefore, our Company makes no representation as to the accuracy or completeness of these statistics, which may not be consistent with other information compiled within or outside Hong Kong, as such these statistics should not be unduly relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such statistics or facts.

## RISK FACTORS

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**Investors should read the entire Document carefully and should not consider any particular statements in this Document or in published media reports without carefully considering the risks and other information contained in this Document.**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this Document, there may be press and media coverage regarding us and/or the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it and you should not rely on such information. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Document only and should not rely on any other information.

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## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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For the purpose of the [REDACTED], our Company has sought the following waiver from the Stock Exchange in relation to certain requirements from the Listing Rules.

### MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that we are headquartered in the PRC with our principal business operations principally located, managed and conducted in the PRC and all of our executive Directors are not ordinarily resident in Hong Kong, it would be practically difficult and commercially unfeasible for us to either relocate two of our executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong in order to comply with the requirements under Rule 8.12 of the Listing Rules. Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions:

- (a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, namely, Dr. Chen Ping (陳平), an executive Director and Ms. Zhang Xiao (張瀟), our Company's company secretary, who will act as our Company's principal channel of communication with the Stock Exchange. Ms. Zhang Xiao is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the two authorized representatives is authorized by our Board to communicate on behalf of our Company with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Ms. Zhang Xiao has been authorized to accept service of legal process and notice in Hong Kong on behalf of our Company;
- (b) each of our Company's authorized representatives has means to contact all members of our Board (including the independent non-executive Directors) and the senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorized representatives and our Directors, our Company will implement a number of policies whereby (i) each Director shall provide his/her mobile phone numbers, office phone numbers, fax numbers and email addresses to the authorized representatives; (ii) in the event that such Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorized representatives; and (iii) all our Directors and authorized representatives will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange. We shall promptly inform the Stock Exchange of any changes to the contact details of the authorized representatives of our Company and our Directors;

## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

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- (c) Ping An of China Capital (Hong Kong) Company Limited has been appointed as compliance advisor of our Company, pursuant to Rule 3A.19 of the Listing Rules, to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorized representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the [REDACTED] Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules and publishes its annual report in respect of its first full financial year commencing after the [REDACTED] Date. The contact person of the compliance advisor will be fully available to answer enquiries from the Stock Exchange;
- (d) each of our Directors (including independent non-executive Directors) who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong upon reasonable notice; and
- (e) our Company will also appoint other professional advisors (including its legal advisors in Hong Kong) after the [REDACTED] to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]



**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

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[REDACTED]

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

<u>Name</u>	<u>Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Chen Ping (陳平)	3-2701, Jinyu Lanwan Furong Road Futian District Shenzhen City Guangdong Province PRC	American
Wang Zheshi (王者師)	3-2701, Jinyu Lanwan Furong Road Futian District Shenzhen City Guangdong Province PRC	Chinese
Feng Yijing (馮義晶)	Room 502 No. 8, 25 Middle Yanji Road Yangpu District Shanghai PRC	Chinese
Wang Jun (王軍)	Room 2006 115 Chengxian Road Xuanwu District Nanjing City Jiangsu Province PRC	Chinese
<i>Independent Non-executive Directors</i>		
Gu Jiong (顧炯)	A28-2, Jianian Villa No. 3333 Hongmei Road Minhang District Shanghai PRC	Chinese

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Fong Wo, Felix (方和)	Flat D, 9/F Repulse Bay Towers 119A Repulse Bay Road Repulse Bay Hong Kong	Chinese
Yang Hai (楊海)	Room 3104, Building 10 Donghai Yinwan 3 Guilan Road Chancheng District Foshan City Guangdong Province PRC	Chinese

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

**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor** **Ping An of China Capital (Hong Kong) Company Limited**  
Units 3601, 07 & 11-13, 36/F, The Center  
99 Queen's Road Central  
Hong Kong

[REDACTED]

[REDACTED]

**Legal Advisors to Our Company** *As to Hong Kong law:*  
**Jingtian & Gongcheng LLP**  
Suites 3203-3207, 32/F  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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*As to PRC law:*

**Jingtian & Gongcheng**

45/F, K. Wah Centre  
1010 Huaihai Road (M)  
Xuhui District  
Shanghai City  
PRC

*As to Cayman Islands law:*

**Ogier**

11/F, Central Tower  
28 Queen's Road Central  
Central  
Hong Kong

*As to international sanctions law:*

**Hogan Lovells**

11/F, One Pacific Place  
88 Queensway  
Hong Kong

*As to U.S. and Russian import and export law:*

**Winston & Strawn LLP**

42/F, Bank of China Tower  
1 Garden Road  
Central  
Hong Kong

**Legal Advisors to  
the Sole Sponsor,  
the [REDACTED],  
the [REDACTED],  
the [REDACTED] and  
the [REDACTED]**

*As to Hong Kong law:*

**Tian Yuan Law Firm LLP**

Suites 3304–3309, 33/F  
Jardine House  
One Connaught Place  
Central  
Hong Kong

*As to PRC law:*

**Alpha Law Firm**

18G, Huamin Empire Plaza  
726 West Yan' An Road  
Shanghai  
PRC

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

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**Independent auditor  
and Reporting Accountants**

**Ernst & Young**  
*Certified Public Accountants*  
*Registered Public Interest Entity Auditor*  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

**Industry Consultant**

**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**  
Suite 2504  
Wheelock Square  
1717 Nanjing West Road  
Shanghai  
PRC

[REDACTED]

[REDACTED]

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## CORPORATE INFORMATION

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<b>Registered office in the Cayman Islands</b>	89 Nexus Way Camana Bay Grand Cayman KY1-9009 Cayman Islands
<b>Principal place of business in the PRC</b>	8/F, Building B4 9 Mozhoudong Road Jiangning Economic and Technological Development Zone Nanjing Jiangsu Province PRC
<b>Principal place of business in Hong Kong</b>	40/F Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
<b>Company's website address</b>	<u><a href="http://www.howkingtech.com">www.howkingtech.com</a></u> <i>(the information contained on this website does not form part of this document)</i>
<b>Company secretary</b>	Ms. Zhang Xiao (張瀟) 40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong <i>(an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute)</i>

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## CORPORATE INFORMATION

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**Authorized Representatives  
(for the purpose of the  
Listing Rules)**

Dr. Chen Ping (陳平)  
3-2701, Jinyu Lanwan  
Furong Road  
Futian District  
Shenzhen City  
Guangdong Province  
PRC

Ms. Zhang Xiao (張瀟)  
40th Floor, Dah Sing Financial Centre  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

**Audit Committee**

Mr. Gu Jiong (*Chairman*)  
Mr. Fong Wo, Felix  
Mr. Yang Hai

**Remuneration Committee**

Mr. Fong Wo, Felix (*Chairman*)  
Mr. Yang Hai  
Mr. Feng Yijing

**Nomination Committee**

Dr. Chen Ping (*Chairman*)  
Mr. Fong Wo, Felix  
Mr. Gu Jiong

[REDACTED]

[REDACTED]

**Compliance advisor**

**Ping An of China Capital (Hong Kong) Company  
Limited**  
Units 3601, 07 & 11-13, 36/F, The Center  
99 Queen's Road Central  
Hong Kong

## CORPORATE INFORMATION

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### Principal banks

#### **China Everbright Bank Nanjing Jiangning Branch**

No. 55 Shengtai Road  
Jiangning District  
Nanjing City  
Jiangsu Province  
PRC

#### **China Merchants Bank Jiangning Branch**

No. 66 Shengtai Road  
Jiangning District  
Nanjing City  
Jiangsu Province  
PRC



## INDUSTRY OVERVIEW

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

*Accordingly, you should not place undue reliance on such information. For discussions of risks relating to our industry, please see “Risk Factors — Risks Relating to Our Business and Industry.”*

## SOURCES AND RELIABILITY INFORMATION

In connection with the [REDACTED], we engaged Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare an industry report on the markets we operate with a commission fee of RMB600,000. Founded in 1961, Frost & Sullivan provides market research on a variety of industries, among other services. The information from Frost & Sullivan disclosed in this Document is extracted from the Frost & Sullivan Report with its consent.

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan used the following key methodologies to collect multiple sources, validate the data and information collected, and cross-check each respondent’s information and views against those of others: (i) primary research, which involved in-depth interviews with the industry participants; and (ii) secondary research, which involved reviewing published sources including national statistics, annual reports of listed companies, industry reports and data based on Frost & Sullivan’s in-house research database.

Frost & Sullivan adopted the following primary assumptions while making projections for preparing the Frost & Sullivan Report: (i) China’s macro economy is expected to grow at a steady rate supported by favorable government policies as well as global economic recovery, among other factors; (ii) China’s social, economic, and political environments remain stable during the forecast period; (iii) COVID-19 pandemic is expected to affect the economy and market in the short term; and (iv) market drivers, such as increasing demands from downstream industries, advancement of technologies, favorable policies and regulations and others, are likely to drive the demand for IoT solutions and telecommunication equipment during the forecast period.

## INDUSTRY OVERVIEW

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Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. Our Directors confirm that after taking reasonable care, there has no material adverse change in the overall market information since the date of the Frost & Sullivan Report that would materially qualify, contradict or have an impact on such information.

### ANALYSIS OF THE IOT MARKET IN THE PRC

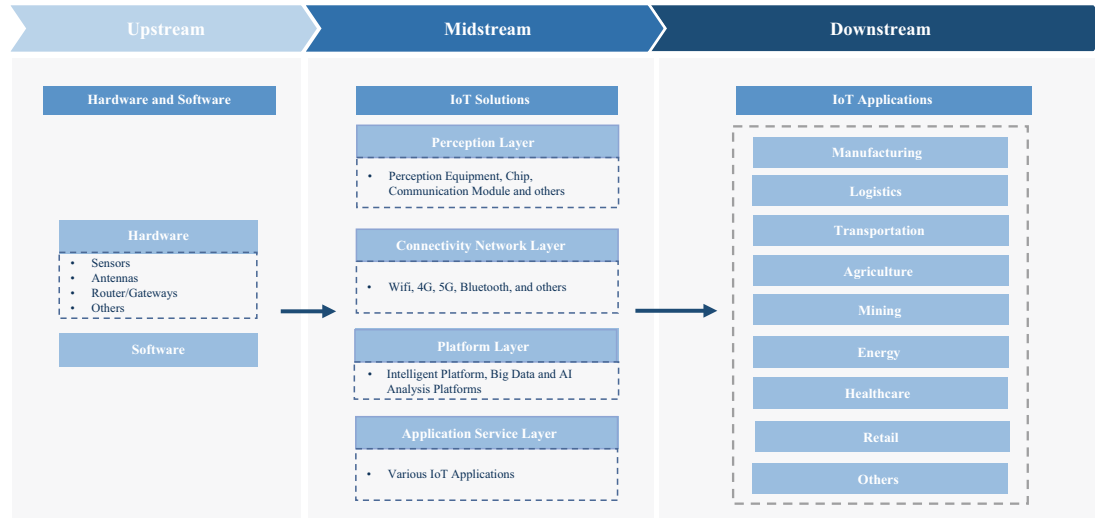
#### Overview

The Internet of things, or IoT, refers to a network connecting all sorts of information sensory devices to the Internet with the aim of connecting all things to the network for easy identification and management. The IoT market in the PRC consists of upstream hardware and software, midstream IoT solutions and downstream IoT applications. Among them, the upstream side is mainly composed of sensing devices and telecommunication devices, such as sensors, antennas and routers or gateways, and software, which is deployed to sensing devices and telecommunication devices for operations. As to the midstream, IoT market players aim to offer IoT solutions to their customers for addressing the connectivity of sensory devices and the collection and transformation of data. The general structure of IoT solutions includes four layers, namely perception layer, connectivity network layer, platform layer and application service layer. The perception layer is equipped with certain sensing and telecommunication devices, such as chip and communication module. The connectivity network layer is embedded between perception layer and application service layer for connecting the sensing and telecommunication devices with IoT applications in the application service layer. IoT solutions sometimes set up a platform layer between the connectivity network layer and application service layer, providing big data and AI analysis services, which is optional upon the request by customers. In the application service layer, IoT solution providers deploy various IoT applications for transforming and managing the data collected from sensing and telecommunication devices. The downstream refers to various IoT applications, mainly

## INDUSTRY OVERVIEW

including manufacturing, logistics, transportation, agriculture, mining, healthcare, energy and others. The following diagram illustrates the value chain of the IoT market:

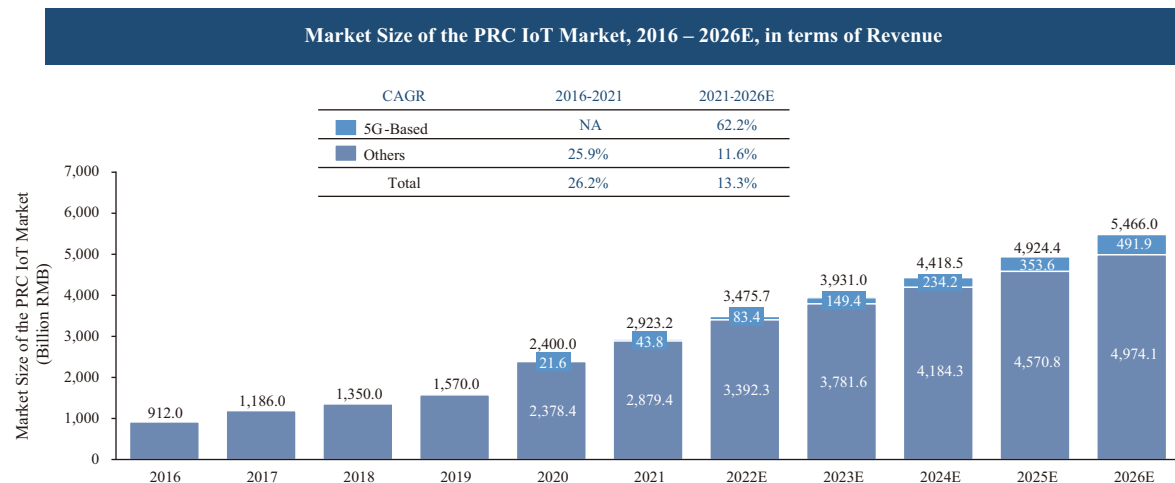
### Value Chain of the IoT Market



Source: Frost & Sullivan Report

### Market Size of the IoT Market in the PRC

Leveraging favorable government policies and growing introduction of the advanced technologies, the revenue of the IoT market in the PRC experienced a rapid growth with a CAGR of 26.2% from RMB912.0 billion in 2016 to RMB2,923.2 billion in 2021, and is expected to further grow at a CAGR of 13.3% from 2021 to 2026, reaching RMB5,466.0 billion in 2026.



Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

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### Entry Barriers

The entry barriers to the IoT market in the PRC include:

- *High Technical Barriers.* The IoT market is a technology-driven industry. Technologies adopted in the IoT market are subject to continuous technical innovation, update and upgrade. Considering the specific technical requirement by IoT customers and the application scenarios, not all technologies are suitable for IoT application, and different wireless technologies have distinct roles that are suitable for IoT applications. Factors like power consumption, battery life and range of coverage should be considered as technical barriers for IoT application. Industrial IoT applications even requires higher internet speed, stability, and security of data collection and transmission. For example, low power wide area networks are specifically developed for industrial IoT applications. Leading IoT market players, who have large amount of technology patents and professional teams with technical knowledge, are able to offer comprehensive and advanced solutions services to their downstream customers. Under such circumstances, it is difficult for new entrants to gain solid technical strength and competitiveness in such a technology-driven industry.
- *Customer Base.* IoT market players strive to maintain a loyal customer base. The downstream customers mainly include enterprises, public institutions and government agencies, who have high demand and specific requirements for the quality of products and after-sales services. IoT market players aim to establish a stable and mature customer base through long-term technical services and market promotion. Besides, due to the customization of and huge investment in IoT solutions, the costs of replacement on IoT solutions are relatively high, which reinforces the customer stickiness and creates a significant barrier for new entrants to the IoT market.
- *Industry Experience.* The enterprises in the downstream industries require IoT market players to offer customized solutions according to the characteristics and development trends of the industry it operates. The downstream customers of the IoT market, especially large enterprises, also pay much attention to the proven track record of IoT market players. The IoT market players, who can fully understand customers' needs and provide high quality products as well as in-depth technical supports, are well-positioned to capture the market opportunities. New entrants without relevant project experience are likely to have some difficulties in building mutual trust with downstream customers.

## INDUSTRY OVERVIEW

### Market Drivers

The future growth of the IoT market in the PRC is expected to be primarily driven by the following factors:

- *Government Support.* A series of policies issued by the PRC Government, such as the *Notice on Further Implementing the Comprehensive Development of Mobile Internet of Things* (《關於深入推進移動物聯網全面發展的通知》) in 2020 and the *Industrial Internet Innovation Development Action Plan (2021-2023)* (《工業互聯網創新發展行動計劃(2021-2023年)》) in 2021, have supported the development of the IoT market. As a result, the number of mobile Internet of things connections reached 1.2 billion at the end of 2020. The supportive policies have promoted the wide applications of the Internet of things, which is expected to drive the IoT market.
- *Growing Adoption of Advanced Technologies.* The advanced technologies lay the foundation of and promote the development of the IoT market in the PRC. For example, 5G technologies, which provide ultra-low latency, multi-Gbps peak data speeds, massive network capacity, increased availability, enhanced reliability and data security, broaden the application of the IoT. Leveraging the advanced technologies adopted, IoT is expected to be applied in various industries and application scenarios to boost performance, enhance data collection and improve predictive analytics.
- *Rapid Development of Industrial IoT.* As technology advances, increasing number of factories are being automated and the importance of connectivity among the equipment in the factories is increasing. When more factories are automated, communication between machines, robots and computers will become increasingly important. With the rapid development of Industrial IoT market, manufacturing facilities will become more productive, industrial robots will become more sophisticated to handle more complex instructions, assembly lines and operations will be more streamlined and overall efficiency will increase. Industrial IoT market is the major application scenario in the IoT market. In 2021, the total revenue of industrial IoT increased to RMB548.2 billion from RMB189.3 billion in 2016. From 2021 to 2026, the total revenue of Industrial IoT market is anticipated to increase from RMB548.2 billion to RMB1,148.9 billion, with a CAGR of 16.0%. Also, the *Development Plan of a Digital Economy During the 14th Five-Year Plan (2021-25)* (《“十四五”數字經濟發展規劃》) issued by Chinese State Council in 2021 aims to reach 45% penetration rate of industrial internet platform applications by 2025. The increasing demand for factory automation and the importance of connectivity among machines, robots and computers is expected to drive the development of industrial IoT market.

## INDUSTRY OVERVIEW

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- *Demand for Private 5G Network.* Private 5G networks are wireless local area networks that utilize the 5G technologies as their communication medium to build private networks. These private networks offer unified connectivity with numerous advantages and optimized services. In the near future, private 5G networks are expected to become one of the preferred choices for enterprises, taking into account its vast bandwidth, high data rates, ultra-low latency, high security, reliability and scalability features. This is a game-changer for enterprises and industries, where private 5G networks are essential connection methods, such as autonomous vehicles, connected factories, connected healthcare, smart retail, and rural broadband connectivity. The developers of private 5G network also aim to cope with the huge rise in demand for the digital transformation of enterprise. Enterprises that require network slicing capabilities to separate mission-critical use cases within the same physical network will turn to adopt private 5G networks. China has adopted a positive approach toward popularizing the private 5G networks, which is anticipated to bring more opportunities to the IoT market players.

### Future Trends

- *Initiatives on Smart City Construction from Governments.* Smart city is one of the primary application scenarios of IoT solutions. A smart city is a technologically modern urban area that uses various types of telecommunication methods, voice activation methods and sensors to collect specific data. Information gained from that data are used to manage assets, resources and services efficiency; in return, that data is used to improve the operations across the city. The smart city concept integrates information and communication technology, and various physical devices connected to the IoT network to optimize the efficiency of city operations and services and connect to citizens. The PRC Government has implemented a series of policies to regulate and support the development of smart city, including the *Implementation of the Urban Renewal Initiative* (《實施城市更新行動》) issued by the Ministry of Housing and Urban-Rural Development in 2021. Leveraging the support from the PRC Government, the construction of smart city is expected to accelerate, which will further promote the development of the IoT market.
- *Extensive Application of IoT Solutions.* The demand of digital transformation experiences a tremendous increase in various domains. IoT solutions take place in a wider array of scenarios, involving not only manufacturer in industrial engineering, but also enterprises in other industries requiring broadband and high transmission speed, such as retail, agriculture, financial services, automotive and healthcare. In the future, the extensive application of IoT solutions is expected to bring more development opportunities for the market players in the PRC.

## INDUSTRY OVERVIEW

- Adoption of Big Data Analysis Platforms.* The operation of IoT solutions involves collecting the massive amounts of data. The increase in the amount of data poses serious challenges to the collection, storage and analysis of these data. IoT solutions are expected to adopt new advanced analysis tools for processing and analyzing the large amounts of the data collected, where the adoption of big data and artificial intelligence analysis platforms is expected to be popularized.
- Network Security Risks.* With the development of wireless communication network and the deployment of IoT, people are easy to connect with wireless network and share massive amount data within the network and system deployed. As a result, a slew of new cyber threats has emerged. Malicious attacks have surged with the increasing adoption of IoT and wireless technologies. In particular, many enterprises are exposed to the network security risks and they are inclined to protect their database and prevent data leakage by setting up their own private 5G networks.

### Competitive Landscape of the IoT Market in the PRC

The IoT market in the PRC is competitive and fragmented with more than 30,000 participants. There are many market participants join the competition in each layer of the IoT market in the PRC. The major participants in the IoT market include domestic and foreign companies, some of which are globally well-known large-scale and multinational enterprises. The diagram below sets forth the the backgrounds and market shares of the top ten IoT market participants in the PRC by revenue in 2021:

Ranking	Company	Background Information	Market Share (%)
1	Company A	A leading global provider of information and communications technology (ICT) infrastructure and smart devices.	7.2%
2	Company B	A world-leading provider of better life and digital transformation solutions, focusing on the business of smart home and living, industrial internet and great healthcare.	4.1%
3	Company C	A listed leading technology company with smartphones, IoT products and internet business at its core.	2.9%
4	Company D	A world-leading provider of innovative security products and solutions.	1.9%
5	Company E	A partially state-owned Chinese technology company that specializes in telecommunication and information technology.	1.1%
6	Company F	A listed IoT company providing smart products and professional services for information interaction and human health in the PRC.	1.0%
7	Company G	A listed world-leading video-centric smart IoT solution and service provider.	1.0%
8	Company H	A leading technology company that focuses on the IoT business, including VloT, AIoT, and IIoT in the PRC.	0.4%
9	Company I	A leading technology company that focuses on the integration of computer information systems and software development related to communications and information operations.	0.2%
10	Company J	A listed well-known intelligent speech and artificial intelligence company in the Asia-Pacific Region.	0.2%
<b>Top 10</b>			<b>20.0%</b>
<b>Others</b>			<b>80.0%</b>
<b>Total</b>			<b>100.0%</b>

Source: Frost & Sullivan Report



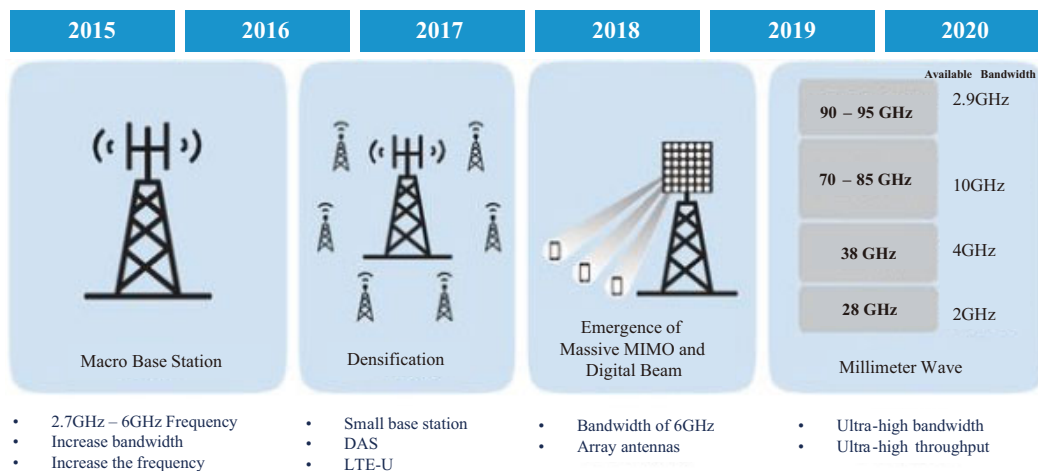
## INDUSTRY OVERVIEW

In 2021, our Group occupied approximately 0.006% market share of the IoT market in the PRC.

### Analysis of the Private 5G Network Market and its Impact on the IoT Market in the PRC

#### Overview

5G is the 5th generation mobile network. The 5G technology was first defined in a 2015 white paper published by The Next Generation Mobile Networks (NGMN) Alliance. Between 2015 and 2016, 5G technology went through testing and pre-studying. In 2017, 3GPP set up the standards for 5G, and the technology trials began, which accelerated the development of supplementary technology, such as DAS, LTE-U. In 2018, massive MIMO and digital beam were developed to enhance the signal of 5G and meet the end user’s needs. The frequency of 5G reached to 6GHz. The Sub-6GHz frequency bands and the millimeter wave spectrum are two frequency specifications defined and used for 5G technology. Sub-6GHz refers to mid and low-frequency bands under 6GHz, and millimeter wave refers to higher frequency radio bands over 24GHz with a wavelength of less than 10mm. Currently, the Sub-6GHz is the most commonly used in 5G technology in the PRC. As for 2020, the millimeter wave was suggested for possible integration with 5G technology, with its ultra-high bandwidth and ultra-high throughput. Nonetheless, the millimeter wave communication technology in the PRC is still in the R&D stage. It has not yet been commercialized and has not yet been applied to 5G technology in the PRC so far.



Source: Frost & Sullivan Report

5G technologies are meant to deliver higher multi-Gbps peak data speeds, ultra-low latency, more reliability, massive network capacity, increased availability, and a more uniform user experience to more users. Up to 100 times faster than 4G, 5G is creating never-before-seen opportunities for people and businesses. In particular, 5G accelerated the expansion of IoT application scenarios, such as consumer applications and industrial applications. Since 2020, 5G technologies have been introduced for commercial use.



## INDUSTRY OVERVIEW

As compared with the standards of previous generations, 5G standard is a much more unified standard across the world. 5G was initially introduced in 2018 by the freezing of 3GPP's Release 16 (5G phase II), which has been commonly adopted by the member countries of the 3GPP (3rd Generation Partnership Project).

The IoT market is expected to benefit from the high transmission speed and low latency of 5G technologies. By breaking through the capabilities of the 4G technologies, 5G technologies create a friendly ecosystem for IoT with faster speed, higher bandwidth and lower latency as compared to 4G technologies. The total revenue of 5G-based IoT solutions in the PRC is expected to increase from RMB43.8 billion in 2021 to RMB491.9 billion in 2026, with a CAGR of 62.2% from 2021 to 2026.

The value chain of private 5G network market in the PRC includes upstream manufacturers of components of telecommunication equipment; midstream manufacturers of 5G micro base station, 5G core network, 5G aggregation network and solution providers; and end users in the downstream application scenarios, which include government entities, military units, police, corporate and others.

The private 5G network solutions that we offered cover production of 5G base stations for our customers and do not rely on any existing 5G base stations in the PRC.

### ***Favorable Government Initiatives and Policies to Promote Private 5G Network in the PRC***

In 2021, the number of 5G base stations per 10,000 people reached 10.1 in the PRC. In order to accelerate the development of the 5G industry, the PRC government issued several favorable policies. According to the *5G Application "Sailing" Action Plan (2021-2023)* (《5G應用“揚帆”行動計劃(2021-2023年)》), the average annual growth rate of 5G IoT end users will exceed 200%, and every 10,000 people in the PRC will enjoy more than 18 5G base stations as the country steps up efforts to improve 5G coverage by 2023. The PRC government also claims that each key industry creates more than 100 5G application benchmarks, and will have a 35% penetration rate of 5G applications in the industrial industry by 2023, while more than 3,000 virtual private 5G networks will be set up by 2023. As of July 2022, the number of virtual private networks in the 5G industry had reached 6,518.

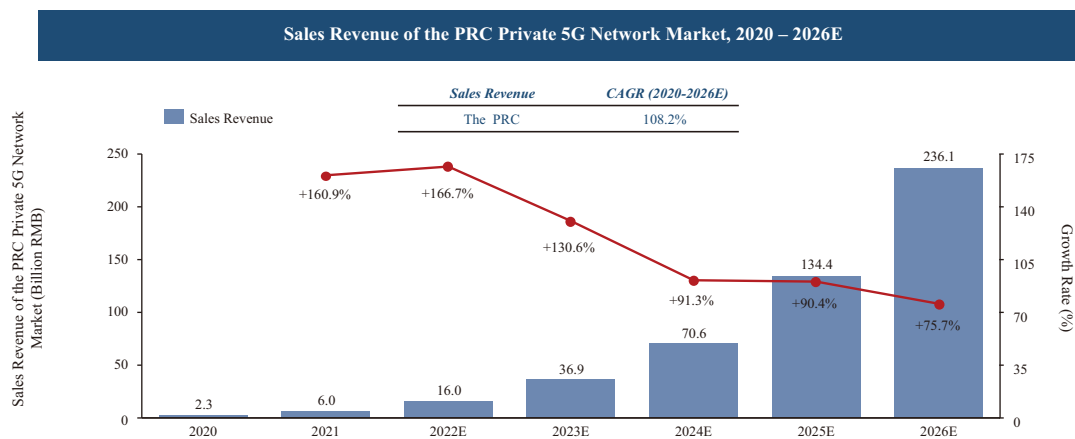
To achieve those goals, the government stated the following initiatives: (i) improving 5G application support capabilities. The government encourages the industry giants in the telecommunication industry, the information and communication technology industry, and other related industries to combine their strengths to develop integrated 5G applications. Specifically, leading telecommunication operators are encouraged to accelerate the construction of 5G networks and expand the urban and rural coverage of 5G network, leading telecommunication tower infrastructure service providers are encouraged to enhance the deployment density of 5G base stations, and leading information and communication technology enterprises are encouraged to develop advanced 5G technologies in various industries; (ii) establishing the 5G application standards system; and (iii) enabling 5G applications in key fields, including smart logistics, smart mining, smart agriculture, and others.

## INDUSTRY OVERVIEW

### Market Size of Private 5G Network in the PRC

The private 5G network market has been generating revenue in the PRC since 2020. The total revenue of the private 5G network market in the PRC was RMB2.3 billion in 2020. The private 5G network market accounted for about 0.2% of the IoT market in the PRC in 2021, with a total revenue of RMB6.0 billion. With the acceleration of digital transformation in various industries, the total revenue of the private 5G network market in the PRC is expected to reach RMB236.1 billion in 2026, with a CAGR of 108.2% from 2021 to 2026.

The diagram below sets forth the sales revenue of the private 5G network market in the PRC for the years indicated:



Source: Frost & Sullivan Report

### Future Trends

- Development of Emerging Technologies.** The development of 5G applications provides huge opportunities to the private 5G network market. With the expansion of 5G application scenarios, new application scenarios such as industrial IoT, which require high multi-Gbps peak data speeds, ultra-low latency, reliability and high security, increase the demand for private 5G network. The private 5G network is committed to optimizing the product performance by providing high-speed, reliable and secured network. For example, massive MIMO in 5G micro base station, as a core technology in the private 5G network, is developed to enhance spectrum efficiency and system capacity. In the future, the development of emerging technologies is expected to broaden the downstream applications of private 5G network and further drive the rapid development of private 5G network market.

## INDUSTRY OVERVIEW

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- *Increasing Demand for Private 5G Network.* In the future, 5G networks can support various scenarios of intelligent manufacturing, such as the coordinated control of robotic arms, which require the extremely low millisecond latency, the high bandwidth and advanced production assistance systems when applying augmented reality. With the awareness of data security and requirements for low latency in data processing, increasing number of enterprises are expected to build their own private 5G networks with the characteristics of low cost and easy deployment, which will become an important part of enterprises’ network coverage plan.
- *Integration of Micro Base Stations in Private 5G Network and Edge Computing.* The continuous exploration of 5G application scenarios will create a huge demand for edge computing, which refers to a distributed computing framework that brings applications closer to data sources, such as IoT devices or local edge servers. The edge data center is close to the information source and can perform simple data processing locally, which reduces network latency, expedites feedback, improves user experience and reduces network congestion to a great extent. The micro base stations in private 5G network are highly compatible with edge computing platforms in terms of high density, easy deployment, self-optimization, and low cost. The increase in demand for edge computing is expected to promote the sales of 5G micro base stations, and accelerate the development of private 5G networks.
- *Insufficient Talents.* With the popularization of emerging technology in 5G network, there is an increasing demand for professional talents in research and development, engineering application as well as operation and management in both 5G network, IoT industry and relative vertical industries. As 5G and IoT are newly emerged industries, there is a relatively large gap between the market demand and talent supply. Besides, the relevant education and skill training may not be able to catch up with the fast development of 5G and IoT industries.

## INDUSTRY OVERVIEW

### *Competitive Landscape of the Private 5G Network Market in the PRC*

The private 5G network market in the PRC is concentrated and dominated by a few market leaders. There were only about 20 participants in the private 5G network market in the PRC in 2021. In 2021, the total revenue of top ten participants accounted for approximately 96.3% of the total revenue of private 5G network market in the PRC.

In 2021, our Group’s revenue generated from both private 5G network solutions and products amounted to RMB72.9 million, ranking the eighth among all market players with a 1.2% market share. In addition, our Group’s business covered connectivity network layer and platform layer. The private 5G network business of the telecommunication giants is more focused on large-scale projects, such as installing private 5G networks for government, military, and infrastructure, while other top players can cater to more diverse business needs. For example, our Group strategically focus on providing cost-effective and customized IoT solutions and telecommunication equipment to enterprises with higher management flexibility and shorter product delivery period as compared to other large-sized major participants.

### **Ranking of Participants in the PRC Private 5G Network Market, 2021**

Ranking	Company	Background Information	Market Share (%)
1	Company A	A leading global provider of information and communications technology (ICT) infrastructure and smart devices.	62.0%
2	Company E	A partially state-owned Chinese technology company that specializes in telecommunication and information technology.	19.1%
3	Company K	A leading global system provider for end-to-end communications solutions and telecom infrastructures.	4.8%
4	Company L	A large-scale state-owned high-tech enterprise in the PRC, specializing in 5G technical development.	2.7%
5	Company M	A leading information and communication network product and solution provider in China.	2.4%
6	Company N	An industry leader in the provision of digital solutions in China, offers a full portfolio of digital infrastructure products and provides a comprehensive one-stop digital platform.	1.6%
7	Company O	A global leading solution and service provider of wireless and information communications systems with its R&D facilities, manufacturing base, and sales and service.	1.4%
8	Our Group	See “Business”	1.2%
9	Company P	A leading global provider of professional communications technologies and solutions in communications industry.	0.7%
10	Company Q	A leading software company of 3G/4G/5G core network with flexible development, customized services and end-to-end mobile core solution.	0.4%
<b>Top 10</b>			<b>96.3%</b>
<b>Others</b>			<b>3.7%</b>
<b>Total</b>			<b>100.0%</b>

*Source: Frost & Sullivan Report*

## INDUSTRY OVERVIEW

### ANALYSIS OF THE TELECOMMUNICATION EQUIPMENT MARKET IN THE PRC

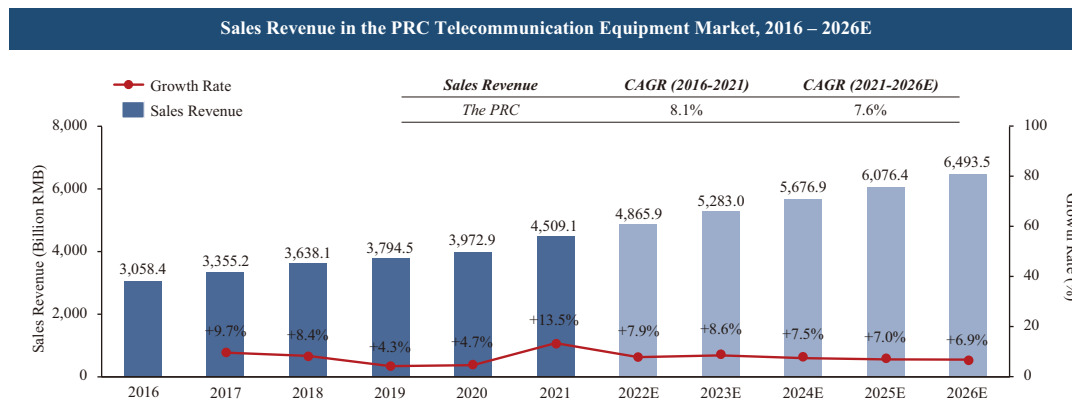
#### Overview

The telecommunication equipment includes a much broader range of equipment with more sophisticated devices and more embedded functions as technology evolves. The telecommunication equipment can be classified as (i) telecommunication system equipment and (ii) telecommunication terminal equipment. The telecommunication system equipment mainly includes wired and wireless communication transmission equipment, such as modems, routers, circuit switches, and others, while the telecommunication terminal equipment mainly includes mobile communication equipment, such as mobile phones, wearable devices and others.

#### Market Size of the Telecommunication Equipment Market in the PRC

From 2016 to 2021, the sales revenue in telecommunication equipment market in the PRC experienced a stable growth, increasing from RMB3,058.4 billion to RMB4,509.1 billion, with a CAGR of 8.1%, and is expected to reach RMB6,493.5 billion in 2026, representing a CAGR of 7.6% from 2021 to 2026.

The diagram below set forth the total revenue of the telecommunication equipment market in the PRC for the years indicated:



Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

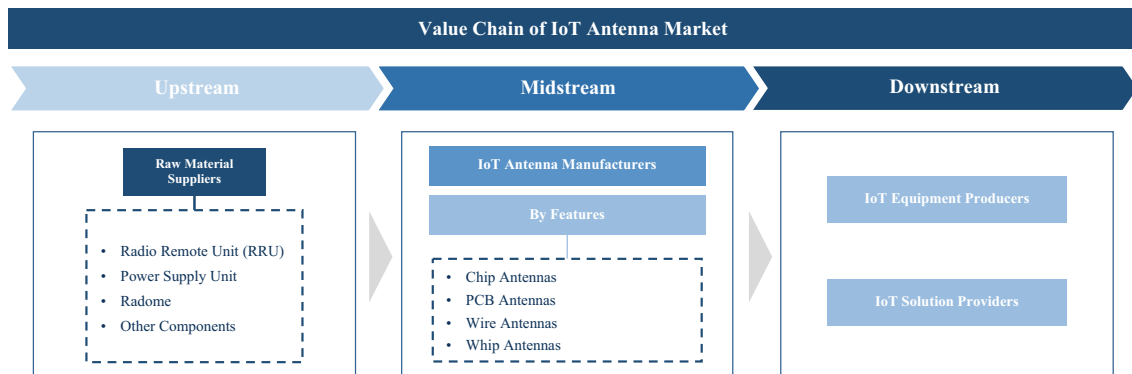
### ANALYSIS OF THE IOT ANTENNAS MARKET IN THE UNITED STATES

#### Overview

The antenna is the tool by which an IoT device receives and broadcasts signals to the outside world and therefore is a fundamental element of an IoT device. IoT antennas enable fast and easy integration into connected systems, such as Wi-Fi, Bluetooth, Zigbee and WLAN devices.

The IoT antenna products can be divided into radio frequency identification (“**RFID**”) antennas, wearable or implantable antennas, on-chip package antennas, multi-physical sensing antennas and energy harvesting antennas by function; and chip antennas, PCB antennas, wire antennas and whip antennas by type.

The value chain of IoT antenna market generally includes upstream raw material suppliers, midstream IoT antenna manufacturers, and downstream IoT equipment producers and IoT solution providers. The diagram below sets forth the value chain of the IoT antenna market:



Source: Frost & Sullivan Report

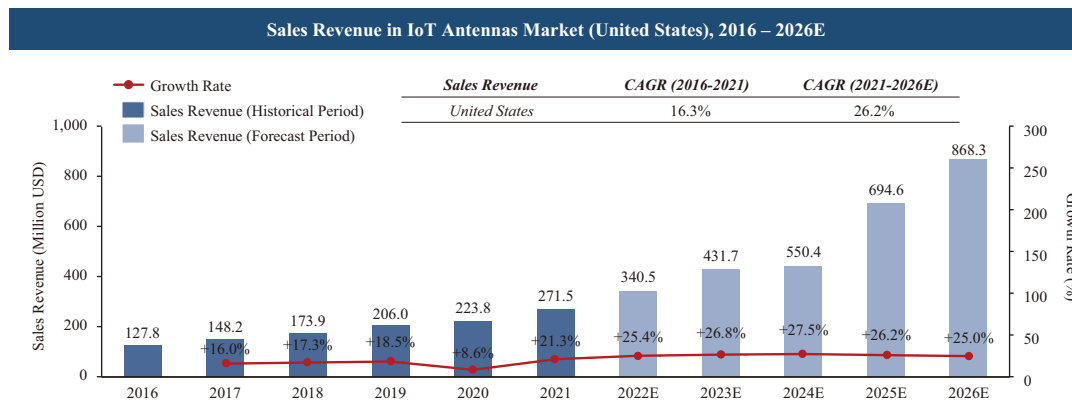
## INDUSTRY OVERVIEW

### Market Size of IoT Antennas Market in the United States

Due to the rapid development of IoT market, the total sales revenue of IoT antennas market in the United States experienced a continuous growth in recent years, which increased from USD127.8 million in 2016 to USD271.5 million in 2021, representing a CAGR of 16.3% from 2016 to 2021.

The IoT market in the United States will continue to be driven by a number of innovations in technology through research and development efforts, acquisitions by large players to gain foothold in the IoT market and strong synergy between market players to develop industry standards to govern platform architecture and protocol. Driven by the rapid development of 5G technologies in the United States with more than 280 cities covered by 5G network, and the favorable policies to support the development of IoT industry, such as the “*Infrastructure Investment and Employment Act*” issued by the United States Congress, which allocates a total funding of USD550.0 billion in infrastructure investment covering roads, bridges, water supply, broadband and power grid, the sales revenue of IoT antennas market in the United States is expected to witness a significant growth since 2021. As such, the total sales revenue of IoT antennas market in the United States is expected to reach USD868.3 million in 2026, with a CAGR of 26.2% from 2021 to 2026.

The diagram below sets forth the sales revenue of IoT antennas market in the United States for the years indicated:



Source: Frost & Sullivan Report

## INDUSTRY OVERVIEW

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### Future Opportunities

- *Increasing Investment in Infrastructure Further Stimulates Demand for IoT Antennas.* In August 2021, the United States Congress approved the *Infrastructure Investment and Employment Act*, which proposed to allocate a total funding of USD550.0 billion in infrastructure investment covering roads, bridges, water supply, broadband and power grid. The increasing investment in broadband and power grid is expected to further stimulate the downstream demands for IoT antennas, which will promote the development of the IoT antennas market in the United States in the future.
- *Diversified and Complex Product Applications.* Along with the development of IoT industry, the expanding applications of IoT devices and use cases, combining with additional radio spectrum and protocols, are creating more complexity in designing and integrating antennas into products. Moreover, diversified and complex product application puts forward high requirements for IoT antennas on electrical characteristics, structural complexity and manufacturing process. For example, RFID antennas may work in the environment with further limited volume and more complex propagation characteristics, which raises high requirements for the miniaturization and broadband design. Therefore, IoT antenna producers have to improve their R&D capability to satisfy the evolving requirements from diversified and complex product applications.
- *Development of IoT Antenna System.* As the IoT ecosystem turns to support high-density and low latency networks, and continues to incorporate various new features into radios and overall system layouts, the antenna system plays a more important role in IoT solutions. Therefore, the IoT antenna producers not only regard IoT antennas as ancillary products to communication modules, but also develop IoT antenna systems as an indispensable solution for establishing IoT applications and intelligent environments. With the development of IoT antenna market in the United States, the IoT antenna producers, especially those leading ones, have been dedicated to providing comprehensive antenna solutions to IoT solution providers that lack of the skills to tackle inherent technological complexity of antenna design.
- *Intensified Competition.* As the wide application of IoT promotes the development of new-generation information technology, the increasing number of telecommunication product manufacturers, including antennas, electronic component and communication modules producers, has been participating in this market, intensifying the competition. Those small and medium-sized IoT antenna producers who serve mid- and low-end customers may face price competition, which may reduce their profitability.



## INDUSTRY OVERVIEW

### Competitive Landscape of the IoT Antenna Market in the United States

Most of the United States’ IoT antenna brands outsourced their production to overseas original equipment manufacturers (“OEM”), such as OEMs in the PRC, and conducted product sales through both direct sales and distributors. There is a large number of OEMs in the PRC that manufacture IoT antennas for the United States’ market. Therefore, the market shares of these OEMs in the PRC are rather fragmented.

The diagram below sets forth the backgrounds and market shares of the top ten PRC exporters in the U.S. IoT antenna market:

Ranking	Company	Background Information	Market Share (%)
1	Company R	A developer and producer of various electronic components and modules related to RF, such as antenna modules, wireless charging modules, EMC/EMI products, and others.	12.6%
2	Company S	A global designer and manufacturer of cable assembly and connector system solutions for consumer, enterprise, cloud, automotive, and medical applications.	10.8%
3	Company T	A leading company in global mobile communication industry.	8.0%
4	Company U	A leading company specialized in research and development, manufacture and sales of terminal antennas for wireless communications.	6.3%
5	Company V	A company that focuses on main businesses including mobile communication equipment and elevator manufacture.	4.0%
6	Company O	A global leading solution and service provider of wireless and information communications systems with its R&D facilities, manufacturing base, and sales and service teams.	1.7%
7	Company W	A leading listed company that specialized in antenna, radio frequency, communications products, and solutions of Cloud WiFi series.	1.1%
8	Our Group	See “Business”	0.9%
9	Company X	A listed large high-tech enterprise providing wireless access system solutions.	0.6%
10	Company Y	A leading private IoT antenna supplier in China.	0.3%
<b>Top 10</b>			<b>46.3%</b>
<b>Others</b>			<b>53.7%</b>
<b>Total</b>			<b>100%</b>

*Source: Frost & Sullivan Report*

In terms of sales revenue derived from IoT antennas in 2021, our Group accounted for approximately 0.9% in the IoT antenna market in the United States.

## INDUSTRY OVERVIEW

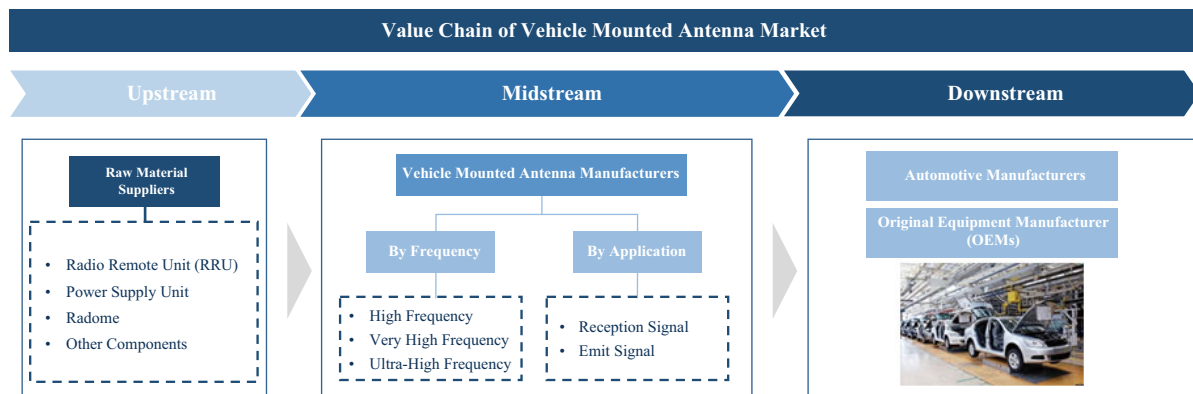
### ANALYSIS OF THE VEHICLE MOUNTED ANTENNA MARKET IN RUSSIA

#### Overview

The vehicle mounted antennas are used for identifying spatial signal signatures, such as the direction of arrival (“DOA”) of the signal, and calculating beamforming vectors, which are used for tracking and locating the antenna beam on the vehicle. The automotive industry is transitioning to smart automobiles, which are fully connected via vehicle-to-infrastructure (“V2I”) and vehicle-to-vehicle (“V2V”) communication to enhance safety and performance. The vehicle mounted antenna plays an important role in smart automobiles as it links various services, such as mobile communication, GPS, TV, radio and others.

The vehicle mounted antenna products can be divided into high frequency (0-800 MHz), very high frequency (800 MHz-2.5 GHz), and ultra-high frequency (2.5 GHz-6 GHz) by frequency; reception signal and emit signal by application; and light duty vehicle, commercial vehicle, and electric vehicle by vehicle type.

The value chain of vehicle mounted antenna market generally includes upstream raw material suppliers, midstream vehicle mounted antenna manufacturers, and downstream automotive manufacturers and OEMs. The diagram below sets forth the value chain of the vehicle mounted antenna market:



*Source: Frost & Sullivan Report*

#### Market Size of the Vehicle Mounted Antenna Market in Russia

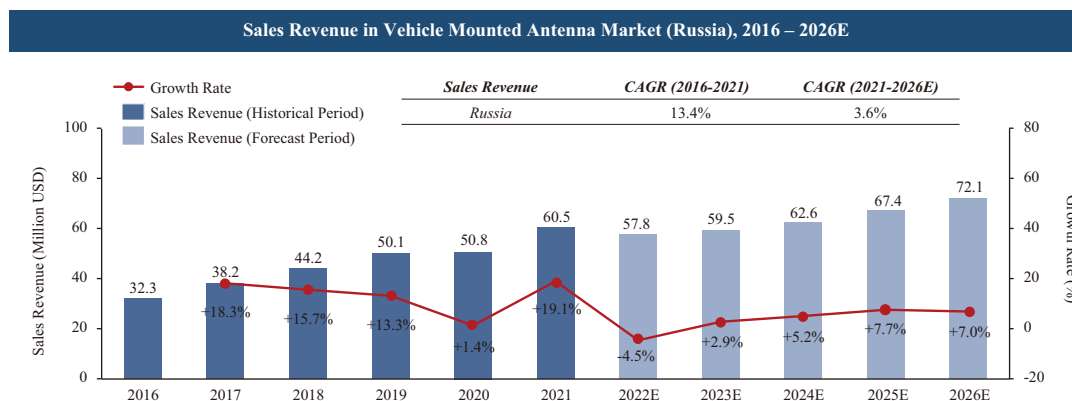
Along with the increasing production volume of vehicles and the growing application of diversified vehicle mounted antennas in Russia, the total sales revenue of the vehicle mounted antenna market in Russia increased from USD32.3 million in 2016 to USD60.5 million in 2021, with a CAGR of 13.4% from 2016 to 2021.

In 2020, the growth rate of the sales revenue of the vehicle mounted antenna market in Russia was only 1.4% primarily because the production volume of vehicles decreased by 16.5%

## INDUSTRY OVERVIEW

from 2019 to 2020 due to the outbreak of COVID-19 pandemic. In 2021, the production volume of vehicles in Russia has witnessed a quick rebound by 9.1%. Moreover, in September 2021, the Russian government planned to provide subsidies with 25% of purchase price of any Russian-made electric vehicle to a maximum amount of USD8,570, to stimulate demands and production of electric vehicles. Therefore, the sales revenue of the vehicle mounted antenna market in Russia in 2021 experienced a significant increase by 19.1%, reaching USD60.5 million in 2021. The Russia-Ukraine war and economic sanctions starting in 2022 are expected to become obstacles to the growth of Russia’s automobile industry. Although the demand for the vehicle mounted antennas from vehicles of domestic brands in Russia increases, the growth of the vehicle mounted antennas market in Russia is likely to slow down in the future. The total sales revenue in the vehicle mounted antennas market in Russia is anticipated to reach USD72.1 million in 2026, representing a CAGR of 3.6% from 2021 to 2026.

The diagram below sets forth the sales revenue of the vehicle mounted antenna market in Russia for the years indicated:



Source: Frost & Sullivan Report

### Future Opportunities

- The Potential Development of Internet of Vehicles.* The Internet of Vehicles (“IoV”) uses the network infrastructure to allow vehicles to be connected to new radio technologies, which can be supported by 5G networks. Within the IoV, the vehicles can create and share digital information between infrastructures, such as Vehicular Cloud, organizations, and other vehicles. Along with the wide application of the IoV, the industrialization process of 5G+V2X will be accelerated, which will promote the development of vehicle-mounted communication equipment to adapt the new standard level of vehicles. As such, the potential development of IoV is expected to further stimulate the development of vehicle-mounted communication equipment.

## INDUSTRY OVERVIEW

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- *Increasing Demand for Electric Vehicles (“EV”).* The demand for EVs is expected to increase in the coming years due to the favorable subsidy policies and the adoption of strict emission policies by the governments of various countries. In September 2021, the Russian government plans to grant subsidies that cover 25% of the purchase price of any Russian-made electric vehicle to a maximum amount of USD8,570, to stimulate demand and production of EVs. In addition, toll roads in Russia are expected to be free for EVs. These favorable policies on EVs attract more foreign automakers to produce EV models in Russia. Russia aims to achieve 220,000 units of annual production of EV in 2030.
- *The Development of Autonomous Vehicles.* Leading technology players and automakers have been increasing their investments in the development of autonomous vehicles during the recent years. Autonomous vehicles are expected to benefit us in various aspects, such as reducing accident rates and increasing productivity at workplace. The development of autonomous vehicles stimulates the digital transformation of vehicles, in which the vehicle mounted antenna plays an important and fundamental role. As such, the digital transformation of vehicles is expected to boost the demand for vehicle mounted antennas.
- *Rising Manufacturing Cost.* The demand for vehicle mounted antennas is expected to grow due to the rapid technological upgrade and market needs. However, the high manufacturing and maintenance costs are estimated to restrain the growth of the vehicle mounted antenna market, especially as the vehicle mounted antenna market is still in its early stage of the development. In addition, with the rise of wage standard, the labor costs are expected to continue to increase, which may reduce manufacturers’ profit.

## INDUSTRY OVERVIEW

### Competitive Landscape of the Vehicle Mounted Antenna Market in Russia

The vehicle manufacturers in Russia are primarily overseas brands, which accounted for over 60% of the total production volume of vehicles in Russia in 2021. The vehicle manufacturers of international brands generally establish the stable supplier systems of vehicle components, including vehicle mounted antennas. Meanwhile, the vehicle mounted antenna brands in Russia generally outsourced their production to OEMs, such as OEMs in the PRC. The market shares of OEMs in the PRC that manufacture vehicle mounted antennas for Russia’s market are relatively fragmented.

The diagram below sets forth the backgrounds and market shares of the top ten PRC exporters in the Russian vehicle mounted antennas market:

Ranking	Company	Background Information	Market Share (%)
1	Company R	A developer and producer of various electronic components and modules related to RF, such as antenna modules, wireless charging modules, EMC/EMI products, and others.	11.5%
2	Company S	A global designer and manufacturer of cable assembly and connector system solutions for consumer, enterprise, cloud, automotive, and medical applications.	10.5%
3	Company T	A leading company in global mobile communication industry.	9.5%
4	Company U	A leading company specialized in research and development, manufacture and sales of terminal antennas for wireless communications.	8.2%
5	Company V	A company that focuses on main businesses including mobile communication equipment and elevator manufacture.	7.2%
6	Our Group	See “Business”	6.2%
7	Company X	A listed large high-tech enterprise providing wireless access system solution.	5.1%
8	Company Z	One of the largest antenna manufacturers in China.	1.5%
9	Company AA	A listed company that focuses on communication antenna, automotive electronics, and high-performance RF devices.	1.0%
10	Company AB	A professional automotive antenna and feeder manufacturer integrating design, production and sales.	0.8%
<b>Top 10</b>			<b>61.5%</b>
<b>Others</b>			<b>38.5%</b>
<b>Total</b>			<b>100%</b>

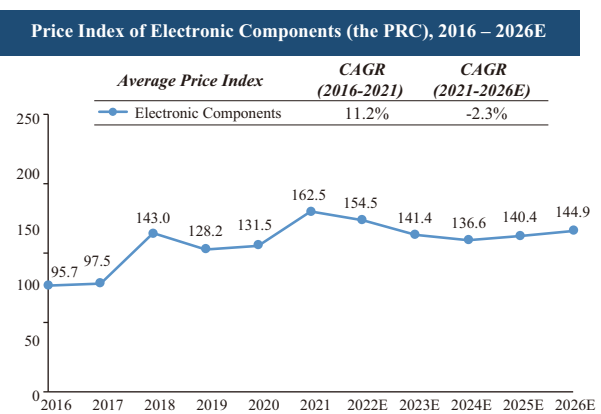
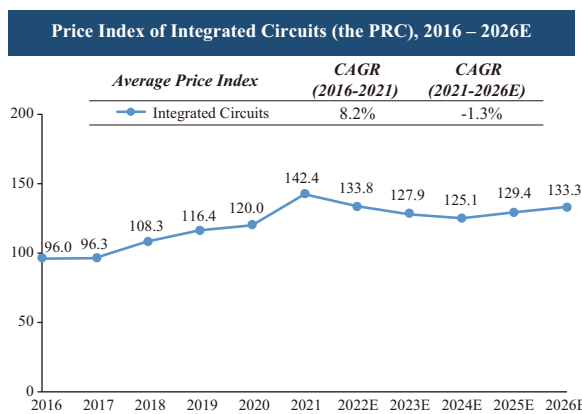
*Source: Frost & Sullivan Report*

In terms of sales revenue derived from vehicle mounted antennas, our Group accounted for approximately 6.2% of the vehicle mounted antennas market in Russia.

## INDUSTRY OVERVIEW

### MAJOR MATERIALS AND COMPONENTS

Affected by the outbreak of COVID-19 pandemic, the production volume of integrated circuits decreased due to the lockdown of manufacturing sites for a period. However, electronic product manufacturers increased their inventory of integrated circuits resulting from the trust crisis in global supply chain, whilst the growing scenarios of working and studying at home and the recovery of economic activities from the COVID-19 pandemic stimulated high demand for electronic products, which accordingly increased the demand for integrated circuits. Therefore, in 2021, global market faced the shortage in supply of integrated circuits, which resulted in an increase of average integrated circuit price as of December 31, 2021 by approximately 20% compared with the average price in 2020. Primarily due to the same reason, the average price of electronic components experienced similar fluctuations for the same periods as that of integrated circuits.

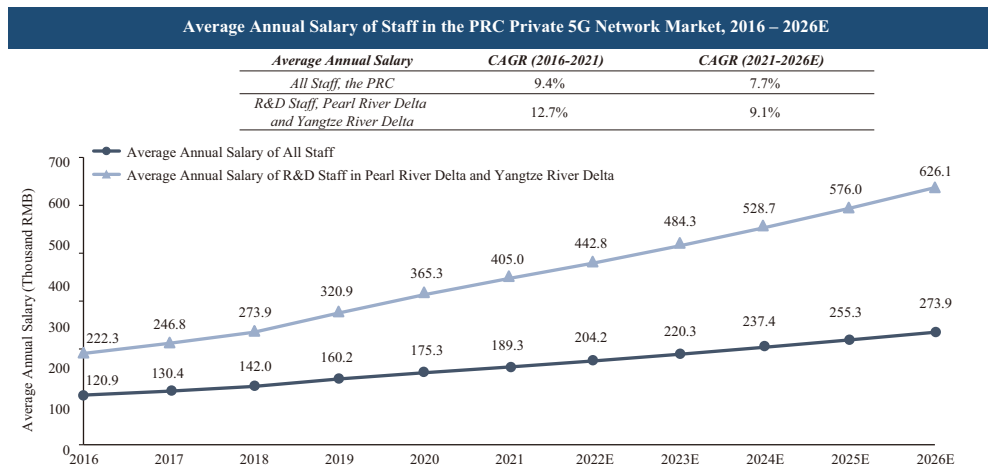


*Note: Base=100: weighted average price of selected products during the period from 11 August 2007 to 17 August 2007.*

*Source: Frost & Sullivan Report*

## INDUSTRY OVERVIEW

From 2016 to 2021, the average annual salary of staff in the PRC private 5G network market experienced a rapid growth. The average annual salary of all staff in the PRC is increasing from RMB120.9 thousand in 2016 to RMB189.3 thousand in 2021, representing a CAGR of 9.4%. While the average annual salary of R&D staff in Pearl River Delta and Yangtze River Delta increased from RMB222.3 thousand in 2016 to RMB405.0 thousand in 2021, with a CAGR of 12.7%. In the future, the average annual salary of staff in the private 5G network market is expected to maintain a steady growth. The average annual salary of all staff in the PRC is expected to reach RMB273.9 thousand in 2026, with a CAGR of 7.7%. While the average annual salary of R&D staff in Pearl River Delta and Yangtze River Delta is anticipated to reach RMB626.1 thousand in 2026, with a CAGR of 9.1%.



Source: Frost & Sullivan Report

## REGULATORY OVERVIEW

Our business operations are subject to extensive supervision and regulation from the PRC government. This section sets out a summary of the main laws and regulations applicable to our business in PRC.

### REGULATIONS RELATING TO CORPORATION AND FOREIGN INVESTMENT

The establishment, operation and management of corporate entities in the PRC is governed by the Company Law of the PRC (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People’s Congress of the PRC (the “SCNPC”) on December 29, 1993 and came into effect on July 1, 1994, and last amended on October 26, 2018. The Company Law of the PRC generally governs two types of companies, namely limited liability companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of shareholders of a limited liability company or a joint stock limited company is limited to the amount of registered capital they have contributed. The Company Law of the PRC shall also apply to foreign-invested companies in form of limited liability company or joint stock limited company. Where laws on foreign investment have other stipulations, such stipulations shall apply.

On January 1, 2020, the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the “FIL”) and the Regulations on the Implementation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) became effective and simultaneously replaced the trio of prior laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合資經營企業法》), the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-invested Enterprise Law of the PRC (《中華人民共和國外資企業法》), together with their implementation rules and ancillary regulations. The FIL sets out the definition of foreign investment and the framework for promotion, protection and administration of foreign investment activities. The FIL does not explicitly classify whether variable interest entities that are controlled through contractual arrangements would be deemed as foreign invested enterprises if they are ultimately “controlled” by foreign investors. However, it has a catch-all provision under definition of “foreign investment” that includes investments made by foreign investors in China through other means as provided by laws, administrative regulations of the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions of the State Council to provide for contractual arrangements as a form of foreign investment. On December 30, 2019, the Ministry of Commerce of the PRC (the “MOFCOM”) and the State Administration for Market Regulation (the “SAMR”) jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which came into effect on January 1, 2020 and pursuant to which, the establishment of the foreign invested enterprises, including establishment through purchasing the equities of a domestic enterprise or subscribing the increased capital of a domestic enterprise, and its subsequent changes are required to submit an initial or change report through the Enterprise Registration System.



## REGULATORY OVERVIEW

Pursuant to the FIL, China has adopted a system of national treatment which includes a negative list with respect to foreign investment administration. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The negative list will set forth industries in which foreign investments are prohibited and industries in which foreign investments are restricted. Foreign investment in prohibited industries is not allowed, while foreign investment in restricted industries must satisfy certain conditions stipulated in the negative list. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. The Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the “**Negative List**”), which were promulgated by the National Development and Reform Commission of the PRC (the “**NDRC**”) and MOFCOM on December 27, 2021 and became effective on January 1, 2022, and the Catalog of Industries for Encouraging Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) (the “**Encouraging Catalog**”), which was promulgated by the NDRC and MOFCOM on December 27, 2020 and became effective on January 27, 2021, replaced previous negative list and encouraging catalog and listed the categories of encouraged, restricted, and prohibited industries.

According to Article 6 of the Negative List, for domestic enterprises engaged in business sectors prohibited from foreign investment under the Negative List, (i) the overseas offering, listing and trading of their shares shall be subject to the review and approval of the relevant competent authorities; and (ii) foreign investors shall not participate in the operation and management of these enterprises, and their shareholding ratio shall be implemented with reference to the relevant provisions on the administration of domestic securities investment of foreign investors. Pursuant to the Reply to Reporters’ Questions by the NDRC Responsible Officers of the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version) (國家發展改革委有關負責人就2021年版外商投資准入負面清單答記者問) announced on December 27, 2021, the aforementioned review and approval of the relevant competent authorities refers to the review and approval on whether the overseas listing of domestic enterprises falls within the scope of prohibitive provisions of the Negative List, rather than that on the activities of overseas listing of domestic enterprises. Pursuant to the further explanation provided by the Policy Research Office of the NDRC at the press conference held by NDRC on January 18, 2022, “the scope of application of Article 6 of the Negative List is limited to the direct listing of domestic enterprises engaged in businesses in areas prohibited from investment in the Negative List. Regarding the indirect overseas listing of domestic enterprises, the CSRC is publicly soliciting opinions on the relevant provisions. After the relevant procedures are completed and relevant documents are officially published, the relevant provisions will be implemented by the competent authorities accordingly”.

Given that (i) our business, the provisions of IoT solutions and telecommunication equipment and other services including provision of telecommunication equipment maintenance and telecommunication consulting services, was not included in the Negative list, and thus none of our license is subject to foreign investment restrictions under Negative List; (ii) based on the explanation of NDRC as above-mentioned, the scope of application of Article 6 of the Negative List is limited to the direct listing of domestic enterprises engaged in

## REGULATORY OVERVIEW

businesses in areas prohibited from investment in the Negative List, our PRC Legal Advisors are of the view that both the foreign restrictions measures and the Article 6 of Negative List do not apply to our proposed [REDACTED] as of the date of this Document.

### REGULATIONS ON RADIO ADMINISTRATION AND TELECOMMUNICATIONS

#### Regulations on Radio Equipment

Pursuant to the Radio Regulation of the PRC (《中華人民共和國無線電管理條例》) released by the State Council and the Central Military Commission on September 11, 1993 and effective on the same day, which was subsequently amended and released on November 11, 2016 and came into force on December 1, 2016, it should be applied to the radio regulatory authority of the state for the type approval before production or import of radio transmission equipment which will be sold and used in China, except for micro power short-distance radio transmission equipment. The Type Approval List for radio transmission equipment was published by the radio regulatory authority of the state. The conditions that must be satisfied to obtain the type approval for radio transmission equipment include: the applicant should have the corresponding production capability, technical forces and quality assurance system; the technical specifications of radio transmission equipment, such as working frequency and power should meet the national standards and the relevant provisions on radio regulation of the state.

#### Telecommunications Regulations

Pursuant to the PRC Telecommunications Regulations (《中華人民共和國電信條例》), which was promulgated by the State Council and became effective on September 25, 2000, and latest amended on February 6, 2016, the State Council has implemented a network access licensing system for telecommunications terminal equipment, radio communications equipment and interconnection equipment. Any telecommunications terminal equipment, radio communications equipment and interconnection equipment connecting to a public network must comply with the standards specified by the State Council and obtain a network access license. The competent department of information industry of the State Council together with the State Administration of Quality Control (the "SAQC"), shall issue the catalogue of telecommunications equipment under the network access licensing system. The competent department of information industry of the State Council and telecommunications authorities of provinces, autonomous regions and cities under the direct control of the Central Government shall conduct supervision and examinations over the service quality and activities of the service providers and publish the result of their supervision and examinations.

#### Network Access Administrative Measures for Telecommunications Equipment

Pursuant to the Measures for the Network Access Management of Telecommunication Equipment (《電信設備進網管理辦法》) promulgated by the Ministry of Information Industry of the PRC (the "MI") on May 10, 2001, and was amended by the Ministry of Industry and Information Technology of the PRC (the "MIIT") on September 23, 2014. The MIIT has implemented a telecommunication equipment network access licensing system for

## REGULATORY OVERVIEW

telecommunication terminal equipment, radio communication equipment and interconnection equipment connecting to public networks. Telecommunication equipment under the network access licensing system shall be issued a network access licence by the MIIT. Telecommunication equipment without a network access license may not be connected to public telecommunication networks and the domestic sale of these equipment in the PRC is prohibited.

When applying for a telecommunication network access licence, manufacturers of telecommunication equipment (the “**manufacturing enterprises**”) shall comply with the laws, regulations and policy requirements of the PRC. Telecommunication equipment manufacturing enterprises should have a comprehensive quality assurance system and provisions for after-sale services. When applying for telecommunication equipment network access licences, manufacturing enterprises shall enclose an inspection report authorized by the product quality supervisory division of the State Council and issued by inspection authorities appointed by the MIIT, or a product quality certificate issued by certification authorities. The Telecommunication Administration Bureau of the PRC is generally responsible for the administration of telecommunication equipment connecting to public networks and the supervision of inspections nationwide. Approval authorities appointed by the MIIT are responsible for handling applications for telecommunication equipment network access licences.

## REGULATIONS ON PRODUCT LIABILITY

### Regulations on Product Liability

According to the Civil Code of the PRC (《中華人民共和國民法典》) (the “**Civil Code**”), if defective products are identified after they have been put into circulation, the manufacturers or the sellers shall take remedial measures such as issuance of a warning, alerts, calls and recall of products in a timely manner. In the event of damage arising from a defective product or the failure to take timely remedial actions, the infringed party may seek compensation from either the manufacturer or seller of such a product. If the defect is caused by the seller, the manufacturer shall be entitled to seek reimbursement from the seller upon compensation of the victim. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “**Product Quality Law**”), promulgated on February 22, 1993 and was most recently amended on December 29, 2018, a manufacturer is prohibited from producing or selling products that do not meet applicable standards and requirements for safeguarding human health and ensuring human and property safety. Products must be free from unreasonable dangers threatening human and property safety. Where a defective product causes physical injury to a person or property damage, the infringed party may make a claim for compensation from the manufacturer or the seller of the product. Manufacturers and sellers of non-compliant products may be ordered to cease the production or sale of the products and could be subject to confiscation of the products and/or fines. A seller of a product shall be responsible for repairing,

## REGULATORY OVERVIEW

replacing or returning the product with the specified defects, and shall compensate for the damages incurred by consumers who bought such defective product. After the seller performs its obligation of repairing, replacing and returning the defective product and/or compensating for the customers' damages, such seller is entitled to seek reimbursement from the manufacturer of such product, if it could be proved that the defect is caused by the manufacturer. Earnings from sales in contravention of such standards or requirements may also be confiscated, and in severe cases, the business license may be revoked.

### REGULATIONS ON IMPORT AND EXPORT GOODS

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) which was promulgated by the SCNPC on May 12, 1994 and implemented on July 1, 1994, and subsequently revised on April 6, 2004 and November 7, 2016, and the Measures for the Record and Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) which was promulgated by the MOFCOM on June 25, 2004 and implemented on July 1, 2004, and recently revised on May 10, 2021, foreign traders engaging in import and export of goods or technology shall complete the filing and registration with the MOFCOM or its delegated agencies. Where a foreign trade operator fails to complete the filing and registration, the customs will refuse to handle customs declaration and the clearance of goods imported or exported by the operator.

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987, and recently revised and became effective on April 29, 2021, unless otherwise stipulated, the declaration of import and export goods may be made by consignees and consignors themselves, and such formalities may also be completed by their entrusted customs brokers that have registered with the Customs. The consignees and consignors for import or export of goods and the customs brokers engaged in customs declaration shall register with the Customs in accordance with the laws.

### REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

#### Environmental Protection Law

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), was promulgated and effective on December 26, 1989, and most recently revised on April 24, 2014. The Environmental Protection Law has been formulated for the purpose of protecting and improving both the living and the ecological environment, preventing and controlling pollution and other public hazards and safeguarding people's health. According to the provisions of the Environmental Protection Law, in addition to other applicable laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts are responsible for administering and supervising environmental protection matters. Pursuant to the Environmental Protection Law, construction projects that have environmental impact shall be subject to environmental impact assessment. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal construction plan of the project. Such installations shall not be dismantled or left idle without authorization from the competent government

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agencies. Consequences of violations of the Environmental Protection Law include warnings, fines, rectification within a time limit, forced shutdown, or criminal punishment.

### Laws on Environment Impact Assessment

Pursuant to the Law of the PRC on Environment Impact Assessment (《中華人民共和國環境影響評價法》) issued on October 28, 2002 and most recently amended on December 29, 2018, the State Council implemented an environmental impact assessment, or EIA, to classify construction projects according to the impact of the construction projects on the environment. Constructing entities shall prepare an environmental impact report, or an EIR, or an environmental impact statement, or an EIS, or fill out the EIR Form according to the following rules: (i) for projects with potentially serious environmental impacts, an EIR shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an EIS shall be prepared to provide an analysis or specialized assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an EIA is not required but an EIR Form shall be completed. According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council on November 29, 1998, amended on July 16, 2017 and became effective on October 1, 2017, the project owner shall, after the completion of the construction project for which the environmental impact report or environmental impact report form is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance inspection of the constructed environmental protection facilities and prepare the acceptance inspection report.

### Laws on Pollutant Discharge

According to the Catalogue of Classified Administration of Pollutant Discharge Permits for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄》(2019年版)), which was promulgated by the Ministry of Environmental Protection and became effective on December 20, 2019, the state implements a focused management, a simplification management and a registration management of emission permits based on the pollutant-discharging enterprises and other manufacturing businesses' amount of pollutants, emissions and the extent of environmental damage. It is not required for units applicable for registration administration to apply for the pollutant discharge license, but they shall fill in and submit a pollution discharge registration form on the national pollution discharge license management information platform. According to the Guidelines for Registration of Pollutant Discharge from Stationary Pollution Sources (for Trial Implementation) (《固定污染源排污登記工作指南(試行)》), which were promulgated by the Office of the Ministry of Environmental Protection on January 6, 2020 and became effective on the same day, corporations that do not need to apply for a pollutant discharge permit according to laws shall fill in a registration form of pollutant discharge according to the provisions of the regulation.



## REGULATORY OVERVIEW

### REGULATIONS ON M&A RULES AND OVERSEAS LISTING

On August 8, 2006, six PRC regulatory agencies, including MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Tax (the “SAT”), the SAMR, China Securities Regulatory Commission (the “CSRC”) and the State Administration of Foreign Exchange (the “SAFE”), issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), which took into effect on September 8, 2006 and was amended by MOFCOM on June 22, 2009. The M&A Rules, among other things, require that if an overseas company established or controlled by PRC companies or individuals intends to acquire equity interests or assets of any other PRC domestic company affiliated with such PRC companies or individuals, such acquisition must be submitted to MOFCOM for approval. The M&A Rules also require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange. After the FIL and its implementation regulations became effective on January 1, 2020, the provisions of the M&A Rules remain effective to the extent they are not inconsistent with the FIL and its implementation regulations.

On December 24, 2021, the CSRC published the Administrative Provisions of the State Council on the Overseas Issuance and Listing of Securities by Domestic Enterprises (Draft for Comments) (《國務院關於境內企業境外發行證券和上市的管理規定(草稿徵求意見稿)》) (the “**Draft Administrative Provisions**”), and the Administrative Measures for Record-filings of the Overseas Issuance and Listing of Securities by Domestic Companies (Draft for Comments) (《境內企業境外發行證券和上市備案管理辦法(徵求意見稿)》) (the “**Draft Measures for Record-filing**”), together with the Draft Administrative Provisions, the “**Drafts relating to Overseas Listings**”), which are open for public comments until January 23, 2022. Pursuant to the Drafts relating to Overseas Listings, PRC domestic enterprises that directly or indirectly offer or list their securities in an overseas market, which include (i) any PRC joint stock companies; and (ii) any offshore company that conducts its business operations primarily in China and contemplates to offer or list its securities in an overseas market based on its onshore equities, assets or similar interests, are required to file with the CSRC within three business days after submitting their listing application documents to the relevant regulator in the place of intended listing. The Drafts relating to Overseas Listings also stipulate certain circumstances in which overseas listing should not be allowed. Failure to complete the filing under the Administrative Provisions may subject a PRC domestic company to a warning and a fine of RMB1 million to RMB10 million. Under serious circumstances, the PRC domestic company may be ordered to suspend its business or suspend its business until rectification, or its permits or businesses license may be revoked. As of the Latest Practicable Date, the Drafts relating to Overseas Listings have not been formally adopted. The provisions and anticipated effective date of the Drafts relating to Overseas Listings are subject to changes and interpretation, and its implementation remains uncertain.

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If the Drafts relating to Overseas Listings as currently drafted become effective in the future, our PRC Legal Advisors advised that we shall fulfill applicable obligations in accordance with the effective Drafts relating to Overseas Listings and may be subject to the filing obligation accordingly. Meanwhile, (i) as of the Latest Practicable Date, (a) we had not received any decision, inquiry, notice, warning or sanction from competent authorities that national security will be threatened or endangered as a result of our [REDACTED]; (b) we had not been involved in any material ownership disputes in relation to the equity, major assets and key technologies, etc.; (c) none of us, our Controlling Shareholders or ultimate controllers had committed any crime of corruption, bribery, appropriation or misappropriation of property, or disturbance of the order of the socialist market economy in the past three years; (d) none of us, our Controlling Shareholders or ultimate controllers are being involved in any investigation due to any criminal behaviors or material non-compliance in the past three years; and (e) none of our directors, supervisors, senior management had been imposed on any serious administrative penalties or involved in any investigation due to any criminal behaviors or material non-compliance in the past three years; and (ii) we will continuously pay close attention to the Drafts relating to Overseas Listings and other legislative and regulatory development in overseas listing, and implement all necessary measures in a timely manner to ensure continuous compliance with relevant laws and regulations. Taking into account the above, assuming the Drafts relating to Overseas Listings become effective in their current form entirely in the future, after consulting our PRC Legal Advisors, our Directors are of the view that there is no material impediment for us to comply with the Drafts relating to Overseas Listings in all material aspects. In addition, as advised by our PRC Legal Advisors, given that the Drafts relating to Overseas Listings are still in their draft forms and have not come into effect, we are not required to go through the filing procedures with the CSRC under the Drafts relating to Overseas Listings with respect to the [REDACTED] as of the Latest Practicable Date.

## REGULATIONS ON DATA PROTECTION

On December 28, 2021, the CAC, jointly with other 12 governmental authorities, promulgated the Measures of Cybersecurity Review (網絡安全審查辦法) (“MCSR”), which became effective on February 15, 2022. According to article 2 of the MCSR, critical information infrastructure operators that intend to purchase internet products and services and online platform operators engaging in data processing activities, which affect or may affect national security, must be subject to cybersecurity review. Also, an online platform operator which possesses personal information of over one million users and intends to have a “foreign (國外) listing” must be subject to cybersecurity review. However, the MCSR does not provide any interpretation or explanation of “online platform operators” or “foreign (國外) listing”. Article 10 of the MCSR further elaborates on the factors to be considered when assessing the national security risks of the relevant objects or situations, including, among others: (i) the risk of core data, important data, or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally transferred abroad; and (ii) the risk of critical information infrastructure, core data, important data, or a large amount of personal information being affected, controlled, or maliciously used by foreign governments and the risk of cyber information security due to the listing.

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In addition, the MCSR grants the CAC and other competent authorities the right to initiate a cybersecurity review without application, if any member organization of the cybersecurity review mechanism has reason to believe that any internet products, services or data processing activities affect or may affect national security.

On the basis that (i) as at the Latest Practicable Date, we had not been determined or identified as a “critical information infrastructure operator” by any governmental authorities; (ii) (a) we primarily provide IoT solutions and telecommunication equipment, and generally does not access, collect or occupy any data of the customer during and after providing relevant IoT solutions or telecommunication equipment to our customers; (b) under special scenario, we may be able to access data with consent by customers, but we cannot independently make decisions on the purpose and manner of accessing these data, instead, we access certain data from the customer for the purpose of provision of maintenance and value-added services, requested and authorized by the customers; (c) the customer data we may access to does not include any personal information defined under PRC Personal Information Protection Law, therefore, our business operations does not involve in any activities of purchasing internet products and services conducted by critical information infrastructure operators nor any data processing activities conducted by online platform operators; (iii) during the verbal consultation conducted by our PRC Legal Advisors with the China Cybersecurity Review Technology and Certification Center (the “CCRTCC”, being the department responsible for accepting applications for cybersecurity review under the guidance of the Office of Cyber Security Review which was established under the CAC in accordance with the MCSR), the CCRTCC confirmed that listing in Hong Kong does not fall within the scope of foreign listing (國外上市) under the MCSR, and thus we have no obligation to proactively apply for cyber security reviews according to Article 7 of the MCSR, our PRC Legal Advisors are of the view that the obligations to proactively apply for cybersecurity review under Article 2 and Article 7 of MCSR do not apply to us.

Considering each circumstance as set forth in Article 10 of the MCSR, given the fact that (i) we primarily provide IoT solutions and telecommunication equipment, and generally does not access, collect or occupy any data of the customer during and after providing relevant IoT solutions or telecommunication equipment to our customers; (ii) under special scenario, we may be able to access data with consent by customers, but we cannot independently make decisions on the purpose and manner of accessing these data, instead, we access certain data from the customer for the purpose of provision of maintenance and value-added services requested and authorized by the customers; (iii) the customer data we may access to does not include any personal information defined under PRC Personal Information Protection Law, our Directors confirm that we had not engaged in any internet products, services or data processing activities that affect or may affect national security as at Latest Practicable Date.

On November 14, 2021, the CAC promulgated the Regulation on the Administration of Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例》(徵求意見稿)) or Draft CAC Regulations. According to the Draft CAC Regulations, “data processor” means an individual or organization that independently make decisions on the purpose and manner of processing in data processing activities. Data processors shall, in accordance with relevant state



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provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganization or separation of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million people intends to be listed abroad; (iii) the data processor intends to be listed in Hong Kong, which affects or may affect national security; (iv) other data processing activities that affect or may affect national security. However, the Draft CAC Regulations provides no further explanation or interpretation for "affects or may affect national security". In addition, the Draft CAC Regulations also stipulate more detailed requirements in respect of the data processing activities conducted by data processors through internet, including but not limited to, personal data protection, important data safety and data cross-broader safety management.

During the verbal consultation conducted by our PRC Legal Advisors with CCRTCC, the CCRTCC confirmed that the Draft CAC Regulations were still in the draft form for comments and had not yet come into force and thus currently we have no obligation to proactively apply for cyber security reviews according to Draft CAC Regulations as of the Latest Practicable Date.

Assuming the Draft CAC Regulations become effective in their current form entirely in the future, subject to further implementation, details, guidance or clarification of the Draft CAC Regulations, our PRC Legal Advisors are of the view that the requirements and obligations of data processors under Draft CAC Regulations do not apply to us, on the basis that, as at Latest Practicable Date, (i) we primarily provide IoT solutions and telecommunication equipment, and generally does not access, collect or occupy any data of the customer during and after providing relevant IoT solutions or telecommunication equipment to our customers; (ii) under special scenario, we may be able to access data with consent by customers, but we cannot independently make decisions on the purpose and manner of accessing these data, instead, we access certain data from the customer for the purpose of provision of maintenance and value-added services requested and authorized by the customers. As such, we are not data processors defined under Draft CAC Regulations.

## REGULATIONS ON FOREIGN EXCHANGE CONTROL

### Foreign Currency Exchange

Pursuant to the Foreign Exchange Administrative Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, became effective on 1 April 1996 and last amended on August 5, 2008, and the Administrative Regulations on Foreign Exchange Settlement, Sales and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China on June 20, 1996 and became effective on July 1, 1996, Renminbi is freely convertible for payments of current account items such as trade and service-related foreign exchange transactions and dividend payments after the relevant financial institutions have reasonably examined the authenticity of the transactions and their consistency with foreign exchange receipts and payments, but are not freely convertible for

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capital expenditure items such as direct investment, loans or investments in securities outside the PRC unless the approval of the SAFE or its local counterparts is obtained in advance.

On March 30, 2015, the SAFE promulgated the Circular on Reforming the Administration Measures on Conversion of Foreign Exchange Registered Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Circular 19**”), which took into effect on June 1, 2015 and replaced the Circular on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《國家外匯管理局關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “**SAFE Circular 142**”). The SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies for the Administration of Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Circular 16**”) on June 9, 2016, which, among other things, amended certain provisions of the SAFE Circular 19. SAFE Circular 19 and SAFE Circular 16 removed certain restrictions previously provided under SAFE Circular 142 on the conversion by a foreign-invested enterprise of its capital denominated in foreign currency into Renminbi and the use of such Renminbi and allowed foreign invested enterprises to settle their foreign currency-denominated capital at their discretion based on actual needs of their business operations. According to the SAFE Circular 19 and the SAFE Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of the SAFE Circular 19 or the SAFE Circular 16 could result in administrative penalties.

On January 18, 2017, the SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “**SAFE Circular 3**”), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to the SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

On October 23, 2019, the SAFE promulgated the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (the “**SAFE Circular 28**”), which expressly allows foreign-invested enterprises that do not have equity investments in their approved business scope to use their capital obtained from foreign exchange settlement to make domestic equity investments as long as there is an authentic investment and such investment is in compliance with the foreign investment-related laws and regulations.

## REGULATORY OVERVIEW

### Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

On July 4, 2014, the SAFE promulgated the Notice on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-trip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "SAFE Circular 37") for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under the SAFE Circular 37, (1) before the PRC residents or entities conducting investment in offshore special purpose vehicles with their legitimate onshore and offshore assets or equities, they must register with local SAFE branches with respect to their investments; and (2) following the initial registration, they must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term, increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions).

The SAFE further promulgated the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "SAFE Circular 13") on February 13, 2015, which came into effect on June 1, 2015 and allows PRC residents or entities to register with qualified banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. The annex of the SAFE Circular 13 was partially invalidated by the Notice by the State Administration of Foreign Exchange of Repealing or Invalidating Five Regulatory Documents on Foreign Exchange Administration and Clauses of Seven Regulatory Documents on Foreign Exchange Administration.

The SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from distributing profits to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary.

### REGULATIONS ON LEASING

Pursuant to the Law on Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994 and last amended on August 26, 2019 and became effective on January 1, 2020, when leasing premises, the lessor and lessee are required to enter into a written lease contract, containing such provisions as the leasing term, use of the premises, rental and repair liabilities, and other rights and obligations of both parties. Both lessor and lessee are also required to register the lease with the real estate administration department. If the lessor and lessee fail to go through the registration procedures, both lessor and lessee may be subject to fines.

## REGULATORY OVERVIEW

### REGULATIONS ON INTELLECTUAL PROPERTY

#### Trademarks

The Trademark Law of the PRC (《中華人民共和國商標法》) was promulgated in August 1982 and amended on February 22, 1993, October 27, 2001, August 30, 2013, and latest amended on April 23, 2019 and came into effect on November 1, 2019, and Implementation Regulations on the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) was promulgated on August 3, 2002 by the State Council and amended on April 29, 2014. These laws and regulations provide the basic legal framework for the regulations of trademarks in the PRC. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

#### Domain Names

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and came into effect on November 1, 2017. Domain name owners are required to register their domain names and the MIIT is in charge of the administration of PRC internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names shall provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions. The applicants will become the holders of such domain names upon the completion of the registration procedure.

#### Patents

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, which was last amended on October 17, 2020 and took effect on June 1, 2021, and its Implementation Rules (《中華人民共和國專利法實施細則》) last amended by the State Council on January 9, 2010 and took into effect on February 1, 2010, the National Intellectual Property Administration is responsible for administering patents in the PRC. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention,” “utility model” and “design.” Invention patents are valid for twenty years, while utility model patents are valid for ten years and design patents are valid for fifteen years, from the date of application.

#### Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, implemented on June 1, 1991 and amended on October 27, 2001, February 26, 2010 and November 11, 2020 (the latest revision took effective on June 1, 2021) and the Implementing Regulations of the Copyright Law of the PRC (《中華人民共和國

## REGULATORY OVERVIEW

著作權法實施條例》) promulgated by the State Council on August 2, 2002, amended on January 8, 2011 and January 30, 2013 (the latest revision became effective on March 1, 2013), the PRC nationals, legal persons, and other organizations shall, enjoy copyright in their works, whether published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction.

In order to further implement the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the State Copyright Bureau issued the Measures for the Registration of Computer Software Copyright Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration with respect to software copyright.

## REGULATIONS ON TAXATION

### Corporate Income Tax

According to the Corporate Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “CIT Law”) which was promulgated on March 16, 2007 and amended on February 24, 2017 and December 29, 2018, a unified income tax rate of 25% will be applied towards foreign investment and foreign enterprises which have set up institutions or facilities in the PRC as well as PRC enterprises. Under the CIT Law, enterprises established outside of China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the unified 25% corporate income tax rate as to their global income.

Enterprises that are recognized as High and New Technology Enterprises in accordance with the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) issued by the Ministry of Science, the Ministry of Finance and the SAT are entitled to enjoy a preferential corporate income tax rate of 15%. Under which the validity period of the High and New Technology Enterprise qualification shall be three years from the date of issuance of the certificate. An enterprise can re-apply for such recognition as a High and New Technology Enterprise before or after the previous certificate expires.

### Withholding Tax on Dividend Distribution

Furthermore, pursuant to the CIT Law and the Implementation Rules on the Corporate Income Tax of the PRC (《中華人民共和國企業所得稅法實施條例》) which was promulgated on December 6, 2007 and with effect from January 1, 2008 and amended on April 23, 2019, a withholding tax rate of 10% will be applicable to any dividend payable by foreign-invested enterprises to their non-PRC enterprise investors. In addition, pursuant to the Arrangement between the PRC and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006 and applicable in Hong Kong to income derived in any year of assessment commencing



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on or after April 1, 2007 and in the PRC to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the Notice of the SAT on Issues regarding the Implementation of Dividend Provisions in Tax Treaties (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated on February 20, 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty, one such requirement is that the taxpayer must be the “beneficiary owner” of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Announcement of the State Administration of Taxation on Issues concerning the “Beneficial Owner” in Tax Treaties (《國家稅務總局關於稅收協定中〈受益所有人〉有關問題的公告》) promulgated on February 3, 2018 and became effective on April 1, 2018, defined the “beneficial owner” as a person who owns or controls income or the rights or property based on which the income is generated, and introduced various factors to adversely impact the recognition of such “beneficiary owners.” On August 27, 2015, the SAT issued the Announcement of the State Administration of Taxation on Promulgation of the “Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties” (《國家稅務總局關於發布〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》), effective on November 1, 2015 and amended on June 15, 2018 and October 14, 2019 (the last amendment came into effect on January 1, 2020), which applies to entitlement to tax treaty benefits by non-resident taxpayers incurring tax payment obligation in the PRC. According to the Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties, non-resident taxpayers who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant materials stipulated in Article 7 of the Measures. Also, all levels of tax authorities shall, through strengthening follow-up administration for non-resident taxpayers’ entitlement to tax treaty benefits, implement tax treaties and international transport agreements accurately, and prevent abuse of tax treaties and tax evasion and tax avoidance risks.

### Value-added Tax

According to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was last amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by Ministry of Finance (the “MOF”) on December 25, 1993 and amended on December 15, 2008 and October 28, 2011, organizations and individuals engaging in sale of goods or processing, repair and assembly services, sale of services, intangible assets, immovable and importation of goods in the PRC shall be taxpayers of Value-added Tax (the “VAT”), all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, the sale of services, intangible assets or immovable properties and the importation of goods within the territory of the PRC must pay value-added tax.

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### Corporate Income Tax on Indirect Transfer of Non-Resident Enterprises

On December 10, 2009, the SAT issued the Notice on Strengthening the Administration of Corporate Income Tax Concerning Proceeds from Equity Transfers by Non-Resident Enterprises (《國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (the “**SAT Circular 698**”). By promulgating and implementing the SAT Circular 698, the PRC tax authorities have enhanced their scrutiny over the indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise. The SAT further issued the Announcement on Several Issues Concerning Corporate Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (the “**SAT Circular 7**”) on February 3, 2015, to supersede existing provisions in relation to the indirect transfer as set forth in the SAT Circular 698. The Article 13 of the SAT Circular 7 was invalidated by the Decision of the State Administration of Taxation on Issuing the Catalogs of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》). The SAT Circular 7 introduces a tax regime that is significantly different from that under the SAT Circular 698. The SAT Circular 7 extends its tax jurisdiction to capture not only indirect transfer as set forth under the SAT Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in China of a foreign company through the offshore transfer of a foreign intermediate holding company. The SAT Circular 7 also provides clearer criteria than the SAT Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. Where a non-resident enterprise indirectly transfers equity interests or other assets of a PRC resident enterprise by implementing arrangements that are not for reasonable commercial purposes to avoid its obligation to pay corporate income tax, such an indirect transfer shall, in accordance with the CIT Law, be recognized by the competent PRC tax authorities as a direct transfer of equity interests or other assets by the PRC resident enterprise.

On October 17, 2017, the SAT promulgated the Announcement on Matters Concerning Withholding at Source of Income Tax of Non-resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) (the “**SAT Circular 37**”), which came into force and replace the SAT Circular 698 and certain other regulations on December 1, 2017 and partly amended on June 15, 2018. The SAT Circular 37 does, among other things, simplify procedures of withholding and payment of income tax levied on non-resident enterprises. Under the SAT Circular 7 and the Law on the Administration of Tax Collection of the PRC (《中華人民共和國稅收徵收管理法》) promulgated by the SCNPC on September 4, 1992 and latest amended on April 24, 2015, in the case of an indirect transfer, entities or individuals obligated to pay the transfer price to the transferor shall act as withholding agents. If they fail to make withholding or withhold the full amount of tax payable, the transferor of equity shall declare and pay tax to the relevant tax authorities within seven days from the occurrence of tax payment obligation. Where the withholding agent does not make the withholding, and the transferor of the equity does not pay the tax payable amount, the tax authority may impose late payment interest on the transferor. In addition, the tax authority may also hold the withholding agents liable and impose a penalty of ranging from 50% to 300% of the unpaid tax on them. The penalty imposed on the

## REGULATORY OVERVIEW

withholding agents may be reduced or waived if the withholding agents have submitted the relevant materials in connection with the indirect transfer to the PRC tax authorities in accordance with the SAT Circular 7.

### REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

#### The Labor Contract Law

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) which were separately with effect from January 1, 1995 (latest amended on December 29, 2018) and January 1, 2008 (amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

#### Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated on October 28, 2010 and with effect from July 1, 2011 and latest amended on December 29, 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on January 22, 1999 and last amended on March 24, 2019, employees shall participate in basic pension insurance, basic medical insurance and unemployment insurance. Basic pension, medical and unemployment insurance contributions shall be paid by both employers and employees. Employees shall also participate in work-related injury insurance and maternity insurance. Work-related injury insurance and maternity insurance contributions shall be paid by employers rather than employees. Pursuant to the Notice of the General Office of the State Council on Promulgation of the Pilot Program for Implementing Consolidation of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於印發〈生育保險和職工基本醫療保險合併實施試點方案〉的通知》) and Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》) promulgated on January 19, 2017 and March 6, 2019, the maternity insurance and basic medical insurance for employees shall be consolidated. An employer shall make registration with the local social insurance agency in accordance with the provisions of the Social Insurance Law of PRC. Moreover, an employer shall declare and make social insurance contributions in full and on time. Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) which was promulgated on April 3, 1999 and amended on March 24, 2002 and March 24, 2019, employers shall undertake registration at the competent administrative center of housing provident fund and then, upon the examination by such administrative center of housing provident fund, undergo the procedures of opening the account of housing provident fund for their employees at the relevant bank. Enterprises are also obliged to timely pay and deposit housing provident fund for their employees in full amount.



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Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council of the PRC on July 20, 2018, from January 1, 2019, all the social insurance premiums including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance will be collected by the tax authorities. According to the Notice by the General Office of the State Taxation Administration on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《國家稅務總局辦公廳關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated on September 13, 2018 and the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《人力資源和社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection of historical unpaid social insurance contributions from enterprises. Notice of the State Administration of Taxation on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) promulgated on November 16, 2018 repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years.

## REGULATIONS ON ANTI-CORRUPTION AND ANTI-BRIBERY

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the SCNPC on April 23, 2019, a business operator shall not resort to bribery to seek a transaction opportunity or competitive advantage by offering money or goods or by any other means, to (i) any employee of the counterparty in a transaction, (ii) any entity or individual entrusted by the counterparty in a transaction to handle relevant affairs, or (iii) any other entity or individual that takes advantage of powers or influence to influence a transaction. A business operator may expressly offer a discount to the counterparty or pay commissions to the intermediaries of a transaction in the course of transaction activities, which shall be properly recorded at both parties' accounting books. Any commercial bribery committed by an employee of a given operator will be deemed as conduct of such operator unless such operator has evidence that such act is not related to such operator's efforts in seeking a transaction opportunity or competitive advantage.

## SANCTIONS LAWS AND REGULATIONS

Hogan Lovells, our International Sanctions Legal Advisors, have provided the following summary of the sanctions regimes imposed by their respective jurisdictions. This summary does not intend to set out the laws and regulations relating to the U.S., the European Union, the United Nations and Australian sanctions in their entirety.

## REGULATORY OVERVIEW

### U.S.

#### *Treasury regulations*

OFAC is the primary agency responsible for administering U.S. sanctions programmes against targeted countries, entities, and individuals. “Primary” U.S. sanctions apply to “U.S. persons” or activities involving a U.S. nexus (e.g., funds transfers in U.S. currency or activities involving U.S.-origin goods, software, technology or services even if performed by non-U.S. persons), and “secondary” U.S. sanctions apply extraterritorially to the activities of non-U.S. persons even when the transaction has no U.S. nexus. Generally, U.S. persons are defined as entities organized under U.S. law (such as companies and their U.S. subsidiaries); any U.S. entity’s domestic and foreign branches (sanctions against Iran and Cuba also apply to U.S. companies’ foreign subsidiaries or other non-U.S. entities owned or controlled by U.S. persons); U.S. citizens or permanent resident aliens (“green card” holders), regardless of their location in the world; individuals physically present in the United States; and U.S. branches or U.S. subsidiaries of non-U.S. companies.

Depending on the sanctions program and/or parties involved, U.S. law also may require a U.S. company or a U.S. person to “block” (freeze) any assets/property interests owned, controlled or held for the benefit of a Sanctioned Country, entity, or individual when such assets/property interests are in the United States or within the possession or control of a U.S. person. Upon such blocking, no transaction may be undertaken or effected with respect to the asset/property interest — no payments, benefits, provision of services or other dealings or other type of performance (in case of contracts/agreements) — except pursuant to an authorization or license from OFAC.

OFAC’s comprehensive sanctions programmes currently apply to Cuba, Iran, North Korea, Syria, and the Crimea region of Russia/Ukraine (comprehensive OFAC sanctions programme against Sudan was terminated on October 12, 2017). OFAC also prohibits virtually all business dealings with persons and entities identified in the SDN List. Entities that a party on the SDN List owns (defined as a direct or indirect ownership interest of 50% or more, individually or in the aggregate) are also blocked, regardless of whether that entity is expressly named on the SDN List. Additionally, U.S. persons, wherever located, are prohibited from approving, financing, facilitating, or guaranteeing any transaction by a non-U.S. person where the transaction by that non-U.S. person would be prohibited if performed by a U.S. person or within the United States.

### **United Nations**

The United Nations Security Council (the “UNSC”) can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. Sanctions measures encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the UNSC has established 30 sanctions regimes.

The UNSC sanctions have taken a number of different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more

## REGULATORY OVERVIEW

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targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The UNSC has applied sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights and promote non-proliferation.

There are 14 ongoing sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counter-terrorism. Each regime is administered by a sanctions committee chaired by a non-permanent member of the UNSC. There are ten monitoring groups, teams and panels that support the work of the sanctions committees.

United Nations sanctions are imposed by the UNSC, usually acting under Chapter VII of the United Nations Charter. Decisions of the UNSC bind members of the United Nations and override other obligations of United Nations member states.

### **European Union**

Under European Union sanction measures, there is no “blanket” ban on doing business in or with a jurisdiction targeted by sanctions measures. It is not generally prohibited or otherwise restricted for a person or entity to do business (involving non-controlled or unrestricted items) with a counterparty in a country subject to European Union sanctions where that counterparty is not a Sanctioned Person or not engaged in prohibited activities, such as exporting, selling, transferring or making certain controlled or restricted products available (either directly or indirectly) to, or for use in a jurisdiction subject to sanctions measures.

### **United Kingdom and United Kingdom overseas territories**

As of January 1, 2021, the United Kingdom is no longer an EU member state, EU law including EU sanctions measures continued to apply to and in the United Kingdom until December 31, 2020. EU sanctions measures had also been extended by the United Kingdom on a regime by regime basis to apply in the United Kingdom overseas territories, including the Cayman Islands. Starting from January 1, 2021, the United Kingdom applies its own sanctions programs and has extended its autonomous sanctions regimes to apply to and in the United Kingdom overseas territories.

### **Australia**

The Australian restrictions and prohibitions arising from the sanctions laws apply broadly to any person in Australia, any Australian anywhere in the world, companies incorporated overseas that are owned or controlled by Australians or persons in Australia, and/or any person using an Australian flag vessel or aircraft to transport goods or transact services subject to United Nations sanctions.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### BUSINESS DEVELOPMENT

#### Overview

Our history began in 2012 with the establishment of Shenzhen Wulian. We have since then been led by our founders, Dr. Chen and Ms. Wang, a married couple. As an engineer, Dr. Chen is an industry veteran with more than 25 years of experience in the telecommunication industry, especially the research and development of antenna system products, while Ms. Wang has extensive administrative and human resources experience in the telecommunication field. For more details of Dr. Chen and Ms. Wang’s biographies, see “Directors and Senior Management” in this Document. During the Track Record Period, we mainly provided customized IoT solutions to customers in various industries, and also researched, developed and sold telecommunication equipment. With our product knowledge, patented technology and in-depth industry network, we have become a one-stop IoT solutions and telecommunication equipment provider with 5G technologies adopted in the PRC.

#### Business Milestones

The following is a summary of our Group’s key business development milestones:

<u>Year</u>	<u>Key Milestones</u>
2012	Established Shenzhen Wulian, one of our major operating subsidiaries
2013	Established Nanjing Howking, one of our major operating subsidiaries
2016	Nanjing Howking was first accredited as the High and New Technology Enterprise (高新技術企業) by the local government authorities of Jiangsu Province
2018	Commenced the provision of IoT solutions to customers in various industries

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Year	Key Milestones
2019	<ul style="list-style-type: none"><li>• Shenzhen Wulian was first accredited as the High and New Technology Enterprise (高新技術企業) by the local government authorities of Shenzhen</li><li>• Shenzhen Wulian first joined the Shenzhen Industrial Internet Industry Association (深圳市工業互聯網行業協會)</li></ul>
2020	<ul style="list-style-type: none"><li>• Set foot in the private 5G network market in the PRC through upgrading our IoT solutions with the application of 5G technologies</li><li>• Nanjing Howking has become a member of the Communication Industry Association of Jiangsu Province (江蘇省通信行業協會)</li><li>• Completed Series A [REDACTED] investments to introduce strategic investors to our Group in preparation of the [REDACTED]</li></ul>
2021	<ul style="list-style-type: none"><li>• Nanjing Howking had been recognized as Nanjing Cultivated Unicorn Company (南京市培育獨角獸企業) for two consecutive years from 2020 to 2021</li><li>• Completed Series B [REDACTED] investments to further introduce strategic investors to our Group</li></ul>
2022	Completed Series B+ [REDACTED] investment to introduce a new institutional investor to our Group

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### CORPORATE DEVELOPMENT

Set out below are the corporate history and shareholding changes of the operating subsidiaries of our Group upon [REDACTED].

#### Nanjing Howking

Nanjing Howking is our major operating subsidiary which made significant contribution to our results of operations during the Track Record Period. Nanjing Howking was established in the PRC with limited liability on September 29, 2013. It is principally engaged in the research and development and sales of antenna system products, 5G telecommunication equipment and other devices. The following table sets out the corporate development of Nanjing Howking since its establishment and prior to the Reorganization:

<u>Date</u>	<u>Change</u>	<u>Registered share capital immediately after the change</u>	<u>Shareholding percentage immediately after the change</u>
Upon establishment	–	RMB1,000,000	Ms. Wang <sup>(1)</sup> (100%)
September 12, 2014	Increase in registered capital of RMB19,000,000 subscribed by Ms. Wang	RMB20,000,000	Ms. Wang <sup>(1)</sup> (100%)
March 17, 2015	Increase in registered capital of RMB30,000,000 subscribed by Ms. Jin <sup>(2)</sup>	RMB50,000,000	(i) Ms. Wang <sup>(1)</sup> (40%); (ii) Ms. Jin <sup>(2)</sup> (60%)
May 11, 2015	Reduction in registered capital of RMB7,500,000 subscribed by Ms. Jin <sup>(2)</sup>	RMB42,500,000	(i) Ms. Wang <sup>(1)</sup> (47%); (ii) Ms. Jin <sup>(2)</sup> (53%)
July 10, 2015	Increase in registered capital of RMB7,500,000 subscribed by Ms. Jin as to RMB2,500,000 and Mr. Xu Guoquan (徐國權) (“Mr. Xu”) as to RMB5,000,000 <sup>(3)</sup>	RMB50,000,000	(i) Ms. Wang <sup>(1)</sup> (40%); (ii) Ms. Jin <sup>(2)</sup> (50%); and (iii) Mr. Xu <sup>(3)</sup> (10%)
September 22, 2017	Reduction in registered capital of RMB40,000,000 subscribed by the shareholders pro rata to their respective shareholding	RMB10,000,000	(i) Ms. Wang <sup>(1)</sup> (40%); (ii) Ms. Jin <sup>(2)</sup> (50%); and (iii) Mr. Xu <sup>(3)</sup> (10%)

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Date</u>	<u>Change</u>	<u>Registered share capital immediately after the change</u>	<u>Shareholding percentage immediately after the change</u>
January 6, 2018	Increase in registered capital of RMB1,111,100 subscribed by Qianhai Sitong <sup>(4)</sup>	RMB11,111,100	(i) Ms. Wang <sup>(1)</sup> (36%); (ii) Ms. Jin <sup>(2)</sup> (45%); (iii) Mr. Xu <sup>(3)</sup> (9%); and (iv) Qianhai Sitong <sup>(4)</sup> (10%)
December 10, 2018	Transfer of 4% and 5% equity interest from Mr. Xu to Ms. Wang and Ms. Jin, respectively <sup>(3)</sup>	RMB11,111,100	(i) Ms. Wang <sup>(1)</sup> (40%); (ii) Ms. Jin <sup>(2)</sup> (50%); and (iii) Qianhai Sitong <sup>(4)</sup> (10%)
September 10, 2019	Transfer of 10% equity interest from Qianhai Sitong to Shanghai Juyi <sup>(4)</sup>	RMB11,111,100	(i) Ms. Wang <sup>(1)</sup> (40%); (ii) Ms. Jin <sup>(2)</sup> (50%); and (iii) Shanghai Juyi <sup>(5)</sup> (10%)
October 20, 2019	Transfer of 0.6%, 1.4% and 2% equity interest from Shanghai Juyi to Ms. Ding Di (丁迪) (“ <b>Ms. Ding</b> ”), Zhangzhou Heze and Mr. Li Zhangpeng (李章鹏) (“ <b>Mr. Li</b> ”), respectively <sup>(6)</sup>	RMB11,111,100	(i) Ms. Wang <sup>(1)</sup> (40%); (ii) Ms. Jin <sup>(2)</sup> (50%); (iii) Shanghai Juyi <sup>(5)</sup> (6%); (iv) Ms. Ding <sup>(6)</sup> (0.6%); (v) Mr. Li <sup>(6)</sup> (2%); and (vi) Zhangzhou Heze <sup>(6)</sup> (1.4%)
December 19, 2019	(i) Transfer of 3.33%, 1.67% and 1% equity interest from Shanghai Juyi to Huixin Qianhai, Shenzhen Zhichen and Ningbo Qipu <sup>(6)</sup> ; and  (ii) Increase in registered capital of RMB777,787 subscribed by Huixin Qianhai as to RMB166,676.5, Dongzheng Xiade as to RMB296,296 and Dongzheng Hande as to RMB314,814.5 <sup>(6)</sup>	RMB11,888,887	(i) Ms. Wang <sup>(1)</sup> (37.3828%); (ii) Ms. Jin <sup>(2)</sup> (46.7294%); (iii) Zhangzhou Heze <sup>(6)</sup> (1.3084%); (iv) Huixin Qianhai <sup>(6)</sup> (4.5171%); (v) Ms. Ding <sup>(6)</sup> (0.5607%); (vi) Mr. Li <sup>(6)</sup> (1.8692%); (vii) Shenzhen Zhichen <sup>(6)</sup> (1.5576%); (viii) Ningbo Qipu <sup>(6)</sup> (0.9346%); (ix) Dongzheng Xiade <sup>(6)</sup> (2.4922%); and (x) Dongzheng Hande <sup>(6)</sup> (2.6480%)



## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Date</u>	<u>Change</u>	<u>Registered share capital immediately after the change</u>	<u>Shareholding percentage immediately after the change</u>
January 16, 2020	Increase in registered capital of RMB185,185 subscribed by Huixin Qianhai <sup>(6)</sup>	RMB12,074,072	(i) Ms. Wang <sup>(1)</sup> (36.8095%); (ii) Ms. Jin <sup>(2)</sup> (46.0126%); (iii) Zhangzhou Heze <sup>(6)</sup> (1.2883%); (iv) Huixin Qianhai <sup>(6)</sup> (5.9816%); (v) Ms. Ding <sup>(6)</sup> (0.5521%); (vi) Mr. Li <sup>(6)</sup> (1.8405%); (vii) Shenzhen Zhichen <sup>(6)</sup> (1.5337%); (viii) Ningbo Qipu <sup>(6)</sup> (0.9202%); (ix) Dongzheng Xiade <sup>(6)</sup> (2.4540%); and (x) Dongzheng Hande <sup>(6)</sup> (2.6074%)

*Notes:*

- (1) Ms. Wang is the spouse of Dr. Chen. As a family arrangement between Dr. Chen and Ms. Wang, the relevant equity interests in Nanjing Howking was solely held by Ms. Wang.
- (2) Ms. Jin is the mother of Ms. Wang and the mother-in-law of Dr. Chen. Ms. Jin, who was optimistic about the then future prospect of Nanjing Howking and also willing to support Dr. Chen and Ms. Wang on the business development of Nanjing Howking, decided to invest in Nanjing Howking in 2015. Since the establishment/incorporation date of each of the companies of our Group, Ms. Wang and Ms. Jin have adopted a consensus approach to reach decisions on a unanimous basis in voting in their capacities as shareholders of our Group, pursuant to which they shall act collectively and uniformly from time to time in the exercise of voting rights, whether as a shareholder (including voting right at general meetings) and/or as a director (where they hold directorships in) of any companies of our Group. For further details, see “Relationship with our Controlling Shareholders - Our Controlling Shareholders” in this Document.
- (3) Mr. Xu was an Independent Third Party save for his investment in Nanjing Howking. As confirmed by the Company, in early 2015, Dr. Chen became acquainted with Mr. Xu, and in view of Mr. Xu’s extensive business network in the telecommunication industry, Dr. Chen invited Mr. Xu to invest in Nanjing Howking with a commitment of RMB5,000,000 for acquiring 10% equity interest of Nanjing Howking.

Subsequently, as part of the arrangements to facilitate Qianhai Sitong’s investment as agreed with Qianhai Sitong, in December 2018, Ms. Wang and Ms. Jin acquired the entire equity interest held by Mr. Xu in Nanjing Howking at nil consideration as his committed portion of the registered capital of Nanjing Howking was yet to be paid up at the time of the transfer. Upon completion of the said disposal on April 15, 2019, Mr. Xu ceased to be a shareholder of Nanjing Howking.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (4) Qianhai Sitong was a limited partnership enterprise established in the PRC on February 2, 2016, the sole general partner of which was JADE TEAMS Asset Management Co., Ltd. (深圳嘉得天晟資產管理有限公司), holding 10% interest, and the remaining limited partner of which was Guangdong Sitong Group Co., Ltd (廣東四通集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603838), holding 90% interest. Qianhai Sitong is an Independent Third Party save for its investment in Nanjing Howking.

Pursuant to Qianhai Sitong’s investment agreement in relation to Nanjing Howking and Huizhou Wulian (the then holding company of Shenzhen Wulian which was deregistered in April 2022) dated September 15, 2017 (the “**Sitong Investment Agreement**”), Qianhai Sitong subscribed for 10% equity interest in each of Nanjing Howking and Huizhou Wulian at the consideration of RMB15,000,000, respectively, as determined after arm’s length negotiation with regard to the then valuation of Nanjing Howking and Huizhou Wulian of RMB300,000,000 based on the aggregate net profit of both companies for the year ended December 31, 2017, with RMB1,111,100 and RMB13,888,900 recognized as the registered capital and the capital reserve of Nanjing Howking, respectively.

Subsequently, in September 2019, Qianhai Sitong disposed of its relevant equity interest held in Nanjing Howking to Shanghai Juyi, an investment holding entity jointly controlled by Ms. Wang and Ms. Jin, at the consideration of RMB16,354,000, which was determined based on the initial investment amount of Qianhai Sitong in Nanjing Howking taking into account the then prevailing market rate of return thereon. Upon completion of the said disposal on October 10, 2019, Qianhai Sitong ceased to be a shareholder of Nanjing Howking. For further details of Shanghai Juyi, please refer to note (5) below.

- (5) Shanghai Juyi was an investment holding platform of Ms. Wang and Ms. Jin established in August 2019 for the administrative ease for any subsequent transfer of their interests in Nanjing Howking to facilitate potential introduction of new investors to Nanjing Howking. Shanghai Juyi was a limited partnership enterprise established in the PRC, the sole general partner of which was Ms. Jin holding approximately 55.56% interest, and the limited partner was Ms. Wang holding approximately 44.44%.
- (6) For details of the investments by Ms. Ding, Mr. Li, Zhangzhou Heze, Huixin Qianhai, Shenzhen Zhichen, Ningbo Qipu, Dongzheng Hande and Dongzheng Xiade, see “— [REDACTED] Investments” in this section.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Shenzhen Wulian

Shenzhen Wulian was established in the PRC with limited liability on April 17, 2012 with an initial registered capital of RMB1,000,000. It is principally engaged in the provision of IoT solutions. Upon its establishment, Shenzhen Wulian was wholly owned by Changshu Wulian.

On March 14, 2016, as part of internal restructuring, Changshu Wulian transferred its entire equity interest in Shenzhen Wulian to Huizhou Wulian. Upon completion of the said transfer on March 17, 2016, Shenzhen Wulian became wholly owned by Huizhou Wulian.

Pursuant to a written resolution of the then sole shareholder of Shenzhen Wulian dated August 14, 2018, Shenzhen Wulian increased its registered capital from RMB1,000,000 to RMB10,000,000 with the increased capital subscribed by Huizhou Wulian.

In contemplation of the [REDACTED], pursuant to an equity transfer agreement dated June 26, 2019, Nanjing Howking acquired the entire equity interest of Shenzhen Wulian from Huizhou Wulian at a nominal consideration of RMB1, taking into account the net liability position of Shenzhen Wulian at the time of transfer arisen from the accumulated loss primarily attributable to the research and development expenses incurred prior to obtaining its first project. Such net liability position had improved and reversed to a net asset position for the year ended December 31, 2020 primarily due to the retained profit recorded during the year as a result of the growing business volume and revenue of Shenzhen Wulian. Upon completion of the said transfer on June 26, 2019 and as of the Latest Practicable Date, Shenzhen Wulian was wholly owned by Nanjing Howking.

### CEASED SUBSIDIARIES

#### Changshu Wulian

Changshu Wulian was established in the PRC with limited liability on March 3, 2011. During the Track Record Period and immediately prior to its deregistration in October 2019, Changshu Wulian was directly wholly owned by Nanjing Howking, and had no substantial business operation. Changshu Wulian was previously acquired by Nanjing Howking from M2Micro Group (Brunei), which was ultimately controlled by Dr. Chen, in January 2018. Changshu Wulian was previously engaged in the research and development of IoT solutions and subsequently ceased business operation since 2013 after Shenzhen Wulian took over the business of Changshu Wulian in order to consolidate our resources for our IoT solution business. During the Track Record Period, Changshu Wulian only recorded net profit of approximately RMB606,000 for the year ended December 31, 2019. In order to streamline the structure of our Group, on October 11, 2019, Changshu Wulian was deregistered and ceased to be a subsidiary of our Group.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### **Nanjing Maitumai**

Nanjing Maitumai was established in the PRC with limited liability on September 1, 2016. During the Track Record Period and immediately prior to its deregistration in March 2019, Nanjing Maitumai was directly wholly owned by Nanjing Howking, and had no substantial business operation. Nanjing Maitumai was previously acquired by Nanjing Howking from Dr. Chen and M2Micro Group (Seychelles), a company ultimately controlled by Ms. Wang, in December 2017. Nanjing Maitumai was the previous trading company of Nanjing Howking and subsequently ceased business operation after Nanjing Howking took over its sales function in 2017. During the Track Record Period, Nanjing Maitumai only recorded net profit of approximately RMB98,000 for the year ended December 31, 2019. In order to streamline the structure of our Group, on March 20, 2019, Nanjing Maitumai was deregistered and ceased to be a subsidiary of our Group.

### **Shenzhen Howking**

Shenzhen Howking was established in the PRC with limited liability on September 5, 2012. Shenzhen Howking was acquired by Shenzhen Wulian from HowKing Holding Co., Ltd., an investment holding company ultimately controlled by Dr. Chen, in November 2017. Shenzhen Howking was previously engaged in the research and development and sales of mobile phone antennae before our Group decided to cease such business as mobile phone antennae fell into disuse in the PRC market. During the Track Record Period and up to the Latest Practicable Date, Shenzhen Howking was directly wholly owned by Shenzhen Wulian, and had no substantial business operation. For the three years ended December 31, 2021, Shenzhen Howking recorded net loss of approximately RMB182,000, RMB270,000 and RMB258,000, respectively. In order to streamline the structure of our Group, on April 2, 2022, Shenzhen Howking was deregistered and ceased to be a subsidiary of our Group.

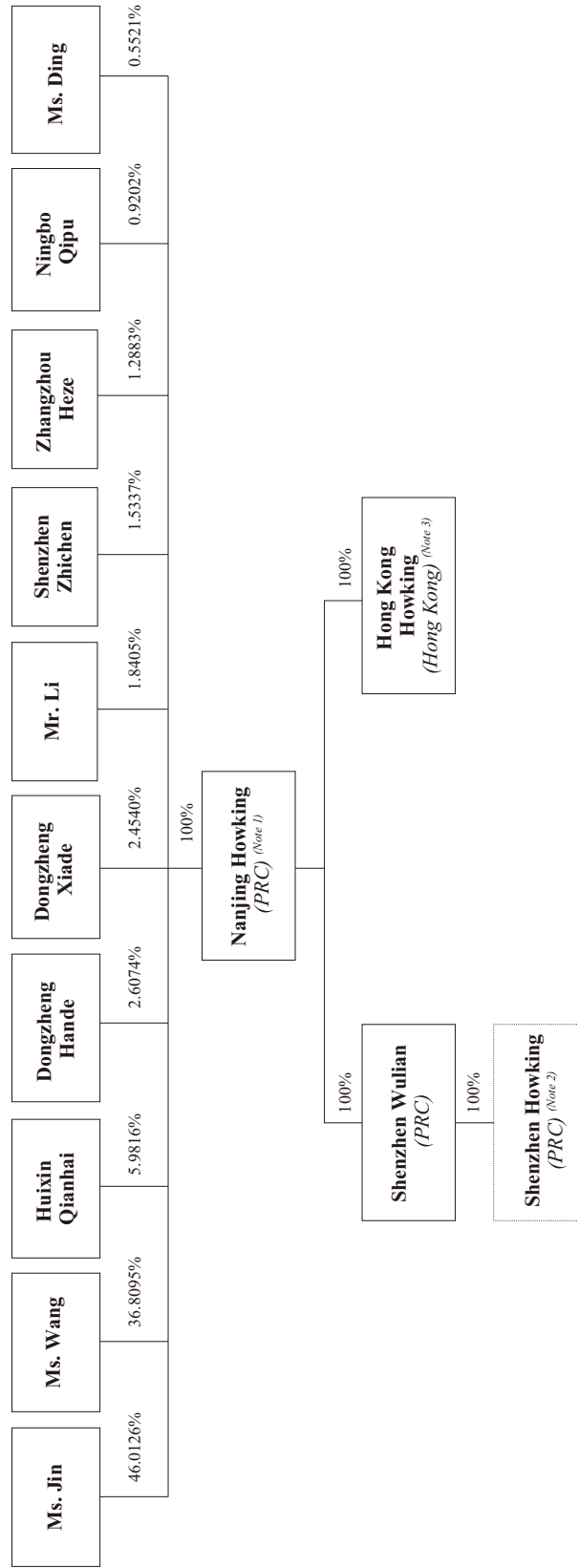
As confirmed by our Directors and concurred by our PRC Legal Advisors, each of the abovementioned ceased subsidiaries was solvent, and had not been involved in or subject to any pending or unresolved claims, arbitration, litigation or legal proceedings (whether actual or threatened), or had any material non-compliances, since its establishment and up to the date of its deregistration.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### REORGANIZATION

#### Corporate structure of our Group immediately before the Reorganization

Set forth below is the corporate structure of our Group immediately before the Reorganization:



Notes:

1. Nanjing Howking has one branch company in Shenzhen, the PRC.
2. Upon completion of its deregistration on April 2, 2022, Shenzhen Howking ceased to be a subsidiary of our Group. During the Track Record Period and immediately prior to its deregistration, Shenzhen Howking had no material business operation. For further details, see “— Ceased Subsidiaries — Shenzhen Howking” in this section.
3. Hong Kong Howking was incorporated in Hong Kong with limited liability on January 23, 2020 with an issued share capital of HK\$31,192,800 as of the Latest Practicable Date. Since its incorporation and up to the Latest Practicable Date, Hong Kong Howking was wholly owned by Nanjing Howking. It had not commenced any business operations as of the Latest Practicable Date and is intended to be a platform for our future business expansion.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In preparation for the [REDACTED] and to streamline our corporate structure, we underwent the Reorganization.

### Onshore Reorganization

#### *Establishment of onshore investment holding companies*

The following entities were established as the investment holding vehicles of certain then shareholders of Nanjing Howking:

##### *Shenzhen Tim Win*

On September 7, 2021, Shenzhen Tim Win was established in the PRC as the investment holding vehicle of Mr. Li.

##### *Shanghai Jinyuan*

On September 16, 2021, Shanghai Jinyuan was established in the PRC as the investment holding vehicle of Huixin Qianhai.

#### *Reduction of registered capital of Nanjing Howking*

Pursuant to the Reorganization Agreement and the resolution of the shareholders’ meeting of Nanjing Howking on September 2, 2021, Nanjing Howking reduced its paid-up registered capital from RMB12,074,072 to RMB10,066,666.6 by way of repurchases of the then respective entire equity interests held by the following shareholders in Nanjing Howking.

<u>Shareholder</u>	<u>Paid-up capital repurchased</u>
	<i>RMB</i>
Huixin Qianhai	722,221.5
Dongzheng Hande	314,814.5
Dongzheng Xiade	296,296.0
Mr. Li	222,222.0
Shenzhen Zhichen	185,185.0
Zhangzhou Heze	155,555.4
Ningbo Qipu	111,111.0

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Immediately following the capital reduction, Nanjing Howking was held as to approximately 55.1881%, 44.1497% and 0.6623% by Ms. Jin, Ms. Wang and Ms. Ding, respectively. In consideration of the then shareholders of Nanjing Howking exiting from their investments in Nanjing Howking, our Company allotted and issued an aggregate of 209,020 Shares to the aforesaid shareholders of Nanjing Howking (or their respective investment holding vehicles) largely mirroring their respective shareholding in Nanjing Howking as agreed in the Reorganization Agreement, with the respective amounts of consideration determined based on their respective initial investment amounts in Nanjing Howking. For further details, see “— Offshore Reorganization — Offshore shareholding restructuring — (ii) Allotment and issue of Shares to the then shareholders of Nanjing Howking” in this section.

### *Conversion of Nanjing Howking into a sino-foreign joint venture*

Pursuant to an equity transfer agreement dated December 6, 2021, Ms. Ding transferred 0.6623% equity interest of Nanjing Howking to Parka Aragon at a consideration of RMB298,035, which was determined by reference to the then net asset value of Nanjing Howking after the capital reduction as of November 16, 2021 as appraised by an independent valuer in the PRC. Parka Aragon is a wholly subsidiary of Parka Aragon BVI, which was in turn wholly owned by Mr. Wu Chak Man (胡澤民) (“**Mr. Wu**”) (the spouse of Ms. Ding) at the time of the said transfer.

Upon completion of the aforesaid transfer on December 8, 2021, Nanjing Howking was held as to approximately 55.1881%, 44.1497% and 0.6623% by Ms. Jin, Ms. Wang and Parka Aragon, respectively, and converted from a domestic enterprise into a sino-foreign joint venture.

### *Capital injection in Nanjing Howking by Howking Tech HK*

On December 16, 2021, as part of the Reorganization, Howking Tech HK made capital contribution of RMB117,400,000 to Nanjing Howking, all of which was recognized as the registered capital of Nanjing Howking. Upon completion of the aforesaid capital injection on the same day, the registered capital of Nanjing Howking increased from RMB10,066,666.6 to RMB127,466,666.6 and Nanjing Howking was held as to approximately 92.1025%, 4.3585%, 3.4867% and 0.0523% by Howking Tech HK, Ms. Jin, Ms. Wang and Parka Aragon, respectively.



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### ***Acquisition of equity interests in Nanjing Howking from Ms. Jin and Ms. Wang by Howking Tech HK***

On January 14, 2022, as part of the Reorganization, each of Ms. Jin and Ms. Wang entered into a separate equity transfer agreement with Howking Tech HK, pursuant to which Ms. Jin and Ms. Wang transferred 4.3585% and 3.4867% equity interest in Nanjing Howking to Howking Tech HK at the consideration of RMB5,086,338 and RMB4,068,997, respectively, both of which was determined based on the net asset value of Nanjing Howking as of December 31, 2021. Upon completion of the aforesaid transfer on January 25, 2022 and up to the Latest Practicable Date, Nanjing Howking was held as to approximately 99.9477% by Howking Tech HK and 0.0523% by Parka Aragon.

### **Offshore Reorganization**

#### ***Incorporation of offshore investment holding company by the Controlling Shareholders***

On August 11, 2021, Howking Tech Holding was incorporated in the BVI as the investment holding vehicle of Ms. Wang and Ms. Jin.

#### ***Incorporation of our Company***

On August 25, 2021, our Company was incorporated in the Cayman Islands as an exempted company with limited liability and authorized share capital of US\$50,000 divided into 5,000,000 Shares of nominal value of US\$0.01 each and is the ultimate holding company of our Group. Upon its incorporation, one Share was allotted and issued to the initial subscriber, which was transferred to Howking Tech Holding on the same day.

#### ***Incorporation of offshore subsidiaries***

##### ***Howking Tech BVI***

On September 3, 2021, Howking Tech BVI was incorporated in the BVI with limited liability as an investment holding company which is wholly owned by our Company.

##### ***Howking Tech HK***

On September 17, 2021, Howking Tech HK was incorporated in Hong Kong with limited liability as an investment holding company which is wholly owned by Howking Tech BVI.

#### ***Offshore shareholding restructuring***

##### ***(i) Allotment and issue of Shares to Howking Tech Holding***

On November 16, 2021, as part of the Reorganization, our Company further allotted and issued 772,788 Shares at par to Howking Tech Holding.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

(ii) *Allotment and issue of Shares to the then shareholders of Nanjing Howking*

Pursuant to the Reorganization Agreement, to largely mirror the shareholding structure of Nanjing Howking immediately before the reduction of registered capital of Nanjing Howking in September 2021 and taking into account the shareholding adjustments as agreed among the parties to the Reorganization Agreement as determined with reference to the financial performance of Nanjing Howking for the years ended December 31, 2019 and 2020, our Company allotted and issued an aggregate of 209,020 Shares for cash to the following entities (being then shareholders of Nanjing Howking (or their respective investment holding vehicles)), the consideration of which had been settled in full on January 25, 2022:

<u>Shareholder</u>	<u>Number of Shares allotted and issued</u>	<u>Consideration</u>
Shanghai Jinyuan	75,201	RMB39,000,000
Dongzheng Hande	32,780	RMB17,000,000
Dongzheng Xiade	30,852	RMB16,000,000
Shenzhen Tim Win	23,139	RMB12,000,000
Shenzhen Zhichen	19,282	RMB10,000,000
Zhangzhou Heze	16,197	RMB8,400,000
Ningbo Qipu	11,569	RMB6,000,000

For further details, see “— Onshore Reorganization — Reduction of registered capital of Nanjing Howking” in this section.

### *Acquisition of Parka Aragon BVI by our Company*

On December 10, 2021, as part of the Reorganization, our Company acquired the entire issued share capital of Parka Aragon BVI from Mr. Wu (the spouse of Ms. Ding) by the allotment and issue of 6,941 Shares to Mr. Wu as the consideration in order to reflect his indirect onshore shareholding in Nanjing Howking after his acquisition of equity interest of Nanjing Howking from Ms. Ding through Parka Aragon, the then investment holding vehicle ultimately held by Mr. Wu. Parka Aragon BVI wholly owns Parka Aragon, which in turn holds 0.6623% equity interest in Nanjing Howking. For further details, see “— Onshore Reorganization — Conversion of Nanjing Howking into a sino-foreign joint venture” in this section.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### *New round of [REDACTED] Investments*

We underwent a new round of [REDACTED] Investments, namely Series B and Series B+ investments, whereby the [REDACTED] Investors under this round of [REDACTED] Investments acquired an aggregate of 143,123 Shares by way of transfer of existing Shares from Howking Tech Holding and/or subscription for new Shares in our Company. For further details, see “— [REDACTED] Investments” in this section.

Upon completion of the abovementioned steps and immediately before the [REDACTED] and [REDACTED], the shareholding structure of our Company was as follows:

Shareholder	Number of Shares held	Approximate shareholding in our Company
Howking Tech Holding	640,790	64.0871%
Shanghai Jinyuan	75,201	7.5210%
Mr. Wu	56,379	5.6386%
Mr. Huang Jianzhong (黃建忠) (“Mr. Huang”)	39,550	3.9555%
Ms. Wu Chin-Shan (吳金蟬) (“Ms. Wu”)	33,123	3.3127%
Dongzheng Hande	32,780	3.2784%
Dongzheng Xiade	30,852	3.0856%
Shenzhen Tim Win	23,139	2.3142%
Shenzhen Zhichen	19,282	1.9284%
Zhangzhou Heze	16,197	1.6199%
Ningbo Qipu	11,569	1.1570%
Zibo Puhao	11,124	1.1125%
Shenzhen Brightmin	9,888	0.9889%
<b>Total</b>	<b>999,874</b>	<b>100%</b>

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### PRC Regulatory Compliance

Our PRC Legal Advisors have confirmed that the Reorganization in relation to the equity interest transfers in respect of our PRC subsidiaries as described above had been conducted in compliance with applicable PRC laws and regulations and had been legally completed and duly registered with local registration authorities of the PRC.

### [REDACTED] INVESTMENTS

#### Overview

As of the Latest Practicable Date, we underwent several rounds of [REDACTED] Investments, comprising Series A investments in 2019 and Series B and Series B+ investments both in 2021.

#### *Series A investments*

The investors under Series A investments are: (i) Ms. Ding and Zhangzhou Heze; (ii) Mr. Li; (iii) Huixin Qianhai; (iv) Shenzhen Zhichen; (v) Ningbo Qipu; and (vi) Dongzheng Hande and Dongzheng Xiade (the “**Series A Investors**”). Pursuant to their respective equity transfer/investment agreements, the Series A Investors acquired equity interests in Nanjing Howking from Shanghai Juyi and/or subscribed for capital contribution in Nanjing Howking during September to December 2019, and became shareholders of Nanjing Howking before the Reorganization.

Subsequently, pursuant to the Reorganization Agreement, Nanjing Howking reduced its registered capital by way of repurchases of the respective equity interests held by the Series A Investors (except Ms. Ding), and in consideration of which, our Company allotted and issued an aggregate of 209,020 Shares to them (or their investment holding vehicles) largely mirroring their respective shareholding in Nanjing Howking as agreed in the Reorganization Agreement. The Series A Investors (except Ms. Ding) thereby became our Shareholders. For further details, see “— Reorganization — Onshore Reorganization — Reduction of registered capital of Nanjing Howking” and “— Reorganization — Offshore Reorganization — Offshore shareholding restructuring — (ii) Allotment and issue of Shares to the then shareholders of Nanjing Howking” in this section.

Ms. Ding, pursuant to an equity transfer agreement dated December 6, 2021, transferred her 0.6623% equity interests in Nanjing Howking to Parka Aragon. Parka Aragon is a wholly subsidiary of Parka Aragon BVI, which in turn was wholly owned by Mr. Wu (the spouse of Ms. Ding) at the time of the transfer. Subsequently as part of the Reorganization, our Company acquired the entire issued share capital of Parka Aragon BVI from Mr. Wu by allotment and issue of 6,941 Shares to him as the consideration. For further details, see “— Reorganization — Onshore Reorganization — Conversion of Nanjing Howking into a sino-foreign joint venture” and “— Reorganization — Offshore Reorganization — Acquisition of Parka Aragon BVI by our Company” in this section.

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The negotiation in relation to the terms of Series A investments, such as the payment terms and the consideration, had commenced since as early as around June 2019 prior to the outbreak of COVID-19 when the prospect of the telecommunication industry in the PRC was promising, while the agreements were subsequently entered into during the period from September to December 2019 after the terms had been finalized and agreed by the parties. The Series A investments commenced in 2019 were conducted largely based on the initial valuation of Nanjing Howking of approximately RMB600 million (the “**Valuation**”) as the starting point, which was determined based on the target net profit attributable to the owners for the year ended December 31, 2019 of approximately RMB40 million and a 15 times price-to-earnings ratio (the “**PE Multiple**”) back then. The PE Multiple was determined with reference to:

- (i) the valuation premium of Nanjing Howking at the material time with regards to our initial plan for the shares of Nanjing Howking to be listed on Shanghai Stock Exchange Science and Technology Innovation Board (the “**STAR Market**”), which was highly sought after since its operation in 2019 for its high degree of market recognition in raising capital in the PRC;
- (ii) several comparable companies listed on the Shanghai Stock Exchange (as it was our Group’s initial plan to list on the STAR Market) with price-to-earning ratios ranging from 27.8 times to 77.5 times in 2019 (the “**Comparable P/E Ratios**”), most of which operate in this emerging IoT industry engaging in similar businesses as our Group;
- (iii) the then existing projects undertaken by and the expected upcoming projects of our Group at the material time, and the estimated revenue thereby to be derived;
- (iv) the optimistic market sentiment towards the telecommunication industry in the PRC in general at the material time with the concepts of 5G technology and IoT solutions gaining momentum in the PRC since around 2019; and
- (v) the continuous robust growth in the overall PRC economy.

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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Save for the subscription of 2.65%, 2.6480% and 2.4922% equity interest in Nanjing Howking by Huixin Qianhai, Dongzheng Hande and Dongzheng Xiade, respectively, all the other Series A investments were consummated by way of acquisition of the then equity interest (amounting to an aggregate of 10%) in Nanjing Howking from Shanghai Juyi, the then investment holding platform held by the Controlling Shareholders. In view of the transfer of the then equity interest of Nanjing Howking to this round of [REDACTED] Investors, our Group had taken a rather conservative approach for its first round of [REDACTED] Investments and adopted the PE Multiple of 15, falling below the lower end of the range of the Comparable P/E Ratios as identified by our Group.

Subsequently, due to the uncertainty in the listing timetable for initial public offerings in the PRC at the material time, we then resorted to seek to list our shares on the Stock Exchange. In preparation of the [REDACTED], our Group has undergone the Reorganization. To facilitate the Reorganization, the then shareholders of Nanjing Howking have entered into the Reorganization Agreement, pursuant to which (i) Nanjing Howking reduced its registered capital by way of repurchases of the respective equity interests held by the Series A Investors (except Ms. Ding Di), and (ii) in consideration of the said repurchases, our Company allotted and issued an aggregate of 209,020 Shares to the Series A Investors (or their investment holding vehicles) to (a) mirror the shareholding structure of Nanjing Howking immediately before the reduction of registered capital of Nanjing Howking, and (b) reflect the shareholding adjustments by increasing the shareholding entitlement of the Series A Investors (except Ms. Ding Di) by approximately 4.66%, as determined and agreed among the parties with reference to the financial performance of Nanjing Howking for the years ended December 31, 2019 and 2020 (the “**Shareholding Adjustments**”). Accordingly, while the respective consideration paid by the Series A Investors was largely based on the Valuation, the investment cost per Share of the Series A Investors has been reduced after taking into account the Shareholding Adjustments, and hence is lower than the other rounds of the [REDACTED] Investments. For demonstration purpose, after excluding the Shareholding Adjustments, without taking into account the [REDACTED], the investment cost per Share under Series A investments would be approximately RMB659 per Share, which is approximately 7.9% slightly higher than the investment cost per Share under Series B investments (i.e. approximately RMB607).

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### *Series B and Series B+ investments*

The investors under Series B investments are: (i) Mr. Wu; (ii) Shenzhen Brightmin; (iii) Mr. Huang; and (iv) Ms. Wu (the “**Series B Investors**”), who acquired the existing Shares from Howking Tech Holding pursuant to their respective share transfer agreements. In addition, Zibo Puhao (the “**Series B+ Investor**”, together with the Series B Investors, the “**Series B and Series B+ Investors**”) subscribed for new Shares issued by our Company pursuant to its investment agreement. Upon completion of the above investments, the Series B and Series B+ Investors became our Shareholders before completion of the [REDACTED] and the [REDACTED].

Substantially similar to Series A investments, Series B investments in 2021 were conducted by way of acquisition of the existing Shares from one of the Controlling Shareholders, namely Howking Tech Holding. In view of the similarity in terms of the form of investments, the consideration paid by the Series B Investors under this round of investment had primarily taken the valuation of Nanjing Howking for Series A investments as reference.

With respect to Series B+ investments, the consideration under this round of [REDACTED] Investments was determined with reference to the post-money valuation of Nanjing Howking of RMB800,000,000, which in turn was determined having taken into account the following:

- (i) *introduction of last round of [REDACTED] investment* – considering that the consideration for Series B investments was paid to Howking Tech Holding, one of the Controlling Shareholders, for acquisition of existing Shares, for Series B+ investment, we intended to identify institutional investor(s) to bring in additional funds for our Group’s expansion through the issue of new shares of our Company as well as enhancing the shareholders portfolio of our Company as further endorsement of our performance, strengths and prospects. As such, we approached a financial professional to help identify suitable institutional investor(s) and intended to set a relatively high valuation of Nanjing Howking as compared to that of Series B investments for this round of investment.



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- (ii) *willingness of Zibo Puhao to invest at a premium* – Shanghai Puchang is a professional financial investor, which learnt about Nanjing Howking through conducting market research, participation in 5G and telecommunication related seminars and referral by the financial professional as approached by us. After preliminary discussion, Shanghai Puchang expressed its interest in investing in our Group and proposed an investment consideration at the initial stage of the negotiation. Based on our understanding, as Shanghai Puchang was optimistic about the future prospect of the telecommunication industry, especially the thriving development of 5G technology application in the aforesaid industry, taking into account (1) the independent due diligence process conducted internally on our Group; and (2) the significant growth in our Group’s revenue and net profit from the year of 2019 to 2020 of approximately 57.5% and 64.6%, respectively, it was confident in the expected future growth of our Group, both in terms of business volume and financial performance, and was therefore willing to invest in our Company through Zibo Puhao at the investment price as agreed upon obtaining approval for such investment decision from its investment committee.

Further, based on the communication among our Company and the [REDACTED] Investors, we learnt that the [REDACTED] Investors invested in our Group primarily in view of their confidence in our Group’s business as well as the industry it operates in in the long run with no regard to the expected [REDACTED] range of our Company as affected by market condition and market sentiment at the material time, both of which in turn depend on various external factors, such as equities volatility, interest rates, geopolitical certainty and regulatory certainties pertaining to the telecommunication sector in the PRC. For further details of the reasons for investing in our Group by the [REDACTED] Investors, please see “— Information of our [REDACTED] Investors” in this section below. In addition, special rights, such as divestment/redemption rights, were granted to the [REDACTED] investors which had reduced the risk of their investments in our Group to a certain extent. For further details of the special rights granted to the [REDACTED] Investors, please see “— Special Rights” in this section below. As such, the [REDACTED] Investors were willing to accept a relatively optimistic initial valuation of our Group in light of the future growth of our Group and the emerging industry it operates in regardless of the subsequent determination of the [REDACTED].

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The following table summarizes the principal terms of the [REDACTED] Investments:

Investor(s)	Ms. Ding Di and Zhangzhou Heze	Mr. Li Zhangpeng	Huixin Qianhai	Shenzhen Zhichen	Ningbo Qipu	Dongzheng Hande and Dongzheng Xiade	Mr. Wu Chak Man	Shenzhen Brightmin	Mr. Huang Jianzhong	Ms. Wu Chin-Shan	Zibo Puhao
Round	Series A	Series A	Series A	Series A	Series A	Series A	Series B	Series B	Series B	Series B	Series B+
Date of the agreement(s)	Equity transfer agreement dated September 20, 2019	Equity transfer agreement dated September 20, 2019	Investment agreement dated December 8, 2019	Investment agreement dated November 28, 2019	Investment agreement dated November 28, 2019	Capital injection agreement dated November 28, 2019	Share transfer agreement dated October 15, 2021	Share transfer agreement dated October 15, 2021	Share transfer agreement dated October 15, 2021	Share transfer agreement dated October 15, 2021	Investment agreement dated October 15, 2021
Percentage of equity interest / Number of Shares upon settlement transferred/ subscribed	2% equity interest in Nanjing Howking transferred by Shanghai Juyi (comprising 0.6% to Ms. Ding and 1.4% to Zhangzhou Heze)	2% equity interest in Nanjing Howking transferred by Shanghai Juyi	(i) 3.33% equity interest in Nanjing Howking transferred by Shanghai Juyi (i) 2.65% equity interest through subscription for capital increase in Nanjing Howking	1.67% equity interest in Nanjing Howking transferred by Shanghai Juyi	1% equity interest in Nanjing Howking transferred by Shanghai Juyi	5.1402% equity interest through subscription for capital increase in Nanjing Howking (comprising 2.6480% subscribed by Dongzheng Hande and 2.4922% by Dongzheng Xiade)	49,438 Shares transferred by Howking Tech Holding	9,888 Shares transferred by Howking Tech Holding	39,550 Shares transferred by Howking Tech Holding	33,123 Shares transferred by Howking Tech Holding	11,124 Shares issued by our Company
Amount of consideration	RMB12,000,000 (comprising RMB3,600,000 from Ms. Ding and RMB8,400,000 from Zhangzhou Heze)	RMB12,000,000	RMB39,000,000 (comprising RMB19,999,460 for equity transfer and RMB19,000,540 for capital subscription)	RMB10,000,000	RMB6,000,000	RMB33,000,000 (comprising RMB17,000,000 from Dongzheng Hande and RMB16,000,000 from Dongzheng Xiade)	RMB30,000,000	RMB6,000,000	RMB24,000,000	RMB20,100,000	RMB9,000,000

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Investor(s)	Ms. Ding Di and Zhangzhou Heze	Mr. Li Zhangpeng	Huixin Qianhai	Shenzhen Zhichen	Ningbo Qipu	Dongzheng Hande and Dongzheng Xiade	Mr. Wu Chak Man	Shenzhen Brightmin	Mr. Huang Jianzhong	Ms. Wu Chin-Shan	Zibo Puhao
Basis of consideration	<p>The consideration for Series A investments was determined after arm's length negotiation with reference to the valuation of Nanjing Howking of RMB600,000,000 taking into account its then financial performance and the future business growth of our Group. At the material time when the consideration for Series A investments was determined, we planned to list the shares of Nanjing Howking on a domestic stock exchange. However, due to the uncertainty in the listing timetable for initial public offerings in the PRC, we did not further proceed with the aforesaid listing plan.</p>										
	<p>The consideration for Series B investments paid to Howking Tech Holding by the Series B Investors for the acquisition of the existing Shares from Howking Tech Holding was determined after arm's length negotiation primarily with reference to the valuation of Nanjing Howking for Series A investments</p>										
	<p>The consideration for Series B+ investment was determined after arm's length negotiation with reference to the pre-money valuation of Nanjing Howking of RMB800,000,000, taking into account (i) the valuation premium of Nanjing Howking in comparison to Series A investments; (ii) the future business growth of our Group; and (iii) the proceeds of Series B+ investment to be used for the development and operation of our Group's business as the proceeds were paid to our Company for subscription of new Shares</p>										

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Investor(s)	Ms. Ding Di and Zhangzhou Heze	Mr. Li Zhangpeng	Huixin Qianhai	Shenzhen Zhichen	Ningbo Qipu	Dongzheng Hande and Dongzheng Xiade	Mr. Wu Chak Man	Shenzhen Brightmin	Mr. Huang Jianzhong	Ms. Wu Chin-Shan	Zibo Puhao
Date on which the consideration was fully settled	December 10, 2019	November 21, 2019	March 26, 2020	December 13, 2019	March 24, 2020	December 9, 2019	December 6, 2021	December 13, 2021	December 2, 2021	October 26, 2021	January 19, 2022
Number of Shares and approximate percentage of shareholding in our Company immediately upon [REDACTED] (Note 1)	[REDACTED] Shares (approximately [REDACTED]%) held by Zhangzhou Heze (Note 4)	[REDACTED] Shares (approximately [REDACTED]%) held by Shenzhen Tim Win	[REDACTED] Shares (approximately [REDACTED]%) held by Shanghai Jinyuan	[REDACTED] Shares (approximately [REDACTED]%)	[REDACTED] Shares (approximately [REDACTED]%)	[REDACTED] Shares (approximately [REDACTED]%) held by Dongzheng Hande [REDACTED] Shares (approximately [REDACTED]%) held by Dongzheng Xiade	[REDACTED] Shares (approximately [REDACTED]%) (Note 4)	[REDACTED] Shares (approximately [REDACTED]%)	[REDACTED] Shares (approximately [REDACTED]%)	[REDACTED] Shares (approximately [REDACTED]%)	[REDACTED] Shares (approximately [REDACTED]%)
Investment cost per Share (Note 3)	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
Premium to the mid-point of the indicative [REDACTED] range (Note 2)	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%	Approximately [REDACTED]%
Lock-up and public float	None of the investment agreements and equity transfer agreements (as applicable) imposes any lock-up obligations over the Shares directly or indirectly held by the [REDACTED] Investors upon [REDACTED]. The respective Shares held by the [REDACTED] Investors will be counted towards public float after the [REDACTED] for the purpose of Rule 8.08 of the Listing Rules.										
Notes:	<ol style="list-style-type: none"> <li>Assuming the [REDACTED] is not exercised and without taking into account of the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.</li> <li>Based on the [REDACTED] of approximately HK\$[REDACTED] per Share (being the mid-point of the indicative [REDACTED] range).</li> <li>Assuming RMB1.00 to HK\$[1.23] for the purpose of illustration only.</li> <li>During the Reorganization, Ms. Ding had disposed of her equity interest in Nanjing Howking acquired under Series A investment to Parka Aragon, which was ultimately wholly owned by Mr. Wu (the spouse of Ms. Ding). Subsequently, as part of the Reorganization, our Company acquired the entire issued share capital of Parka Aragon BVI, the holding company of Parka Aragon, from Mr. Wu by allotting and issuing 6,941 Shares (the “<b>Consideration Shares</b>”) to Mr. Wu as the consideration in order to reflect his indirect onshore shareholding in Nanjing Howking acquired from Ms. Ding through Parka Aragon. As a result, the [REDACTED] Shares to be held by Mr. Wu upon [REDACTED] comprise the Shares acquired by Mr. Wu through his Series B investment and the Consideration Shares (as enlarged by the [REDACTED]). For further details, see “— Reorganization — Onshore Reorganization — Conversion of Nanjing Howking into a sino-foreign joint venture” and “— Reorganization — Offshore Reorganization — Acquisition of Parka Aragon BVI by our Company” in this section. For the purpose of determining the investment cost per Share for Ms. Ding and Mr. Wu through Series A and Series B investments, respectively, the Consideration Shares (as enlarged by the [REDACTED]) issued in relation to the equity interest in Nanjing Howking acquired through their Series A investments are regarded as investment made by Ms. Ding, instead of by Mr. Wu.</li> </ol>										

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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### Use of Proceeds from the [REDACTED] Investments

We utilized the proceeds from the [REDACTED] Investments for replenishing the working capital for the development and operation of our principal business of our Group. As of the Latest Practicable Date, the net proceeds received by us from the [REDACTED] Investments had been fully utilized.

### Strategic benefits of the [REDACTED] Investors brought to our Company

At the time of the [REDACTED] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the [REDACTED] Investors’ investments in our Company, as well as the [REDACTED] Investors’ industry network, investment knowledge and experience. Moreover, our Directors were also of the view that the [REDACTED] Investments by our [REDACTED] Investors have demonstrated their confidence in the operations of our Company, which serves as an endorsement of our Company’s performance, strengths and prospects.

### Special Rights

The [REDACTED] Investors (except Ms. Wu) have been granted certain special rights under the shareholders agreement dated December 16, 2021 (the “**Shareholders Agreement**”), such as information rights, pre-emption rights, right of first refusal, tag-along rights, anti-dilution rights, divestment/redemption rights and exclusivity rights restricting our Company to issue or offer the Shares to other third parties.

All such shareholder rights (other than divestment/redemption rights) shall be terminated and be of no further force or effect immediately before the consummation of an “[REDACTED].” The divestment/redemption rights under the Shareholders Agreement have been terminated and of no further force or effect on the date of the Shareholders Agreement.

On the other hand, Ms. Wu has been separately granted information rights and pre-emption rights under the equity transfer agreement dated October 15, 2021, pursuant to which such shareholder rights shall be terminated immediately before the consummation of an “[REDACTED].”

A “[REDACTED]” is defined as the [REDACTED] of the Company on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Stock Exchange, the NASDAQ, the New York Stock Exchange or such other domestic and overseas stock exchanges.

Save as disclosed above and the respective agreements entered into by the [REDACTED] Investors contemplating their respective investments in our Company or our Group, there are no other side agreements, arrangements, negotiation, engagements, understanding or undertakings, whether formal or informal, verbal or in writing, express or implied, between our Group and our Group’s core connected persons and each of the [REDACTED] Investors and their respective close associates, in relation to their investments in our Group, that are subsisting.

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### Information of our [REDACTED] Investors

#### *Huixin Qianhai*

Huixin Qianhai is a limited partnership enterprise established in the PRC on March 30, 2016, which is an investment holding platform primarily focusing on investing in telecommunication, consumption, medical and internet industries. Prior to investing in our Group, Huixin Qianhai had previous investment experiences in the IoT industry. As of the Latest Practicable Date, the registered capital of Huixin Qianhai amounted to RMB288 million, with its assets under management amounted to approximately RMB216 million as of December 31, 2021.

The sole general partner of Huixin Qianhai is Ningbo Huixin Zhiyuan Investment Management Partnership (LLP) (寧波匯信致遠投資管理合夥企業(有限合夥)) (“**Ningbo Huixin**”), holding 1.0417% interest, and its remaining seven limited partners include the single largest shareholder, Ms. Xie Xiongqing (謝雄清), holding 34.7222% interest. Ms. Xie Xiongqing has experience working in the finance field and has been working in Shenzhen Guanghui Investment Management Co., Ltd. (深圳市光輝投資管理有限公司) as a finance manager since March 2008 up to the Latest Practicable Date. Ningbo Huixin, which is ultimately jointly controlled by Mr. Ye Xiang (葉翔) and Ms. Ban Lifeng (班麗鳳), is a limited partnership enterprise established in the PRC and an investment holding platform primarily focusing on investments in telecommunication, consumption and internet industries. Mr. Ye Xiang possesses over 20 years of extensive experience in the industries relating to finance, banking and regulation, and has held directorship in other listed companies in Hong Kong. Since November 2016 up to the Latest Practicable Date, Ms. Ban Lifeng has been the administration manager of Ningbo Xinhui Qianhai Asset Management Co., Ltd. (寧波信匯前海資產管理有限公司) (“**Ningbo Xinhui**”), a company principally engaged in asset management and investment management.

In recognition of Dr. Chen’s industry experience and our Group’s business model and our position as a market player in the PRC private 5G network market providing one-stop IoT solutions and telecommunication equipment with 5G technologies adopted, Huixin Qianhai was optimistic about the future prospect of our Group in light of the promising development of 5G and telecommunication industry in the PRC, and thus decided to invest in our Group. Each of Huixin Qianhai, Ningbo Huixin, Ms. Xie Xiongqing, Mr. Ye Xiang and Ms. Ban Lifeng is an Independent Third Party, and each of Huixin Qianhai and its close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates. The compliance and risk management principal of Ningbo Xinhui was acquainted with Dr. Chen through referral by Shenzhen Zhichen in September 2019.



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### *Dongzheng Hande and Dongzheng Xiade*

Dongzheng Hande and Dongzheng Xiade are limited partnership enterprises established in the PRC on March 22, 2017 and February 11, 2018, respectively, both of which primarily focus on investing in emerging industries in the PRC, such as telecommunication, medical, renewable energy and consumer industries. Prior to investing in our Group, each of Dongzheng Hande and Dongzheng Xiade did not have previous investment experiences in the IoT industry. As of the Latest Practicable Date, the registered capital of each of Dongzheng Hande and Dongzheng Xiade amounted to RMB450 million, with the assets managed by Dongzheng Hande and Dongzheng Xiade amounted to approximately RMB697 million and RMB701 million, respectively, as of December 31, 2021.

The sole general partner of both Dongzheng Hande and Dongzheng Xiade is Shanghai Orient Securities Capital Investment Co., Ltd. (上海東方證券資本投資有限公司) (“**Shanghai Orient**”) holding 11.11111% and 18.88889% interest, respectively, and the single largest shareholder of Dongzheng Hande and Dongzheng Xiade is Ningbo Oaks Investment Management Co., Ltd. (寧波奧克斯投資管理有限公司) (“**Ningbo Oaks**”) acting as a limited partner, holding 44.44444% and 22.2222% interest, respectively. Shanghai Orient is a limited liability company established in the PRC, which is a wholly-owned subsidiary of Orient Securities Co., Ltd. (東方證券股份有限公司) (“**Orient Securities**”), a company dually listed on the Shanghai Stock Exchange (stock code: 600958) and the Stock Exchange (stock code: 03958). Shanghai Orient is a private equity funds investment platform providing one-stop professional investment services in the PRC, including purchase of investment products, offshore investments, equity investments and merger and acquisition. Ningbo Oaks is a limited liability company established in the PRC, which is a wholly-owned subsidiary of Ningbo Sanxing Medical & Electric Co., Ltd. (寧波三星醫療電氣股份有限公司) (“**Ningbo Sanxing**”), a company listed on the Shanghai Stock Exchange (stock code: 601567). Ningbo Oaks is principally engaged in equity investment and investment management.

The director of Orient Securities became acquainted with Dr. Chen through a mutual friend in July 2019. Each of Dongzheng Hande, Dongzheng Xiade, Shanghai Orient, Orient Securities, Ningbo Oaks and Ningbo Sanxing is an Independent Third Party, and each of Dongzheng Hande and Dongzheng Xiade and their respective close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates.

### *Mr. Li Zhangpeng*

Mr. Li Zhangpeng is an individual private investor who has over 10 years of investment experience, specializing in real estate and equity investment. Prior to investing in our Group, Mr. Li did not have previous investment experiences in the IoT industry. Mr. Li is an Independent Third Party, and each of Mr. Li and his close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their



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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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respective associates. Mr. Li was acquainted with Dr. Chen through introduction by the then financial advisor to Nanjing Howking, in June 2019. Such financial advisor is a member of CPA Australia and a chartered financial analyst of the CFA Institute, with over 15 years of experience in the corporate finance field in the PRC. He was engaged by Dr. Chen to provide financial advisory services such as formulating financing strategies and introducing investors to the Group. He received a service fee of RMB281,000, which was determined after arm’s length negotiation between the parties, taking into account the scope of services provided. After several rounds of discussion with Dr. Chen on our Group’s business and future plans and having paid a site visit to our Group’s headquarters, Mr. Li, who was optimistic with the future prospects of our Group and the growth potential of the application of 5G technology in the telecommunication industry, then decided to invest in our Group.

### *Shenzhen Zhichen*

Shenzhen Zhichen is a limited partnership enterprise established in the PRC on July 5, 2018 primarily focuses on investing in our Group. Prior to investing in our Group, Shenzhen Zhichen did not have previous investment experiences in the IoT industry. As of the Latest Practicable Date, the registered capital of Shenzhen Zhichen amounted to approximately RMB11 million, with its assets under management amounted to approximately RMB10 million as of December 31, 2021, which were primarily utilized as the [REDACTED] investment in our Company.

The sole general partner of Shenzhen Zhichen is Shenzhen Zhichen Private Equity Fund Management Co., Ltd. (深圳智宸私募股权基金管理有限公司) (“**Shenzhen Zhichen PE**”) holding 1% interest, which is controlled by Mr. Chen Ning (陳寧). Mr. Chen Ning and Mr. Huang Zebin (黃澤斌) are the limited partners of Shenzhen Zhichen, each holding 45% interest, respectively. Shenzhen Zhichen PE is a limited liability company established in the PRC which is a professional investment company with a focus on private equity investment in the areas of hard technology and mass consumption. Mr. Chen Ning has over 10 years of experience working in various financial institutions in Hong Kong and the PRC, who has extensive experience in leading cross-border financing, such as equity and debt financing, merger and acquisition and restructuring. He is currently serving as the chief executive officer of Shenzhen Zhichen PE. Mr. Huang Zebin has over 15 years of experience in the investment field who invests in various companies engaging in real estate, hotel investment and finance fields in the PRC.

Mr. Chen Ning of Shenzhen Zhichen PE was acquainted with Dr. Chen through introduction by the aforementioned financial advisor to Nanjing Howking, in around September 2019. Shenzhen Zhichen was optimistic about the future prospect of 5G industry in the PRC, particularly its expanding application scenarios, and believed that our Group could leverage on the upcoming development of this industry to expand our business, and thus decided to invest in our Group. Each of Shenzhen Zhichen, Shenzhen Zhichen PE, Mr. Chen Ning and Mr. Huang Zebin is an Independent Third Party, and each of Shenzhen Zhichen and its close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### *Ningbo Qipu*

Ningbo Qipu is a limited partnership enterprise established in the PRC on May 26, 2017 primarily focuses on investing in our Group. Prior to investing in our Group, Ningbo Qipu did not have previous investment experiences in the IoT industry. Each of the assets managed by Ningbo Qipu and its registered capital both amounted to approximately RMB6 million, as of December 31, 2021 and the Latest Practicable Date, respectively, which were primarily utilized as the [REDACTED] investment in our Company.

The sole general partner of Ningbo Qipu is Shanghai Qipu Investment Management Co., Ltd. (上海啟浦投資管理有限公司) (“**Shanghai Qipu**”) holding 0.1664% interest, and the remaining five limited partners include the single largest shareholder of Ningbo Qipu, Mr. Xing Wenlong (刑文龍) who holds 33.2779% interest. Mr. Xing Wenlong is an individual private investor who is the sole general partner of Gongqingcheng Bojiahe Investment Partnership (LLP) (共青城博嘉合投資合夥企業(有限合夥)) with investments in various business sectors and is currently serving as the general manager of Beijing Bolong Jiaying Technology Trading Co., Ltd. (北京博隆嘉興科貿有限公司). Shanghai Qipu is in turn controlled by Ms. Dai Yanfei (戴豔斐) and is a limited liability company established in the PRC principally engaged in private equity and venture capital investment. Ms. Dai Yanfei has over 10 years of experience working in the finance field. From March 2016 to May 2019, she joined Shanghai Qipu as the marketing director in 2016 with her last position as the general manager.

After conducting independent market research and analysis of potential high-growth enterprises in the PRC, Ms. Dai Yanfei and her team were optimistic about the future prospect of the industry where our Group operates in. Having learnt about the investment opportunity in our Group from the market, they then approached our Group in late 2019, and decided to invest in our Group after further discussion with our Group on its future plans. Each of Ningbo Qipu, Shanghai Qipu, Mr. Xing Wenlong and Ms. Dai Yanfei is an Independent Third Party, and each of Ningbo Qipu and its close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates.

### *Ms. Ding Di, Zhangzhou Heze and Mr. Wu Chak Man*

Ms. Ding is an individual venture capital investor who has participated in various investment opportunities in different target companies encompassing various business sectors, especially the internet industry. Ms. Ding and Mr. Wu Chak Man are spouses of each other. Ms. Ding ceased to hold any shareholding interest in our Group directly as an investor after the transfer of all equity interest held by her in Nanjing Howking to Parka Aragon, an investment holding vehicle ultimately held by Mr. Wu, in December 6, 2021. For further details, see “— Reorganization — Onshore Reorganization — Conversion of Nanjing Howking into a sino-foreign joint venture” in this section. Mr. Wu is an individual venture capital investor who has over 20 years of investment experience in various industries. He is the founding partner of MFund Venture Capital and the chief executive officer of Shanghai Moliang Venture Investment Center (LLP) (上海魔量創業投資中心(有限合夥)) and is concurrently serving as an

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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independent non-executive director of China Parenting Network Holdings Limited, whose shares are listed on the Stock Exchange (stock code: 1736).

Zhangzhou Heze is a limited partnership enterprise established in the PRC on December 6, 2018 with a focus on venture capital investment to nurture entrepreneurs and innovation in various fields, such as artificial intelligence, internet commerce, social media, etc. As of the Latest Practicable Date, the registered capital of Zhangzhou Heze amounted to RMB170 million, with its assets under management amounted to approximately RMB162 million as of December 31, 2021.

The sole general partner of Zhangzhou Heze is Ningbo Meishan Bonded Port Mofan Investment Management Co., Ltd. (寧波梅山保稅港區魔範投資管理有限責任公司) (“**Ningbo Meishan**”), holding 0.5882% interest, and the remaining 12 limited partners of Zhangzhou Heze include Ms. Ding who holds 10.0000% interest. Ningbo Meishan is controlled by its founder, Ms. Ding and is a limited liability company established in the PRC principally engaged in fund management in the PRC.

Ms. Ding and Mr. Wu became acquainted with Dr. Chen through referral by their mutual friend in January 2019, both of which (except Zhangzhou Heze) had previous investment experiences in the IoT industry prior to investing in our Group. After discussion with Dr. Chen on our Group’s future plans, Ms. Ding and Mr. Wu were both optimistic with the future prospects of our Group, the growth potential of the application of 5G technology in the telecommunication industry and in recognition of the management expertise of Dr. Chen and his team, and thus decided to invest in our Group. Each of Zhangzhou Heze, Ningbo Meishan, Ms. Ding and Mr. Wu is an Independent Third Party, and each of Ms. Ding, Mr. Wu and Zhangzhou Heze and their respective close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates.

### ***Shenzhen Brightmin***

Shenzhen Brightmin is the investment holding entity controlled by Ms. Sun Shaomin (孫少敏) (“**Ms. Sun**”). Shenzhen Brightmin is a limited partnership enterprise established in the PRC on September 1, 2021, the sole general partner of which is Ms. Sun holding 99.9% interest, and the limited partner of which is an Independent Third Party holding 0.1% interest. Shenzhen Brightmin is an investment vehicle of Ms. Sun which was established solely for the purpose of investing in our Company. As of the Latest Practicable Date, the registered capital of Shenzhen Brightmin amounted to RMB6 million, which primarily represented the investment amount in our Company and Shenzhen Brightmin did not hold any other investments save for its investment in our Company.

Ms. Sun is a personal acquaintance of Dr. Chen from their hometown for more than 10 years, who is an individual private investor with over 20 years of experience investing in various industries. She is a retired civil servant in the PRC who did not have previous investment experiences in the IoT industry prior to investing in our Group and was looking for investment

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## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

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opportunities in the PRC at the time of her investment in our Company. In view of the development of our Company and the application of 5G technology in the telecommunication industry, Ms. Sun decided to invest in our Group.

Each of Shenzhen Brightmin and Ms. Sun is an Independent Third Party, and each of Shenzhen Brightmin and its close associates has no other past or present relationships (business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates.

### *Mr. Huang Jianzhong*

Mr. Huang is principally engaged in the petrochemical energy field and is an individual private investor who has over 10 years of experience in private equity. Apart from his investment in our Group, Mr. Huang has also been investing in enterprises in the e-commerce and industrial digitalization industry. Prior to investing in our Group, he did not have previous investment experiences in the IoT industry. Mr. Huang is an Independent Third Party, and each of Mr. Huang and his close associates has no other past or present relationships (business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates. Mr. Huang became acquainted with Dr. Chen through referral by their mutual friend in October 2021. After several rounds of discussion with Dr. Chen on our Group's future plans and having paid a site visit to our Group's headquarters, Mr. Huang, who was optimistic with the future prospects of our Group and the growth potential of the application of 5G technology in the telecommunication industry and the IoT industry, decided to invest in our Group.

### *Ms. Wu Chin-Shan*

Ms. Wu is a business partner of Dr. Chen, who has known Dr. Chen for more than 20 years since they met in a business occasion in the United States. She has over 20 years of experience engaging in the manufacturing and sales of electrical wires and other electronic components. Having worked in the electronic component industry, Ms. Wu is interested in the development of 5G technology nowadays and she was optimistic with the future prospects of our Group and was confident in the growth potential of the application of 5G technology in the telecommunication industry, and thus decided to invest in our Group. Prior to investing in our Group, she did not have previous investment experiences in the IoT industry. Save and except for her prior business relationship with Dr. Chen and her [REDACTED] investment in our Group, Ms. Wu is an Independent Third Party, and each of Ms. Wu and her close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### *Zibo Puhao*

Zibo Puhao is a limited partnership enterprise established in the PRC on January 7, 2021, which is an investment holding platform primarily focusing on investments in the 5G, artificial intelligence, new materials and other innovative growth-oriented enterprises. Prior to investing in our Group, Zibo Puhao did not have previous investment experiences in the IoT industry. As of the Latest Practicable Date, the registered capital of Zibo Puhao amounted to RMB23 million, with its assets under management amounted to approximately RMB9 million as of December 31, 2021.

The sole general partner of Zibo Puhao is Shanghai Puchang Equity Investment Fund Management Co., Ltd. (上海浦昌股權投資基金管理有限公司) (“**Shanghai Puchang**”) holding 50% interest. Shanghai Puchang is controlled by Mr. Li Xubing (李許兵) and is a limited liability company established in the PRC principally engaged in project investment and investment management with a focus on government-funded and real estate. Mr. Li Xubing is one of the limited partners of Zibo Puhao and the general manager and chairman of Shanghai Puchang who has over seven years of experience in equity investment management and had worked in various financial institutions.

After conducting independent market research of 5G and telecommunication related enterprises in the PRC and participating in 5G and telecommunication related industry seminars and referral by a financial professional as approached by our Company for the purposes of identifying institutional investors, Mr. Li Xubing of Shanghai Puchang approached our Group in early 2021. Shanghai Puchang was optimistic about the future prospect of the telecommunication industry, especially the thriving development of 5G technology application in the industry and thus decided to invest in our Group through Zibo Puhao after further discussion with our Group on its future plans and the prospect of the telecommunication industry in the PRC. Each of Zibo Puhao, Shanghai Puchang and Mr. Li is an Independent Third Party, and each of Zibo Puhao and its close associates has no other past or present relationships (including business, employment, family, financing or otherwise) with our Company, including its subsidiaries, shareholders, directors and senior management, and their respective associates.

Save as disclosed above, as confirmed by the [REDACTED] Investors, each of the [REDACTED] Investors is independent of and has no other past and present relationships (including business transactions and personal relationships) with any of the other [REDACTED] Investors and their respective close associates, including their management and ultimate beneficial owners or controllers.

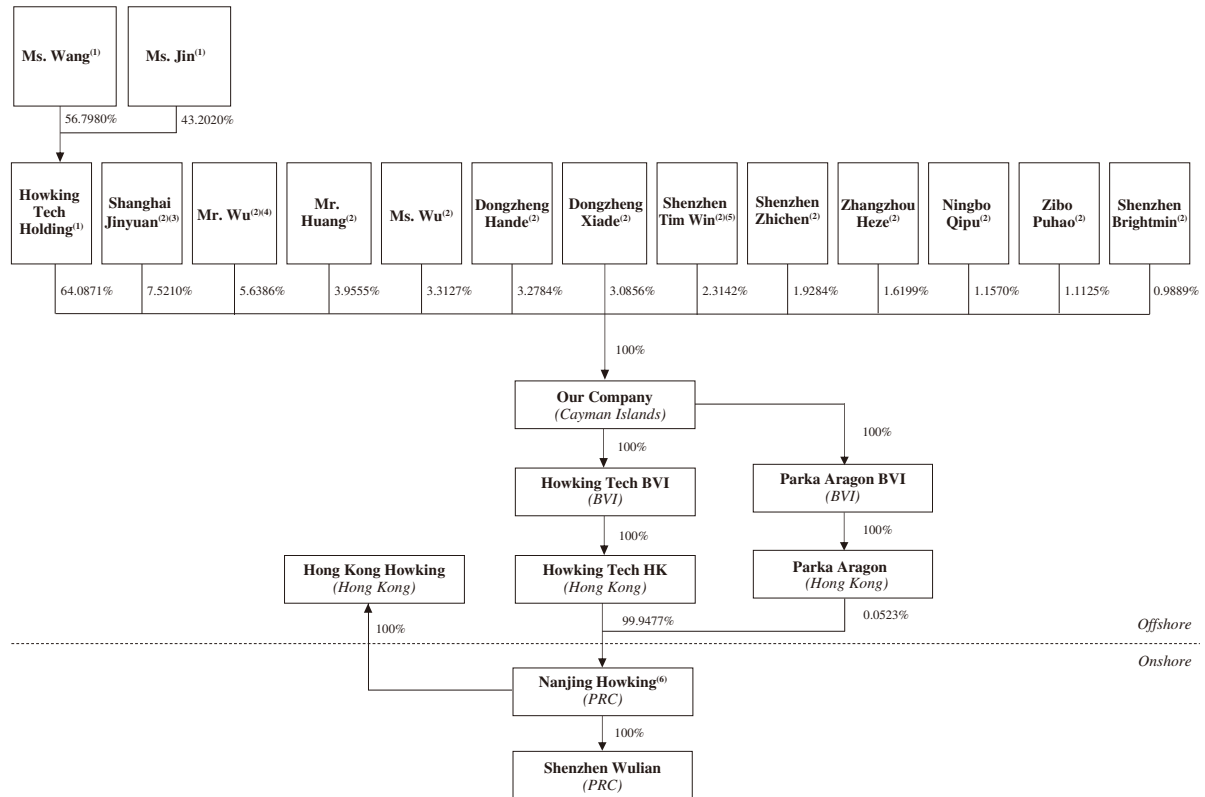
### **Compliance with Interim Guidance and Guidance Letters**

After reviewing the documents relating to the [REDACTED] Investments, and given that (i) our Directors confirmed that the terms of the [REDACTED] Investments were determined based on arm’s length basis; and (ii) the [REDACTED] Investments were completed more than 28 days before the submission of the application for the [REDACTED], the Sole Sponsor confirms that the [REDACTED] Investments are in compliance with the Interim Guidance on [REDACTED] Investment issued by the Stock Exchange on October 13, 2010 and as updated in March 2017, and the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017.

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

### OUR STRUCTURE IMMEDIATELY PRIOR TO THE [REDACTED]

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the Reorganization but before completion of the [REDACTED] and the [REDACTED]:



*Notes:*

- (1) Ms. Wang, Ms. Jin, Dr. Chen and Howking Tech Holding are regarded as a group of Controlling Shareholders. For details of our Controlling Shareholders, see “Relationship with our Controlling Shareholders” in this Document.
- (2) Huixin Qianhai (through its investment holding vehicle Shanghai Jinyuan), Mr. Wu, Mr. Huang, Ms. Wu, Dongzheng Hande, Dongzheng Xiade, Mr. Li Zhangpeng (through its investment holding vehicle, Shenzhen Tim Win), Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu, Zibo Puhao and Shenzhen Brightmin are our [REDACTED] Investors. For further details, see “— [REDACTED] Investments” in this section.
- (3) Shanghai Jinyuan is the investment holding entity of Huixin Qianhai. Shanghai Jinyuan is a limited partnership enterprise established in the PRC, the sole general partner of which is Huixin Qianhai holding 99.99% interest, and the limited partner of which is Mr. Ye Xiang (葉翔) holding 0.01% interest.



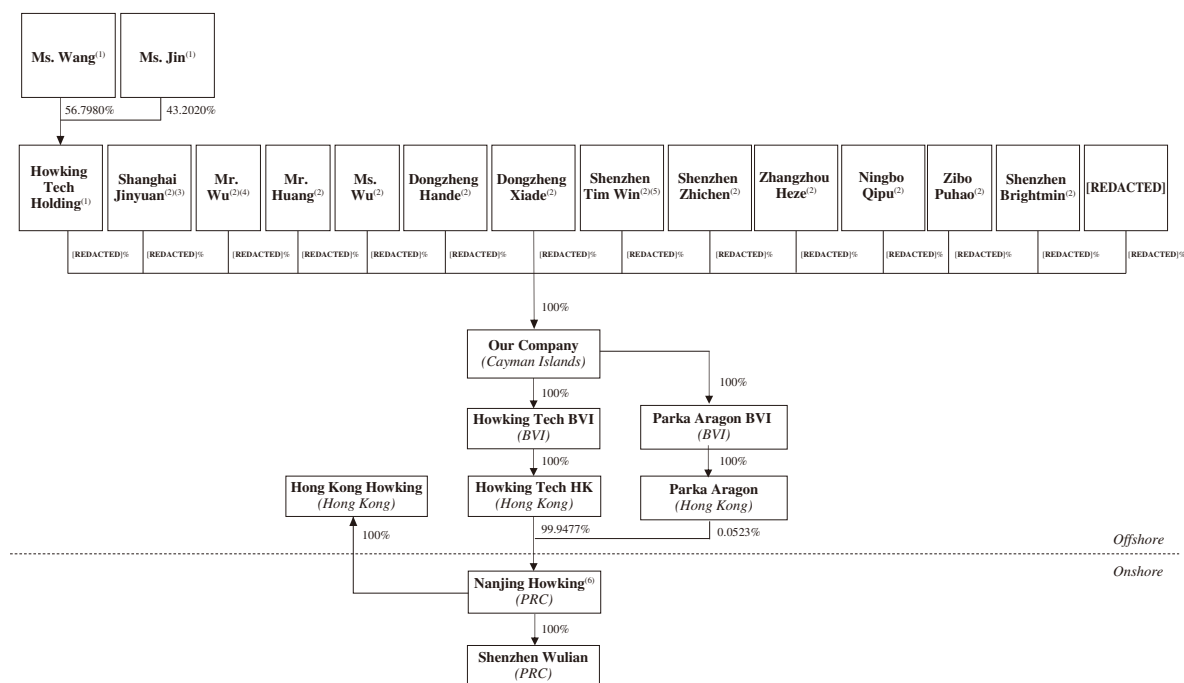
## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (4) The 56,379 Shares in aggregate held by Mr. Wu, representing 5.6386% of the total issued share capital of our Company immediately prior to the [REDACTED] and the [REDACTED], comprise (i) 49,438 Shares acquired through the transfer of Shares from Howking Tech Holding pursuant to Series B Investments; and (ii) 6,941 Shares through the allotment and issue of Shares by our Company in consideration for the acquisition of Parka Aragon BVI. For further details, see “ — [REDACTED] Investments — Series B and Series B+ Investments” and “— Reorganization — Onshore Reorganization — Acquisition of Parka Aragon BVI by our Company” in this section.
- (5) Shenzhen Tim Win is the investment holding entity of Mr. Li Zhangpeng. Shenzhen Tim Win is a limited partnership enterprise established in the PRC, the sole general partner of which is Mr. Li Zhangpeng holding 99% interest, and the limited partner of which is an Independent Third Party holding 1% interest.
- (6) Nanjing Howking has one branch company in Shenzhen, the PRC.

### [REDACTED] AND [REDACTED]

Conditional upon the creation of the Company’s share premium account as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors are authorized to capitalize an amount of US\$[REDACTED] standing to the credit of the share premium account of the Company by applying such sum towards paying up in full at par a total of [REDACTED] Shares for allotment and issue to the then existing Shareholders.

The following diagram shows the shareholding and corporate structure of our Group immediately after completion of the [REDACTED] and the [REDACTED], assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme:





## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

*Notes:*

- (1) Ms. Wang, Ms. Jin, Dr. Chen and Howking Tech Holding are regarded as a group of Controlling Shareholders. For details of our Controlling Shareholders, see “Relationship with our Controlling Shareholders” in this Document.
- (2) Huixin Qianhai (through its investment holding vehicle Shanghai Jinyuan), Mr. Wu, Mr. Huang, Ms. Wu, Dongzheng Hande, Dongzheng Xiade, Mr. Li Zhangpeng (through its investment holding vehicle Shenzhen Tim Win), Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu, Zibo Puhao and Shenzhen Brightmin are our [REDACTED] Investors, and the Shares held by them will be counted towards public float after the [REDACTED] for the purpose of Rule 8.08 of the Listing Rules. For further details, see “— [REDACTED] Investments” in this section.
- (3) Shanghai Jinyuan is the investment holding entity of Huixin Qianhai. Shanghai Jinyuan is a limited partnership enterprise established in the PRC, the sole general partner of which is Huixin Qianhai holding 99.99% interest, and the limited partner of which is Mr. Ye Xiang (葉翔) holding 0.01% interest.
- (4) The [REDACTED] Shares in aggregate held by Mr. Wu, representing [REDACTED]% of the total issued share capital of our Company upon [REDACTED], comprise (i) [REDACTED] Shares acquired through the transfer of Shares from Howking Tech Holding pursuant to Series B investments; and (ii) [REDACTED] Shares through the allotment and issue of Shares by our Company in consideration for the acquisition of Parka Aragon BVI. For further details, see “— [REDACTED] Investments — Series B and Series B+ investments” and “— Reorganization — Onshore Reorganization — Acquisition of Parka Aragon BVI by our Company” in this section.
- (5) Shenzhen Tim Win is the investment holding entity of Mr. Li Zhangpeng. Shenzhen Tim Win is a limited partnership enterprise established in the PRC, the sole general partner of which is Mr. Li Zhangpeng holding 99% interest, and the limited partner of which is an Independent Third Party holding 1% interest.
- (6) Nanjing Howking has one branch company in Shenzhen, the PRC.

## PRC LEGAL COMPLIANCE

### SAFE and ODI Registration

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the “**Circular 37**”), promulgated by SAFE which became effective on July 4, 2014, a PRC resident must register with the local branch of SAFE before he contributes legal assets or equity interests in China or overseas in an overseas special purpose vehicle (the “**Overseas SPV**”), which is directly incorporated or indirectly controlled by the PRC resident for the purpose of overseas investment or financing; and following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including among others, a change of Overseas SPV’s PRC resident shareholder, such as, the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer of swap, and merger and division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties. Pursuant to the Circular of the SAFE on Further Simplification and Improvement in

## HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Foreign Exchange Administration on Director Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**Circular 13**”), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) and the Administrative Measures for Overseas Investment by Enterprises (《企業境外投資管理辦法》) (collectively, the “**ODI Rules**”), a domestic institution shall undergo registration procedure for foreign investment in accordance with the provisions of the ODI Rules, which requires the domestic institution to register with relevant authorities prior to its overseas direct investment and obtain relevant recordation, approval, certificate or permit.

As advised by our PRC Legal Advisors, Ms. Wang and Ms. Jin have completed the foreign exchange registrations in September 2021 pursuant to Circular 37 and Circular 13, and the PRC corporate shareholders of our Company, namely Shanghai Jinyuan, Dongzheng Hande, Dongzheng Xiade, Shenzhen Tim Win, Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu, Zibo Puhao and Shenzhen Brightmin have completed the registration/record-filing with Administrative Commission of China (Shanghai) Pilot Free Trade Zone in December 2021 pursuant to the ODI Rules in relation to their offshore investments as domestic institutions.

### **M&A Rules**

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, SAIC, CSRC and SAFE, jointly issued the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》, the “**M&A Rules**”), which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM; and where a domestic company or natural person holds an equity interest in a domestic company through an offshore special purpose company by paying the acquisition price with equity interests, the overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC Legal Advisors, Nanjing Howking was a foreign-invested enterprise when the acquisition of Nanjing Howking by Howking Tech HK took place, the acquisition of Nanjing Howking by Howking Tech HK were the acquisition of equity in a foreign invested enterprise, and as such, unless new laws and regulations are enacted or MOFCOM and CSRC publish new provisions or interpretations on the M&A Rules to the contrary in the future, the acquisition of Nanjing Howking by Howking Tech HK were not subject to the M&A Rules and approval from MOFCOM or CSRC for the [REDACTED] is not required.

## BUSINESS

### OVERVIEW

We are a PRC IoT solution and telecommunication equipment provider, serving a broad range of industrial customers. During the Track Record Period, we mainly provided customized IoT solutions to customers in various industries, 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. As a technology-driven company, we continuously invest and are planning to invest more in R&D, in order to cater the changing needs from customers in diversified industries with advanced technologies. In particular, according to the Frost & Sullivan Report, the PRC private 5G network market has become an emerging industry segment in the PRC IoT market since 2020, occupying approximately 0.2% market share of the PRC IoT market in 2021. The market share of the PRC private 5G network market in the PRC IoT market is expected to further increase to approximately 4.3% in 2026. With the promotion of 5G commercial applications in the PRC, we have strategically started providing 5G telecommunication equipment and private 5G network solutions to our customers since 2019 and 2020, respectively.

We are an IoT solution provider in the PRC. Leveraging our advanced technologies in IoT hardware and software and in-depth industry insights, we offer customized IoT solutions to our customers in manufacturing, municipal services and other industries in the PRC to assist our customers to monitor operational conditions, improve facilities utilization and enhance business operation efficiency through digitalization. Catering to customers' specific needs, we are flexible in providing either integrated IoT solutions or IoT software solutions. In return, our customers pay us service fees for such solutions. In particular, leveraging our strong R&D capabilities in 5G radio frequency area, we are able to offer our customers with private 5G network solutions of high multi-Gbps peak data speeds, ultra-low latency, reliability, massive network capacity, increased availability, enhanced information security and uniform user experience. During the Track Record Period and up to the Latest Practicable Date, we had accomplished a total of 93 IoT solution projects, among which 18 projects were private 5G network solutions.

In addition to our IoT solutions, we also sell 5G and other telecommunication equipment in the PRC and export antennas to the United States and Russia, which contribute a recurring and relatively predicible revenue stream to us. 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 336 SKUs.

One of our core competitive strengths that underpins our success is our comprehensive R&D and hardware & software integration capacities. 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 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

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module and software embedded, such as front end module, digital front-end algorithm and protocol stack. Meanwhile, we also developed and have been upgrading our Universal IoT Platform, a software providing centralized data platform of our IoT solutions with infrastructural functions for upper applications, such as data sieving, reformulation and classification and device management. As of the Latest Practicable Date, we had 92 utility model patents, 17 patents for invention, two patents for industrial design and 80 copyrights registered in the PRC in relation to such IoT solutions and telecommunication equipment. We have continuously expanded our R&D department, which comprising 47 R&D professionals as of May 31, 2022, representing 58.0% of our total employees as of the same date.

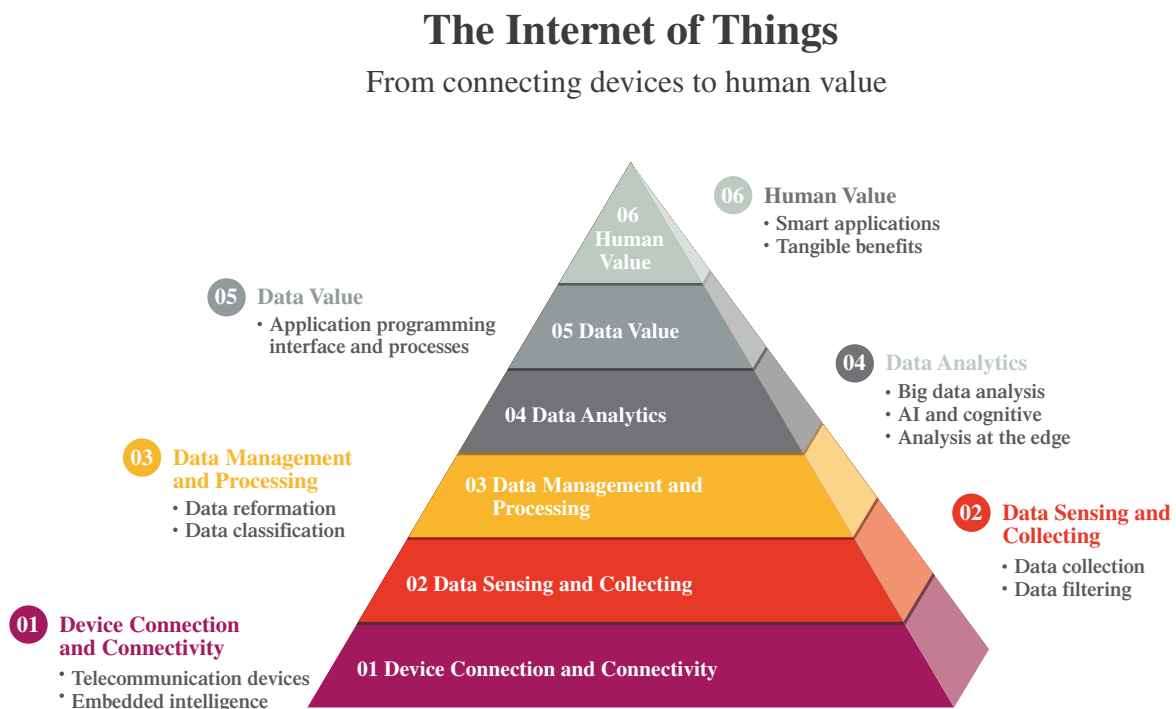
We generally outsource the production of our telecommunication equipment to OEM manufacturers, and conduct the strict quality control on such OEM manufacturers. Outsourcing equipment manufacturing allows us to focus on strategic core competencies, such as hardware and software development and upgrade. In addition, we established an assembly and testing center in Shenzhen for 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.

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 IoT solutions and telecommunication equipment, revenue generated from 5G technologies-related solutions, 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.

## BUSINESS

### 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 offers 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

## BUSINESS

are meant to further empower the IoT networks by offering higher multi-Gbps peak data speeds, 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 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 an IoT solution 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 proven track record in providing IoT solutions and telecommunication equipment, we have been enhancing the brand recognition and awareness of our brand “HowKing Tech” in the PRC seeking IoT solutions 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, we do not compete head-to-head with the industry giants because we intend to provide differentiate products and services for our target customers in most of 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 IoT solutions 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 IoT solutions 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 provisions of IoT solutions and sales of telecommunication equipment in the PRC increased by 56.0% from 2020 to 2021, which is higher than the growth rate of the PRC IoT market with an increasing rate of 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 IoT



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solutions 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 solutions to our customers in 2020. Providing private 5G network solutions 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. According to the Frost & Sullivan Report, the private 5G network market in the PRC is an emerging and fast-growing market that only has about 20 market players in 2021, among which we ranked eighth in terms of revenue generated from private 5G network solutions, equipment and/or services in the same year, with a market share of 1.2%. As a dedicated market player focusing on private 5G network solutions in the PRC, we have accumulated extensive expertise and developed a diversified suite of private 5G network solutions which are speedy, tailored, secure, reliable and scalable. Our capabilities to offer tailored and integrated software and hardware solutions enable us to satisfy the varying needs of a broad customer base, and be more scalable than our competitors to adapt with the evolving market trends, such as industry-wide digitalization transformation and iteration of mobile communication technology.

Along with the further development of 5G technologies and driven by large-scale construction of 5G network, government support and expanding application scenarios of 5G technologies, private 5G network market becomes a rapid growing segment within the PRC IoT market with its market size reached RMB6.0 billion in 2021. The market size of private 5G network in the PRC is expected to reach RMB236.1 billion in 2026, representing a CAGR of 108.2% from 2021 to 2026, which is even far faster than the CAGR of the overall PRC IoT market for the same period. 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 IoT solutions and telecommunication equipment in the PRC, especially the significant growth potential of the PRC private 5G network market.

**We offer one-stop IoT solutions with hardware and software integration and short solution delivery capabilities to our customers, which stand us out from our competitors.**

Leveraging our in-depth industry knowledge and customization skills, proven solution delivery capacities, and strong hardware and software integration capabilities, we are able to offer turnkey solutions 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 discrepancies between 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



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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 IoT solutions. By tailoring our proprietary telecommunication equipment to the specific private network requirement of various industries, the compatibility of our integrated IoT solutions has been enhanced.

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

- ***Customized solutions and equipment.*** We offer (i) IoT solutions 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;
- ***Shortened delivery period.*** Leveraging 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 solution delivery time. In particular, we generally deliver our IoT solutions to our customers and obtain their confirmation of acceptance of solutions within four months immediately after the execution of relevant contracts. 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 solution delivery time has advantage against our competitors in the market in terms 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 experienced marketing group, our business development team also consists of sales staffs with relevant technical background, who provide pre-sales technical support. After delivering our solutions and equipment, we will dedicate a staff to provide after-sale services, supported by team members from both sales and R&D teams.

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### **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 comprising 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 IoT solutions, respectively. Our hardware and software R&D teams collaborate closely during the solution and equipment design process, enabling us to provide one-stop services to our customers. For a typical IoT solution project, we generally set up a project team, consisting of R&D professionals from both hardware and software R&D teams, who will communicate with each other to analyze and design the best solution to 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 obtained 92 utility model patents, 17 patents for invention, two patents for industrial design and 80 copyrights registered in the PRC in relation to such technologies and products. Moreover, we have also (i) established an IoT software product, namely Universal IoT Platform, our centralized data platform of our IoT solutions, 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

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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 336 SKUs. We design our 5G telecommunication equipment strictly in compliance with relevant technical standards and tailor it to the compatibility requirements of the integrated IoT solutions. 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, 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.

Furthermore, the market size of the PRC telecommunication equipment market experienced a stable growth from 2016 to 2021 and is expected to further increase to RMB6,493.5 billion in 2026, with a CAGR of 7.6% from 2021 to 2026. Considering the continuous investment in infrastructures, the expanding application scenarios of IoT and the increasing technological requirements for information transmission, the market size of the IoT antenna market in the United States is expected to increase to USD868.3 million in 2026, with a CAGR of 26.2% from 2021 to 2026, according to Frost & Sullivan. Driven by widespread adoption of wireless technology and positioning technology, enhanced road safety standard and customer preference, and increasing market demands from downstream industry, the vehicle mounted antenna market in Russia is expected to reach USD72.1 million in 2026, representing a CAGR of 3.6% from 2021 to 2026, according to the same source.

Leveraging 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.

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**Our highly motivated, experienced and visionary management combining academic excellence and business insights will ensure the successful 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 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 IoT solution 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 IoT solutions at network connectivity layer**

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

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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 solution.* 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 solution, 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, which is expected to further reduce the error vector magnitude, namely the deviation of the actual signal point from ideal signal point in a transmission path; (ii) optimizing the hardware design of radio frequency integrated circuit, which is expected to reduce the power consumption of the equipment; (iii) transforming our existing front-end module, which is a signal frequency conversion, amplification and filtering module, into a system-in-package solution, which is expected to further reduce the bulk and power consumption of the equipment; and (iv) introducing the features, such as active-standby backup, which is expected to improve the reliability of the equipment. In addition, to improve the compatibility of our 5G pRRUs, we would like to support O-RAN fronthaul interface, 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, such as star, link and ring structure.
  - *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. 5G NR protocol stack is the interactive specification between base station and terminals. We also intend to increase the overall throughput and spectral efficiency of our current 5G BBU equipment by integrating new advanced features, such as SU-MIMO, MU-MIMO and Multi-TRP transmission. In addition, considering the need for fast mobility scenario and



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signal transmissional detection in applications, we plan to develop new features to handle the doppler frequency offset caused by high-speed movement. Moreover, we also plan to optimize the deployment of the equipment by adopting DU pooling, segregation of CU and DU, and MEC sinking technologies to improve compatibility, flexibility and scalability of 5G BBU to a greater extent. Similar with our 5G pRRU, we also intend to support O-RAN fronthaul into 5G BBU to further enhance its compatibility.

In addition to equipment and technologies to be developed above, we also plan to develop a new function, Intellectual Network Resource Management (智能網路資源管理), 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. We plan to adopt the following new features into INRM: (i) self-organizing network, which has been standardized by 3GPP, (ii) adaptive radio frequency tuning based on real-time and historic data analysis, and (iii) collaboration of heterogeneous networks, such as end-to-end quality of services coordination and unified network management. INRM would interoperate with other types of our self-developed telecommunication equipment to facilitate unified management of telecommunication equipment deployed in the IoT solutions. 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 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

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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 enhance the platformization of data and provision of the service-oriented 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 applications, 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 IIoT solutions and manage them on a unified and intelligent platform, which can greatly accelerate data flow and interoperation among IoT applications. Furthermore, where any additional IIoT solution is needed, we could easily develop and integrate new IIoT solutions 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].”



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### Continue to strengthen our R&D capabilities

We believe that the state-of-the-art original research is the foundation of our Company, which allows us to attract top talents, reinforces our brand and industry reputation with customers and brings us long-term competitive advantages and business growth. 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 at the network connectivity and the platform layers of our IoT solution structure. 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 87 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 talent. 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 talent, while also broadening the scope of our research through joint initiatives.
- ***Continuous investing in R&D infrastructure.*** R&D infrastructure is the 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 analyzer, signal generators, and channel simulator. 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].”

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### **Further strengthen our business development capabilities and broaden our customer base**

Our solutions 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 business development 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 25 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 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 project owner or project general contractor. Benefitting from such 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.

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### **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 searching 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 the 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.

### **OUR BUSINESS MODEL**

Leveraging our advanced technologies and in-depth industry insights in both hardware and software markets, we offer IoT solutions to our customers in manufacturing, municipal services and other industries in the PRC to assist our customers to monitor operational conditions, improve facilities utilization and enhance business operation efficiency through digitalization. In return, our customers pay us service fees for solutions 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 IoT solutions, 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 dedicate ourselves fully to developing and providing turnkey IoT solutions 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.

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During the Track Record Period, we generated revenue primarily from (i) provision of IoT solutions 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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Provision of IoT solutions <sup>(1)</sup>	41,719	51.6%	75,518	59.3%	123,298	65.1%	29,614	55.8%	29,576	35.7%
Sales of telecommunication equipment <sup>(2)</sup>	31,252	38.6%	41,931	32.9%	59,969	31.6%	23,481	44.2%	52,690	63.5%
Others <sup>(3)</sup>	7,914	9.8%	9,976	7.8%	6,285	3.3%	-	-	681	0.8%
<b>Total</b>	<b>80,885</b>	<b>100.0%</b>	<b>127,425</b>	<b>100.0%</b>	<b>189,552</b>	<b>100.0%</b>	<b>53,095</b>	<b>100.0%</b>	<b>82,947</b>	<b>100.0%</b>

*Notes:*

- (1) Provision of IoT solutions includes the integrated IoT solutions and IoT software solutions.
- (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.

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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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Provision of IoT solutions <sup>(1)</sup>	24,164	57.9%	29,997	39.7%	57,210	46.4%	9,408	31.8%	14,360	48.6%
Sales of telecommunication equipment <sup>(2)</sup>	7,521	24.1%	13,537	32.3%	18,461	30.8%	7,880	33.6%	13,980	26.5%
Others <sup>(3)</sup>	4,713	59.6%	7,847	78.7%	3,128	49.8%	-	-	634	93.1%
<b>Total</b>	<b><u>36,398</u></b>	<b><u>45.0%</u></b>	<b><u>51,381</u></b>	<b><u>40.3%</u></b>	<b><u>78,799</u></b>	<b><u>41.6%</u></b>	<b><u>17,288</u></b>	<b><u>32.6%</u></b>	<b><u>28,974</u></b>	<b><u>34.9%</u></b>

*Notes:*

- (1) Provision of IoT solutions includes the integrated IoT solutions and IoT software solutions. The gross profit margin of provision of IoT solutions decreased from 57.9% in 2019 to 39.7% in 2020, primarily due to the increase in private 5G network solutions we provided in 2020. The proportion of contract value related to embedded hardware equipment in a private 5G network solution project is generally much higher than that in a non-5G solution 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 solutions was lower as compared to that of our non-5G solutions.
- (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.

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To capture the vast growth potential of 5G-based IoT market in the PRC, we have begun to upgrade our offering of IoT solutions, telecommunication equipment and services by adopting 5G technologies and started to generate revenue from 5G technologies-related equipment and solutions 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
	<i>(RMB'000, except percentages)</i>														
	<i>(Unaudited)</i>														
5G business <sup>(1)</sup>	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%
<b>Total</b>	<b>80,885</b>	<b>36,398</b>	<b>45.0%</b>	<b>127,425</b>	<b>51,381</b>	<b>40.3%</b>	<b>189,552</b>	<b>78,799</b>	<b>41.6%</b>	<b>53,095</b>	<b>17,288</b>	<b>32.6%</b>	<b>82,947</b>	<b>28,974</b>	<b>34.9%</b>

*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 covers the provision of IoT solutions, sales of telecommunication equipment and other services, while we only export 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
	<i>(RMB'000, except percentages)</i>									
	<i>(Unaudited)</i>									
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%
<b>Total</b>	<b>80,885</b>	<b>100.0%</b>	<b>127,425</b>	<b>100.0%</b>	<b>189,552</b>	<b>100.0%</b>	<b>53,095</b>	<b>100.0%</b>	<b>82,947</b>	<b>100.0%</b>

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Leveraging 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 Date
	2019	2020	2021	May 31, 2022	Date
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>May 31, 2022</u>	<u>Date</u>
Provision of IoT solutions	14	12	32	13	29
Sales of telecommunication equipment	15	14	6	2	6
Others	9	7	7	2	1
<b>Total</b>	<b><u>38</u></b>	<b><u>33</u></b>	<b><u>45</u></b>	<b><u>17</u></b>	<b><u>36</u></b>

The number of new contracts of provision of IoT solutions 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 solution 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 in provision of IoT solutions 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.

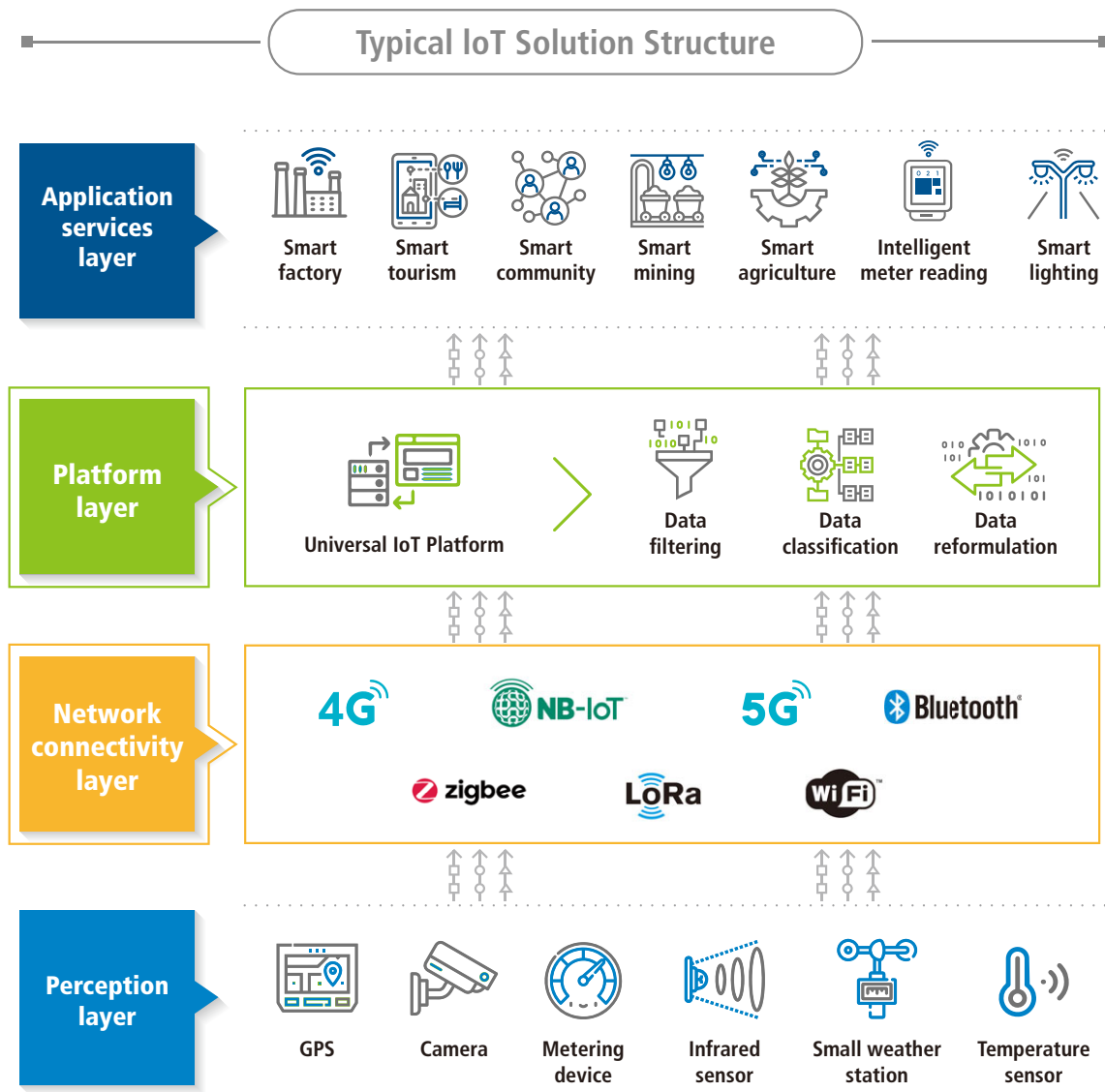
### PROVISION OF INTERNET OF THINGS SOLUTIONS

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 with various telecommunication equipment, which is adaptable in different connection modes at network connectivity layer. In addition to our efforts



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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 (通用物聯網平台) in the platform layer as one of our core business capabilities. Our Universal IoT Platform is set up between network connectivity layer and the application services layer. Leveraging our success at 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 IoT solutions. The following diagram illustrates the typical IoT solution structure of an IoT solution:



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According to Frost & Sullivan, the competition in the platform layer of the IoT solution structure is highly competitive, 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 its functions, our IoT solutions help our customers to connect various kinds and brands of sensors and terminals laid in the perception layer, which collect and receive the environment data within the coverage area, transmit the data collected from these devices through common gateway interface to our Universal IoT Platform, and then filter, reformulate and classify data for application interface and display via our Universal IoT Platform. We store the reformulated data by classification in the server 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 been also expanding our footprint in the application services layer. The primary application scenarios of our IoT solutions are IIoT industry, such as smart manufacturing, smart mining, smart agriculture, smart finance, and smart city (including smart community and smart tourism). In our IIoT solutions, we developed MES system that deployed in the integrated IIoT solutions as upper application services for customers in manufacturing industry. During the Track Record Period, we had completed 65 IoT solutions to our customers, among which 47 were IIoT solutions and 18 were smart city solutions.

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 IoT solutions in 2020. Different from public network infrastructures exclusively operated by three major PRC telecommunications operators, our 5G application in IoT solutions 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 show interests in private 5G network. By introducing private 5G network into our IoT solutions, our IoT solutions 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.

We are committed to helping our customers find the optimal solutions. We help our customers to figure out the technologies that could be addressable to their specific requirements to apply in their solutions 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 solutions are expected to be a

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significant supplement to non-5G network solutions, and take a meaningful market share in the PRC IoT market, catering to various aspects of customers’ needs.

During the Track Record Period, we generated revenue from both of our non-5G network solutions and private 5G network solutions. The following table sets forth the revenue breakdown of our IoT solutions 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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Provision of non-5G network solutions	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 solutions	-	-	52,996	70.2%	59,312	48.1%	22,024	74.4%	5,401	18.3%
<b>Total</b>	<b>41,719</b>	<b>100.0%</b>	<b>75,518</b>	<b>100.0%</b>	<b>123,298</b>	<b>100.0%</b>	<b>29,614</b>	<b>100.0%</b>	<b>29,576</b>	<b>100.0%</b>

The following table sets forth the gross profit and gross profit margin of our IoT solutions 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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Provision of non-5G network solutions	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 solutions	-	-	17,977	33.9%	18,872	31.8%	7,270	33.0%	1,443	26.7%
<b>Total</b>	<b>24,164</b>	<b>57.9%</b>	<b>29,997</b>	<b>39.7%</b>	<b>57,210</b>	<b>46.4%</b>	<b>9,408</b>	<b>31.8%</b>	<b>14,360</b>	<b>48.6%</b>

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The following table sets forth the revenue breakdown of provision of IoT solutions 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
<b>Total</b>	<b>41,719</b>	<b>75,518</b>	<b>123,298</b>	<b>29,614</b>	<b>29,576</b>

The revenue contribution of IoT solution projects by different roles that we played, namely general contractor or subcontractor, varied among different periods comprising the Track Record Period. In 2019, 2021 and the five months ended May 31, 2021, we generated more revenue from IoT solutions 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 IoT solution projects 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 details of our strategies for project roles, see "— Competition." For example, we acted as a subcontractor in the largest two IoT solution projects in 2020, the total revenue of which exceeded the revenue from all other IoT solution projects in aggregate in the same year.

The following table sets forth the gross profit and gross profit margin of provision of IoT solutions 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
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%
<b>Total</b>	<b>24,164</b>	<b>57.9%</b>	<b>29,997</b>	<b>39.7%</b>	<b>57,210</b>	<b>46.4%</b>	<b>9,408</b>	<b>31.8%</b>	<b>14,360</b>	<b>48.6%</b>

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The profitability of our IoT solution projects 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 IoT solution projects that we acted as a general contractor and 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 IoT solution projects. During the Track Record Period, as many of IoT solution projects that 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 our IoT solution projects that we acted as a general contractor was generally higher than that of our IoT solution projects in which we acted as a subcontractor during the same period.

### **Our Non-5G Network Solutions**

Combined with our industry know-how, our non-5G network solutions 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 solutions help our customers connecting 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 solutions 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 IoT solutions. During the Track Record Period, our non-5G network solutions have 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 IoT solutions, among which 35 were non-5G IIoT solutions and 17 were non-5G smart city solutions.

During the Track Record Period, smart manufacturing was a representative application vertical of our non-5G network solutions. 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 MES system to help our manufacturing enterprise customers to manage production process timely and efficiently.

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As a part of our smart manufacturing solution, our MES system is built on top of our Universal IoT Platform, which connects with customers' ERP system. Based on the data transmitting from 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 from 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, MES system provides software engineers with convenient and fast development environment, enabling the iterative upgrade and customization of the system.

Leveraging its technical advantages, our MES system provides an efficient way to realize transparent, automatic, and accurate management of production. Through the transmission of data, 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 IIoT solutions, our smart city solutions provide an innovative way to transform traditional management into a smart and efficient mechanism, empowering community, school and private enterprises to make data-driven decisions for smarter outcomes. The major application scenarios of smart city solutions include smart community, smart tourism, smart lighting and smart building.

### **Our Private 5G Network Solutions**

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 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 where 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.

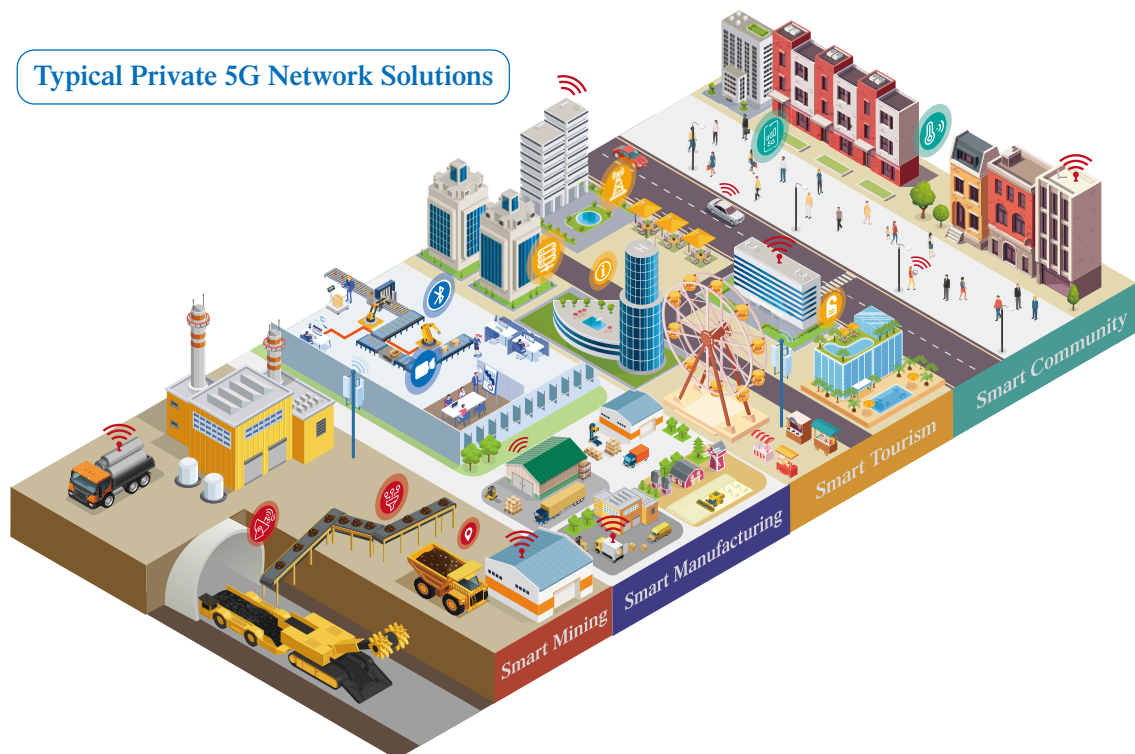
Driven by the progress of industrial intelligentization, IoT solutions already applied in manufacturing and smart city experienced technological upgrade and advancement, and private



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5G network solutions have been 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 exploring 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 private 5G network, customers realize the real-time, efficient and secure vast data management for their business operations.

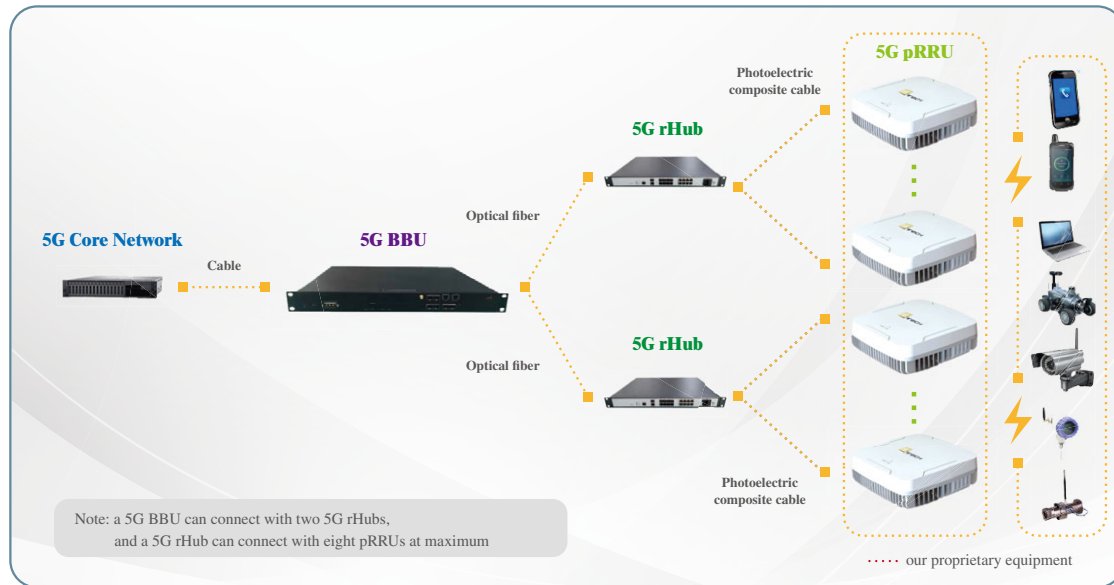
As such, we have started to provide IoT solutions with private 5G network since 2020. During the Track Record Period, we had completed 12 IIoT solutions and one smart city solution with private 5G network to seven customers, primarily including providing telecommunications infrastructure devices, setting up the communication network and operating the applications in private network. The core advantage of our solutions is that we can offer a turnkey solution 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 solutions. Leveraging 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 solutions include smart manufacturing, smart mining, smart agriculture, smart tourism and smart community. The following picture illustrates the application scenarios of private 5G network solutions:





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The core 5G telecommunication equipment adopted in a private 5G network solution 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 solutions:



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

Product name	Photographs	Features and functions
5G pRRU		<p>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.</p> <p>The main functions of our 5G pRRU include (i) 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) 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 transmitting CPRI/eCPRI data to BBU over optical fibers.</p>

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<b>Product name</b>	<b>Photographs</b>	<b>Features and functions</b>
5G BBU <sup>(1)</sup>		<p>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.</p> <p>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.</p>

*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 IoT solutions was developed by ourselves.

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During the Track Record Period, we had upgraded the application of our solutions 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 customer for realizing and upgrading its digitalization.

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

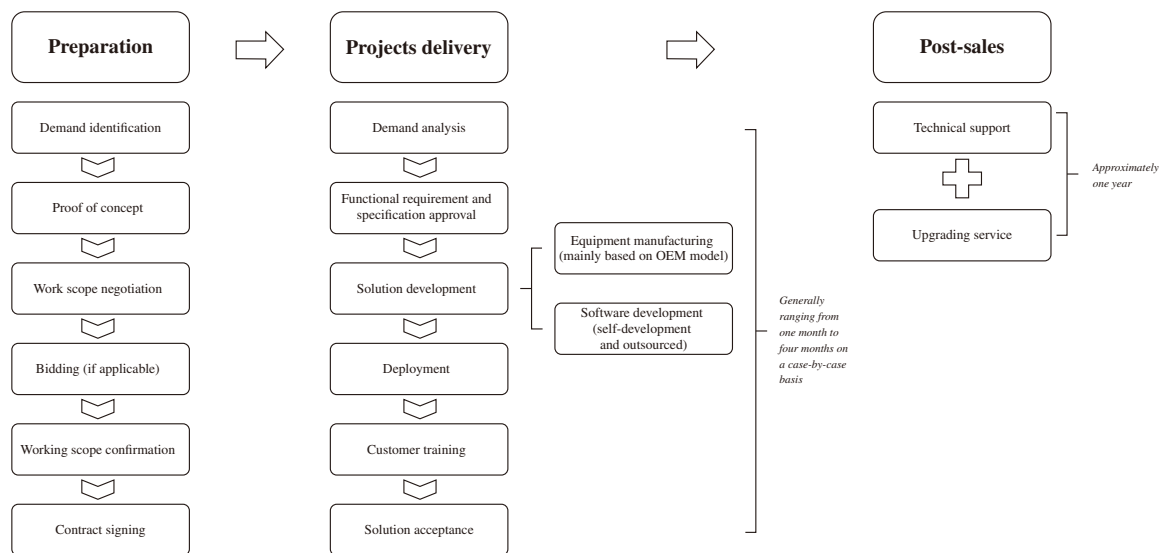
Leveraging its technical advantages, our integrated private 5G network solutions provide a real-time management of the whole mining process by establishing a private 5G network with high data transmission rate, high reliability, low latency, and data security and deploying centralized data management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

In addition to IIoT solutions, such as smart mining as discussed above, our smart city solutions also provide our customers with an integrated private 5G network solution, 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 solutions, 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.

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### Standard Business Process of our IoT Solutions

As substantially all of our IoT solutions 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 solutions, deploying our solutions with customers’ engineering team or external suppliers, and training customers. Upon acceptance of solutions by our customers, we enter the post-sales services with 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 IoT solutions:



During the Track Record Period, we were awarded IoT solution projects primarily through direct negotiations. To a lesser extent, we acquired IoT solution projects via participating into bidding procedures. As substantially all of our IoT solution projects are customized IoT solutions, the proportion of software and hardware products adopted in the IoT solution varies from project to project based on the actual demand of each project. As such, we price each IoT solution project on a case-by-case basis. We generally price our IoT solutions 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

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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 its profit margin. By contrast, substantially all of our proprietary software products deployed in IoT solutions are customized rather than standardized, and 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**

Leveraging our comprehensive R&D capabilities with hardware and software integration, we provide strong technical support for our integrated IoT solutions. We equip our customers with certain self-developed telecommunication equipment, such as 5G pRRU, to facilitate their network connectivity. For details, see “— Provision of Internet of Things Solutions — Our Private 5G Network Solutions.” In addition to telecommunication equipment, we develop a Universal IoT Platform as our centralized data platform of our IoT solutions, 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 application, both of sensors and terminals directly and separately connect to the application servers. As a result, customers have to adapt each of new equipment with their servers, and servers have to collect and convert different data formats, creating a numerous of 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.

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Under such circumstance, we developed our own IoT software product, namely Universal IoT Platform, as our centralized data platform of our IoT solutions 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 solutions primarily attributable to its high compatibility.

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



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### SALES OF TELECOMMUNICATION EQUIPMENT

In addition to our IoT solutions, 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 336 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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Antennas <sup>(1)</sup>	20,445	65.4%	23,607	56.3%	39,825	66.4%	20,334	86.6%	6,587	12.5%
5G telecommunication equipment <sup>(2)</sup>	1,840	5.9%	16,338	39.0%	13,562	22.6%	-	-	45,617	86.6%
Other telecommunication equipment <sup>(3)</sup>	8,967	28.7%	1,986	4.7%	6,582	11.0%	3,147	13.4%	486	0.9%
<b>Total</b>	<b>31,252</b>	<b>100.0%</b>	<b>41,931</b>	<b>100.0%</b>	<b>59,969</b>	<b>100.0%</b>	<b>23,481</b>	<b>100.0%</b>	<b>52,690</b>	<b>100.0%</b>

*Notes:*

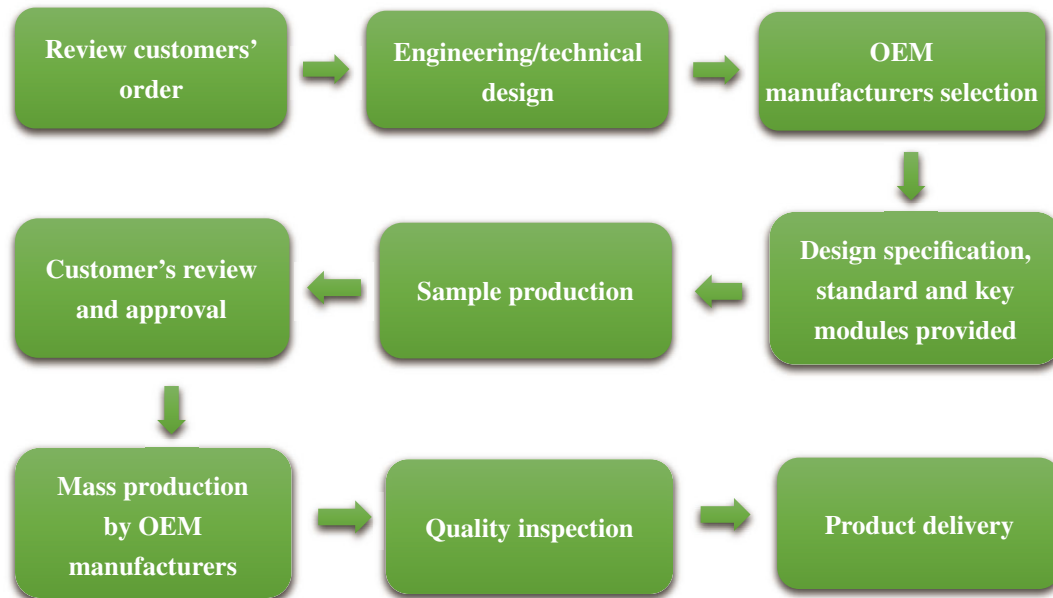
- (1) Antennas we sold during the Track Record Period primarily include IoT antennas and vehicle mounted antennas.
- (2) 5G telecommunication equipment we sold during the Track Record Period primarily includes 5G pRRU, 5G antennas and 5G communication module.
- (3) Other telecommunication equipment we sold during the Track Record Period primarily includes 4G telecommunication equipment and other devices.



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### Operating Procedures

During the Track Record Period, telecommunication equipment sold by us were 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 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 specialized 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 each of 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

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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 transceiver 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;
- final testing, where the finished products undergo testing;
- visual inspection; 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;
- final testing, where the finished products undergo testing;
- visual inspection; and
- packaging.

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- **Delivery.** We engage third-party logistics service providers for deliveries. Finished products that have passed quality inspections are delivered by the logistics service providers from our assembly and testing center, packaged in accordance with our specifications and quality standards, and ultimately 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 its product type.


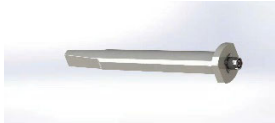



### **Our Product Portfolio**

#### ***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 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.

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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
<i>RMB'000</i>		<i>RMB</i>	<i>RMB'000</i>		<i>RMB</i>	<i>RMB'000</i>		<i>RMB</i>	<i>RMB'000</i>		<i>RMB</i>	
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
<b>Total</b>	<b>20,445</b>			<b>23,607</b>			<b>39,827</b>			<b>6,590</b>		

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### *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 it 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 it 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 for correspondence of technical requirements, and report the results of inspection to us within 14 days after receiving the samples.

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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, we did not experience any material decrease in orders, nor any cancellation of the existing orders, nor 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, 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

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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 do not at 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.



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### *5G Telecommunication Equipment*

Leveraging our strong technical background and in-depth industry insights, we provided our customers with 5G telecommunication equipment of 27 SKUs, including 5G pRRU, various types of 5G antennas and 5G communication modules, which 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 IoT solutions. The principal product of our 5G telecommunication equipment is 5G pRRU. For details of our 5G pRRU, see “— Provision of Internet of Things Solutions — Our Private 5G Network Solutions.” 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 IoT solutions 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 services 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 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 with 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.

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**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 <sup>(2)</sup>	
					Year ended December 31,		Five months ended May 31, 2022	Total <sup>(1)</sup>		
					2019	2020				2021
(RMB'000)										
<b>Provision of IoT solutions</b>										
Non-5G IoT solution 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 IoT solution 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 IoT solution 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 IoT solution 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

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Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized			Completion/Transaction date <sup>(2)</sup>	
					Year ended December 31,		Five months ended May 31, 2022		
					2019	2020			2021
							Total <sup>(1)</sup>		
							(RMB'000)		
Private 5G network solution 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 solution 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 IoT solution 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 solution 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 solution 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 IoT solution 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

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Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized				Completion/Transaction date <sup>(2)</sup>	
					Year ended December 31,		Five months ended May 31, 2022	Total <sup>(1)</sup>		
					2019	2020				2021
		(RMB'000)								
Private 5G network solution 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 IoT solution 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 solution 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 IoT solution 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	3,257.2	56,597.9	12,301.0	95,291.7	N/A
<b>Subtotal</b>				<b>271,236.1</b>	<b>41,719.2</b>	<b>75,517.6</b>	<b>107,990.4</b>	<b>19,478.1</b>	<b>244,705.3</b>	

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Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized			Completion/Transaction date <sup>(2)</sup>	
					Year ended December 31,		Five months ended May 31, 2022		
					2019	2020			2021
							Total <sup>(1)</sup>		
		(RMB'000)							
<b>Sales of telecommunication equipment</b>									
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	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	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
<b>Subtotal</b>				<b>198,359.1</b>	<b>31,252.4</b>	<b>41,931.4</b>	<b>59,969.2</b>	<b>52,690</b>	<b>185,845.2</b>

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Projects/Transactions	Project name	Background	Contract date	Contract value	Revenue recognized			Completion/Transaction date <sup>(2)</sup>	
					Year ended December 31,		Five months ended May 31, 2022		
					2019	2020			2021
							Total <sup>(1)</sup>		
		(RMB'000)							
<b>Other services</b>									
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	N/A
<b>Subtotal</b>				<b>32,711.6</b>	<b>7,913.6</b>	<b>9,975.8</b>	<b>5,352.1</b>	<b>680.6</b>	<b>23,922.1</b>
<b>Total</b>				<b>502,306.8</b>	<b>80,885.2</b>	<b>127,424.8</b>	<b>173,311.7</b>	<b>72,850.9</b>	<b>454,472.6</b>

*Notes:*

- (1) The difference between the contract value and the total revenue recognized for a particular project mainly caused by the value-added tax that had been paid.
- (2) The completion or transaction date refers to the date when receiving the letter of acceptance from our customer.

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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. Both Loss-making Projects are trial non-5G IoT solution projects in nature. 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 company limited by shares 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. Considering the nature of the Loss-making Projects, its contract value 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 IoT solutions projects 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 IoT solution 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 solution to implement the digitalization of tourism management. To that end, we provided the customer with an integrated IoT solution, 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 private 5G network IIoT solution 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 solution 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 solution, 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.



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### ***5G Smart Mining Project***

5G smart mining project is a private 5G network IIoT solution 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 solutions 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 solution, consisting of (i) the deployment of IoT software, including our Universal IoT Platform, remote scheduling system and API interface management system; and (iii) 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 private 5G network IIoT solution 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 solutions 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 solution, 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 private 5G network IIoT solution 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 solutions to upgrade its data collection and analysis system. To meet customer’s demands, we provided the customer with an integrated private 5G network solution, 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 IoT solutions 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 the 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.

**BUSINESS**

**THE CONTRACT BACKLOG OF OUR PROJECTS**

Contract backlog represents the remaining contract value of our projects in progress (including IoT solution projects and other service projects) as of May 31, 2022. The following table sets forth the movement of backlog of our projects in terms of project numbers during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			Five months ended May 31, 2022	Period from May 31, 2022 to the Latest Practicable Date
	2019	2020	2021		
<b>Provision of IoT solutions</b>					
Number of projects at the beginning of period <sup>(1)</sup>	3	2	1	2	9
Number of newly awarded projects	14	12	32	13	29
Number of completed projects	15	13	31	6	28
<b>Number of projects in progress at the end of period<sup>(2)</sup></b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>9</b>	<b>10</b>
<b>Other services</b>					
Number of projects at the beginning of period <sup>(1)</sup>	2	–	–	1	–
Number of newly awarded projects	9	7	7	2	1
Number of completed projects	11	7	6	3	1
<b>Number of projects in progress at the end of period<sup>(2)</sup></b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>

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 revenue for projects in progress which has not been recognized is deemed as part of our backlog.

**BUSINESS**

The table below sets forth the movement of backlog of our projects in terms of contract value during the Track Record Period and up to the Latest Practicable Date:

	Year ended December 31,			Five months ended	Period from
	2019	2020	2021	May 31, 2022	May 31, 2022 to the Latest Practicable Date
	<i>(RMB'000)</i>				
<b>Provision of IoT solutions<sup>(1)</sup></b>					
Contract value of 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 <sup>(2)</sup>	46,534.6	86,471.3	135,150.8	58,507.8	151,970.5
Less: contract value disbursed during the period <sup>(3)</sup>	45,608.9	86,486.7	134,101.6	32,110.3	133,606.9
<b>Contract value of backlog at the end of period<sup>(4)</sup></b>	<b>1,235.3</b>	<b>1,220.0</b>	<b>2,269.2</b>	<b>28,666.7</b>	<b>47,030.3</b>
<b>Other services</b>					
Opening value of backlog	2,693.8	–	–	706.2	–
Add: contract value of newly awarded projects for the period <sup>(2)</sup>	8,155.1	10,574.7	7,368.0	15.3	140.0
Less: contract value disbursed for the period <sup>(3)</sup>	10,848.9	10,574.7	6,661.8	721.5	140.0
<b>Contract value of backlog at the end of the period<sup>(4)</sup></b>	<b>–</b>	<b>–</b>	<b>706.2</b>	<b>–</b>	<b>–</b>
<b>Total contract value of backlog at the end of period<sup>(4)</sup></b>	<b>1,235.3</b>	<b>1,220.0</b>	<b>2,975.4</b>	<b>28,666.7</b>	<b>47,030.3</b>

## BUSINESS

*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 provision of IoT solutions 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 RMB2.9 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. After the contract has been awarded, the contract value will be recognized as revenue in accordance with the progress of the project.
- (3) Contract value disbursed for the period refers to the contract value corresponding to the revenue recognized during the relevant period.
- (4) Contract value of backlog refers to the contract value of the remaining work of projects to be completed at the end of the relevant period.

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	Remaining	Remaining	Estimated
						recognized during the Track Record Period	contract value as of May 31, 2022 <sup>(1)</sup>	contract value as of the Latest Practicable Date <sup>(1)</sup>	investment costs to be incurred after the Latest Practicable Date
<i>(RMB'000)</i>									
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	non-5G	March 17, 2021	One year	6,822.5	5,946.0	378.2	-	-
Big data management platform project	development, transfer of technology and technical services of financial industry	non-5G	July 12, 2021	Three years	N/A <sup>(2)</sup>	19,459.6	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>	N/A <sup>(2)</sup>

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Project	Customer background	Technologies adopted (5G/Non-5G)	Contract date	Contract period/ Expected delivery time	Contract value	Revenue	Remaining	Remaining	Estimated
						recognized during the Track Record Period	contract value as of May 31, 2022 <sup>(1)</sup>	contract value as of the Latest Practicable Date <sup>(1)</sup>	investment costs to be incurred after the Latest Practicable Date
<i>(RMB'000)</i>									
Integrated private 5G network solution 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 <sup>(3)</sup>	1,620.0	-	1,620.0	-	-
Internet data compliance management platform development project		Non-5G	May 11, 2022	Four months <sup>(3)</sup>	2,940.0	-	2,940.0	-	-
Digital identity management platform development project		Non-5G	May 11, 2022	Four months <sup>(3)</sup>	2,400.0	-	2,400.0	-	-
Dual carbon regulatory management platform		Non-5G	May 26, 2022	Four months <sup>(3)</sup>	2,880.0	-	2,880.0	-	-
Joint epidemic prevention and control management system development project		Non-5G	May 26, 2022	Four months <sup>(3)</sup>	2,160.0	-	2,160.0	-	-
<b>Total</b>					<b>35,110.9</b>	<b>25,405.6</b>	<b>28,666.6</b>	<b>16,288.4</b>	<b>9,974.5</b>

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*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 the finished products 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. Leveraging our strict quality control measures, 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 IoT solutions and other services, we also adopt stringent quality control measures. We establish evaluation and reporting mechanisms to closely review the quality of our IoT solutions during the service delivery process. The evaluation and reporting mechanisms aim at the design phase, encoding phase and testing phase, respectively, which include design review, coding review and testing report.

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### 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. 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 solutions 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 IoT solutions, we typically offer our customers with warranty period ranges from six months to one year upon acceptance of our solutions.

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 and 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 IoT solutions, 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.



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### RESEARCH AND DEVELOPMENT

Our competitiveness depends on 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 solutions and products. Consistent with our strong innovation culture, we devote significant resources to research and development and develop core features of our solutions 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 expertise 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 general manager and 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 solutions 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 solutions at a faster pace. The term of our development process for a major upgrade to our software may vary case by case, but 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 take the lead on conducting market analysis to collect demand feedbacks from our customers.
- *Project design.* Our product team define the key functional and performance requirements tailored to address customer demands.
- *Project development, testing and launch.* Our research and development team complete coding, testing and product launch in-house.
- *Continuous optimization.* We make continuous efforts to release updated versions with improved features and functionalities.

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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:

<b>Research area</b>	The main research area is the Sub-6 pico base station AAU/RRU of 5G technologies
<b>Approaches to cooperation</b>	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.
<b>Payment</b>	We should pay annual research and development fee of RMB1.5 million to RIMMATT.
<b>Intellectual property</b>	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.

The following table sets forth the details of core technologies adopted by us for our IoT solutions and telecommunication equipment:

<u>Technologies</u>	<u>Description</u>	<u>Application</u>	<u>R&amp;D mode</u>
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

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<b>Technologies</b>	<b>Description</b>	<b>Application</b>	<b>R&amp;D mode</b>
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
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

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<b>Technologies</b>	<b>Description</b>	<b>Application</b>	<b>R&amp;D mode</b>
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 solutions and products. The following table sets forth the details of on-going research and development projects as of the Latest Practicable Date:

<b>Project</b>	<b>Commencement date<sup>(1)</sup></b>	<b>Research area</b>	<b>Capital source</b>	<b>Expected capital expenditure</b>	<b>Estimated completion date<sup>(2)</sup></b>
<i>RMB'000</i>					
Fully localized chip 5G pico base station solution	December 2021	Technologies of 5G telecommunication equipment	Internal resources	1,400.0	November 2022
Q-link high-speed wireless gateway	November 2021	Technologies of radio frequency	Internal resources	2,000.0	December 2022
Control and data protocols of eCPRI front-end interface	June 2022	Technologies of 5G telecommunication equipment	Internal resources	1,500.0	December 2022

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Project	Commencement date <sup>(1)</sup>	Research area	Capital source	Expected capital expenditure	Estimated completion date <sup>(2)</sup>
				<i>RMB'000</i>	
Network configuration protocol of eCPRI front-end interface	June 2022	Technologies of 5G telecommunication equipment	Internal resources	1,500.0	December 2022
5G printed antenna	July 2022	Technologies of antenna	Internal resources	400.0	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 IoT solutions, 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 into 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 23, and the total number of contracts awarded was 13, representing the tender success rates of 56.5%.

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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 solutions 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 IoT solutions with lighthouse customers. Furthermore, we enhance the awareness of our brand and promote our new and existing solutions 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 25 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 sold our IoT solutions, most of our telecommunication equipment, and other services through direct sales to our customers in the PRC and the United States, while export vehicle mounted antennas to Russia through an overseas distributor headquartered in Russia, who distributes 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 distributors’ customer bases, as well as expertise in local markets, while controlling 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.

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Our cooperation with our Russian distributor dates 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, 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 them. We do not allow Russian distributor to return any unsold goods unless they are quality defects, which we believe is in line with industry practice. During the Track Record Period, 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.* Upon 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



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pieces of samples to the distributors for approval. The distributors shall inspect and test the samples for correspondence of 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 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.

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Save as the major terms disclosed above, we do not require our Russian distributor for a minimum purchase amount or a minimum sales target, nor authorize it for appointment of sub-distributors, nor mandate selling price to end-customers.

### **Our Pricing Policies**

We generally price our IoT solutions 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 IoT solutions to them. In addition, we provide enterprise-level IoT solutions 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 operation 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

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Russian distributor or its end customers without any involvement of us. The data transmitted via the vehicle mounted antennas is encrypted. Under such circumstances, we do not have the access to, nor can we 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 of IoT solution project, 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, 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 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:

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*For the Five Months Ended May 31, 2022*

<b>Customer</b>	<b>Major products sold/solutions provided</b>	<b>Revenue</b> <i>(RMB'000)</i>	<b>% of our total revenue</b>	<b>Background</b>	<b>Year of commencement of business relationship</b>
Customer H <sup>(1)</sup>	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 IoT solutions	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 C	Provision of IoT solutions 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 IoT solutions	3,133	3.8%	A state-owned company located in Beijing, who primarily engages in military electronic equipment and systems integration	2020
<b>Total</b>		<b><u>75,878</u></b>	<b><u>91.5%</u></b>		

*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.

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*For the Year Ended December 31, 2021*

<u>Customer</u>	<u>Major products sold/solutions provided</u>	<u>Revenue</u>	<u>% of our total revenue</u>	<u>Background</u>	<u>Year of commencement of business relationship</u>
		<i>(RMB'000)</i>			
Customer A	Provision of IoT solutions 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 IoT solutions	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 IoT solutions 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
<b>Total</b>		<b><u>123,391</u></b>	<b><u>65.1%</u></b>		

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*For the Year Ended December 31, 2020*

<u>Customer</u>	<u>Major products sold/solutions provided</u>	<u>Revenue</u>	<u>% of our total revenue</u>	<u>Background</u>	<u>Year of commencement of business relationship</u>
		<i>(RMB'000)</i>			
Customer D	Provision of IoT solutions 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 IoT solutions	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 IoT solutions 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
<b>Total</b>		<b><u>104,468</u></b>	<b><u>81.9%</u></b>		

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*For the Year Ended December 31, 2019*

<u>Customer</u>	<u>Major products sold/solutions provided</u>	<u>Revenue</u>	<u>% of our total revenue</u>	<u>Background</u>	<u>Year of commencement of business relationship</u>
		<i>(RMB'000)</i>			
Customer C	Provision of IoT solutions	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 IoT solutions	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
<b>Total</b>		<b><u>56,895</u></b>	<b><u>70.2%</u></b>		



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To the best of our knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our five largest customers 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 place 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 IoT solution projects, 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.

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### **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. 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 and allocate the majority of their resources, capacity and available manpower on 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, and as such, we are able to better anticipate the needs of our repeat customers, and they are in turn better 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;

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- 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 62 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 IoT solutions 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/solution delivery capabilities in the number of projects we can conduct on in a given period, as well as the scale of projects which we can participate. The enhanced resources would provide us with the capability in allocating and refocusing the resources among different customers and projects, and diversifying customer base as mentioned above.

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### 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 IoT solutions. 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 with 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 IoT solutions 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.

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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. 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 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively. 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 2019, 2020 and 2021 and the five months ended May 31, 2022, 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.

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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***

<u>Supplier</u>	<u>Major products/ services procured</u>	<u>Purchase amount</u> <i>(RMB'000)</i>	<u>% of our total purchases</u>	<u>Background</u>	<u>Year of commencement of business relationship</u>
Supplier M	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 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
<b>Total</b>		<b><u>44,390</u></b>	<b><u>84.5%</u></b>		

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*For the Year Ended December 31, 2021*

<u>Supplier</u>	<u>Major products/ services procured</u>	<u>Purchase amount</u> <i>(RMB'000)</i>	<u>% of our total purchases</u>	<u>Background</u>	<u>Year of commencement of business relationship</u>
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
<b>Total</b>		<b><u>65,434</u></b>	<b><u>61.0%</u></b>		



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*For the Year Ended December 31, 2020*

<u>Supplier</u>	<u>Major products/ services procured</u>	<u>Purchase amount</u> <i>(RMB'000)</i>	<u>% of our total purchases</u>	<u>Background</u>	<u>Year of commencement of business relationship</u>
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
<b>Total</b>		<b><u>45,355</u></b>	<b><u>60.6%</u></b>		

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*For the Year Ended December 31, 2019*

<u>Supplier</u>	<u>Major products/ services procured</u>	<u>Purchase amount</u> <i>(RMB'000)</i>	<u>% of our total purchases</u>	<u>Background</u>	<u>Year of commencement of business relationship</u>
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
<b>Total</b>		<b><u>28,626</u></b>	<b><u>72.2%</u></b>		

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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 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.

Nevertheless, we did not compete head-to-head with industry giants during the Track Record Period. On one hand, as advised by Frost & Sullivan and concurred by the Sole Sponsor, (i) our Group did not compete head-to-head with industry giants in small to medium-sized IoT solution projects during the Track Record Period given that certain industry giant has been starting to expand its 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; and (ii) considering that the PRC IoT market is a large market where each of the qualified market players can have enough space to develop and has opportunities to find their own track for winning, under such circumstances, our Group is less likely to face head-to-head competition with industry giants in the future for small to medium-sized IoT solution projects, but will continue to dedicate ourselves in 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 its general contractor to (i) invest a large amount of capital in advance, (ii) under through a relatively longer project cycle, and (iii) arrange a larger quantify 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 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,

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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%, 89.8%, 62.0% of our total annual revenue were generated in the second half, respectively. The situation was mainly due to the fact that during the Track Record Period, most orders for our IoT solutions were confirmed in the second half of the year. As a result, most IoT solutions 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:

<u>Year</u>	<u>Entity/Person Receiving Award/Recognition</u>	<u>Award/Recognition</u>	<u>Award Issuing Authority</u>
2020-2021	Nanjing Howking	Nanjing Cultivated Unicorn Company	Nanjing Municipal Government
2020	Nanjing Howking	Potential Dark Horse	Nanjing Jiangning Development Zone Talents United Association
2019	Nanjing Howking	High-tech Enterprise	Science and Technology Department of Jiangsu, Finance Department of Jiangsu and Jiangsu Provincial Tax Service, State Taxation Administration

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<u>Year</u>	<u>Entity/Person Receiving Award/Recognition</u>	<u>Award/Recognition</u>	<u>Award Issuing Authority</u>
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 solutions, 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 111 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 nine material issued patents in relation to our telecommunication equipment, among others, five are for 5G telecommunication equipment, and eight 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 5G telecommunication equipment and antennas, respectively.

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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.

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

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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 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 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, algorithm and 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
	2019	2020	2021	May 31, 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
<b>Total</b>	<b>36</b>	<b>33</b>	<b>45</b>	<b>47</b>

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 recruiting through 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 solutions and mutual learning among colleagues.



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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 are 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.

As required by applicable PRC laws and regulations, we participate in various employee social security schemes organized by 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

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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, provided 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* (《勞務派遣暫行規定》) ("**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.

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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, 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

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continuous updates for full compliance with the latest laws, regulations and standards. Our Directors also support our commitment to fulfill its 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 of 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; conducting materiality assessments of environmental-related, climate-related, social-related risks and assess how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our 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 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 did not record any material non-compliance with applicable environmental requirements that results 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 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.

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### *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 provided 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 were 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, we had not suffered any operational or supply chain disruption due to storms or flooding.

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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 solutions 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 solutions. 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:

<u>Material ESG Issues</u>	<u>Potential Risks, Opportunities and Impacts</u>	<u>Mitigating Actions (adopted/to be adopted)</u>
Resources and energy management	Ineffective resources and energy management may potentially lead to excessive energy usage, which leads to increased operational cost.	<ul style="list-style-type: none"><li>• Promoting energy conservation and environmentally friendly procurement practices</li><li>• Reviewing and accounting for greenhouse gas emissions and resource consumptions</li><li>• Performing overall waste management in the office and testing and assembly center</li></ul>



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<u>Material ESG Issues</u>	<u>Potential Risks, Opportunities and Impacts</u>	<u>Mitigating Actions (adopted/to be adopted)</u>
Impact of climate change	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Providing work arrangements for bad weather and/or extreme conditions to mitigate potential injuries to employees and increase in insurance premiums</li> <li>• Monitoring the changes in ESG-related regulatory requirements and market trend</li> <li>• Assessing the energy consumption proportion in our operation comprehensively and optimizing the corresponding procedures</li> </ul>
Human capital development	<p>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.</p>	<p>Providing employees with competitive social benefits and career development opportunities</p>
Privacy and data security	<p>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</p>	<p>Requiring employees to sign non-disclosure agreement to mitigate privacy and data security risks</p>

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.



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**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
		2019	2020	2021	ended May 31, 2022
<b>GHG emissions</b>					
Electricity consumption	kWh	155,478.6	186,907.4	228,687.1	82,723.8
<b>Resources consumption</b>					
Freshwater consumption	m <sup>3</sup>	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 have taken into account their respective historical levels during the Track Record Period, and have 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 which 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

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- 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 45001:2018 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 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 distribute preventive materials, such as masks, to our employees. We also establish 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.

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### *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 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.

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**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.

<u>License/Permit</u>	<u>Holder</u>	<u>Authority</u>	<u>Grant Dates</u>	<u>Expiration Dates</u>
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

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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

## 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 (together, the “**Relevant Jurisdictions**”), 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.

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### *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

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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 Relevant Jurisdictions 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.



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### *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.

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 (varies from 25% to less than 10%) of controlled U.S. origin parts, components or materials, or are 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 an IoT solution; and (ii) products we provided in such solution were Chinese origin without any U.S. origin parts, components or materials nor certain controlled U.S. technology, therefore, 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 on it. 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, nor are they 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.

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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.

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 Jurisdictions 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.

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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.

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."

Since our sales with the Russian Distributor and the Sanctioned PRC Customers were in compliance with the applicable International Sanctions, we have no present intention to cease our business activities with these three entities. Nevertheless, we intend to 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 in 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.

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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.

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### RISK MANAGEMENT AND INTERNAL CONTROL

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 now 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;

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- 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;
- 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 bribes directly to the finance department;
- we have implemented relevant policies to ensure future compliance with applicable laws and regulations; and
- we have adopted various policies to ensure compliance with the Listing Rules, including those in relation to risk management and information disclosure.

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 in our internal control system based on its findings and we have implemented respective 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, 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.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme), Howking Tech Holding will hold approximately 48.0653% of the issued share capital of our Company.

As of the Latest Practicable Date, Howking Tech Holding was held as to 56.7980% by Ms. Wang and 43.2020% by Ms. Jin. Pursuant to the Guidance Letter HKEx-GL89-16 issued by the Stock Exchange in November 2016 and last updated in February 2020, (i) if the shareholders restrict their ability to exercise direct control over the listing applicant by holding their interests through a common investment holding company, the Stock Exchange will presume the shareholders to be a group of controlling shareholders of the listing applicant; and (ii) the Stock Exchange will presume spouses to be a group of controlling shareholders by virtue of their relationship of being spouses. In addition, since the establishment/incorporation date of each of the companies of our Group, Ms. Wang and Ms. Jin have adopted a consensus approach to reach decisions on a unanimous basis in voting in their capacities as shareholders of our Group, pursuant to which they shall act collectively and uniformly from time to time in the exercise of voting rights, whether as a shareholder (including voting right at general meetings) and/or as a director (where they hold directorships in) of any companies of our Group (the “**Concert Party Arrangements**”). On January 6, 2022, each of Ms. Wang and Ms. Jin entered into an acting in concert confirmation (the “**Concert Party Confirmation**”) to confirm the existence of the Concert Party Arrangements described above. They further declared that they shall maintain the Concert Party Arrangements to act unanimously towards the governing of our Group upon [REDACTED].

On the basis that (i) Ms. Wang and Ms. Jin hold their respective interest in our Company through a common investment holding company, i.e. Howking Tech Holding, which in turn will be entitled to exercise 30% or more of the voting power at the general meetings of our Company; (ii) Dr. Chen, our executive Director, chairman and chief executive officer of our Company, is the spouse of Ms. Wang; and (iii) each of Ms. Wang and Ms. Jin entered into the Concert Party Confirmation, Ms. Jin, Ms. Wang, Dr. Chen and Howking Tech Holding are regarded as a group of controlling shareholders of our Company within the meaning of the Listing Rules.

### OTHER BUSINESSES OF OUR CONTROLLING SHAREHOLDERS

#### Nanjing Haoxin and Nanjing Zeputuo

In addition to holding the interests in our Group, Ms. Wang, one of our Controlling Shareholders, was interested in Nanjing Haoxin, holding 74.337% of its equity interest as the sole general partner as of the Latest Practicable Date. Nanjing Haoxin is a limited partnership enterprise established in the PRC on June 10, 2019 which is principally engaged in investment holding. Based on the unaudited management accounts of Nanjing Haoxin, for the year ended



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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December 31, 2019, Nanjing Haoxin did not record any operating revenue, with only net loss of approximately RMB180,000 recorded. For the years ended December 31, 2020 and 2021 and the five months ended May 31, 2022, Nanjing Haoxin did not record any operating revenue and profit or loss. As Dr. Chen and Ms. Wang intended to explore potential future business opportunities relating to millimeter wave technology, in August 2019, Ms. Wang, through Nanjing Haoxin, indirectly acquired 58.45% equity interest in Nanjing Zeputuo, which was principally engaged in research and development projects relating to millimeter wave technology at the material time, by way of public tender at the consideration of approximately RMB9.6 million. In October 2019, Ms. Wang further directly acquired approximately 12.5% equity interest in Nanjing Zeputuo. As of the Latest Practicable Date, Ms. Wang, directly and indirectly through Nanjing Haoxin, controlled approximately 70.95% equity interest of Nanjing Zeputuo in aggregate, where she also serves as a director. Nanjing Zeputuo is a limited liability company established in the PRC on December 24, 2013. Based on the unaudited management accounts of Nanjing Zeputuo, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, Nanjing Zeputuo did not record any operating revenue, with net loss of approximately RMB3.4 million, RMB1.9 million, RMB3.5 million and RMB0.8 million recorded, respectively. As of the Latest Practicable Date, Nanjing Zeputuo had one outstanding project pending final project-completion check. In view of different business nature of both Nanjing Haoxin and Nanjing Zeputuo as compared to that of our Group, our Directors have no intention to include both Nanjing Haoxin and Nanjing Zeputuo in our Group in the near future.

### **Nanjing Yitaike**

Our Controlling Shareholders are also indirectly interested in Nanjing Yitaike, a limited liability company established in the PRC on January 21, 2021, which was held as to 65.95% by Etic Industrial and 34.05% in aggregate by two Independent Third Party as of the Latest Practicable Date. Etic Industrial was, directly and indirectly, held as to approximately 65.50% by Dr. Chen in aggregate and approximately 3.56% by Mr. Feng Yijing, our executive Director, as of the Latest Practicable Date. Nanjing Yitaike is intended to be principally engaged in the research and development of millimeter wave chip products for various application scenarios, such as railway passenger information system, long-distance backhaul and smart home systems and other related solutions in the PRC. As of the Latest Practicable Date, Nanjing Yitaike was still in the preparatory stage prior to commence any business operations.

Based on the latest unaudited management accounts of Nanjing Yitaike, for the year ended December 31, 2021 and the five months ended May 31, 2022, Nanjing Yitaike did not record any revenue, with only net loss of approximately RMB1.8 million and RMB1.5 million recorded, respectively.

As confirmed by our Directors and concurred by our PRC Legal Advisors, each of the abovementioned excluded entities had not been involved in or subject to any material non-compliance incidents, claims, litigation or legal proceedings (whether actual or threatened) since its establishment and up to the Latest Practicable Date.

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

### *Clear delineation of business*

Our Directors are of the view that the businesses of Nanjing Zeputuo and Nanjing Yitaike (collectively, the “**Nanjing Entities**”) differ from our Group’s core business. The table below illustrates the business delineation in terms of the following facets between the Nanjing Entities and our Group:

Business delineation in terms of	Excluded businesses <sup>(Note 1)</sup>		Our Group
	Nanjing Zeputuo	Nanjing Yitaike	
(a) <b>Different business focuses</b>	Research and development of WLAN millimeter wave technology, relating to wireless communication standards/ protocols for application in wireless devices, being a kind of millimeter wave technology involving channel simulation, protocol development, prototype verification, intellectual property registration and simulation of system performance inside laboratory and outdoor	Development of upstream WLAN millimeter wave technology application solutions, including baseband and radio frequency chip products and the related software packages applying WLAN millimeter wave technology	Provision of IoT solutions and telecommunication equipment involving research, development and application of technologies that could enhance the performance of our IoT solutions and telecommunication equipment developed
(b) <b>Different technologies involved</b>	WLAN millimeter wave is the research focus of the Nanjing Entities. According to Frost & Sullivan, millimeter wave refers to a high frequency band of electromagnetic spectrum between 24 GHz and 300 GHz, which can be used in a broad range of products and services, such as high-speed, point-to-multiple-point WLANs (wireless local area networks) and fixed wireless broadband access. The WLAN millimeter wave technology (falling within the extremely high frequency band between 42.3GHz to 52.5GHz) is essentially a <b>Wi-Fi technology</b> for connecting wireless devices, the wireless communication standards/protocols developed from which are approved by the Institute of Electrical and Electronics Engineers (IEEE). While the application of such technology in WLAN could <b>increase the spectrum bandwidth</b> thereby increasing wireless data transmission speed, as advised by Frost & Sullivan, as of the Latest Practicable Date, the WLAN millimeter wave technology was still in the R&D stage and had yet to commence commercialization in the PRC.		Our Group’s 5G telecommunication equipment (being radio frequency equipment) is required to be based upon the cellular communication technology standards developed by 3GPP. The cellular communication technology (falling within the mid and low-frequency bands under 6GHz (sub-6GHz bands)) is a <b>mobile network technology</b> for connecting mobile devices, such as mobile phones or vehicle-mounted terminals, that enables mobile telecommunication using cellular signals over the broad areas comprised of base stations or cell sites. Such technology is based on the geographic division of the communication coverage area into cells, and within cells.

As advised by Frost & Sullivan, based on the above fundamental difference in the frequency bands on which the technologies adopted by the Nanjing Entities (i.e. WLAN millimeter wave technology) and our Group (i.e. cellular communication technology) are respectively based, thereby rendering key differences in terms of network, usage and standard-governing organizations, the nature of all the technologies as currently applied by our Group in our products and services is different from that of WLAN millimeter wave technology.

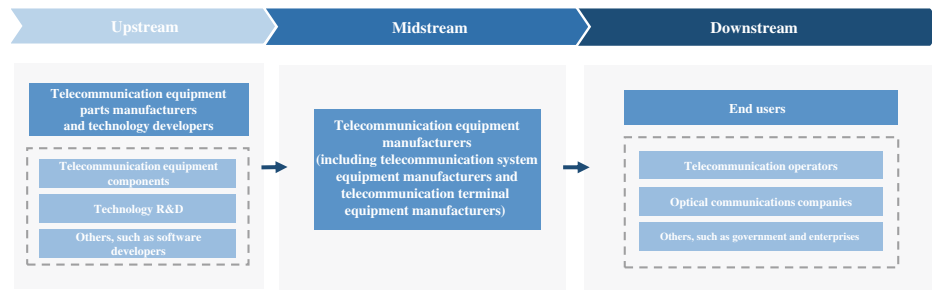
## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Business delineation in terms of	Excluded businesses <sup>(Note 1)</sup>		Our Group
	Nanjing Zeputuo	Nanjing Yitaike	
(c) <b>Different products and services</b>	<p>Mainly engages in research and development activities of WLAN millimeter wave technology, relating to <b><u>the development of wireless communication standards/ protocols for application in electronic components and devices, which could not be directly put into use by end-users</u></b>. For instance, the research and development project of developing the specific standard of WLAN undertaken by Nanjing Zeputuo involves the determination of specification of rendering intellectual properties, such as patents for technologies developed, for further use in wireless equipment such as routers for end-users to access to WLAN.</p>	<p>Principally <b><u>provides upstream WLAN millimeter wave technology application solutions, including baseband and radio frequency chip products and related software packages for various application scenarios</u></b>, such as railway passenger information system, long-distance backhaul and smart home systems and other related solutions in the PRC, which are <b><u>basic components</u></b> of telecommunication equipment and/ or solutions that <b><u>could not be directly used by end-users</u></b></p>	<p>Principally engages in <b><u>developing telecommunication equipment and IoT solutions</u></b> for different application scenarios, such as consumer applications and industrial applications which <b><u>could be put into direct use by end-users</u></b>. For instance, the proprietary 5G telecommunication equipment developed by our Group embeds with certain self-developed core module and software, which could be used by end-users directly</p> <p>Distinguished from the specific standard/ protocol of WLAN as involved in the research and development activities of Nanjing Zeputuo, the industrial WLAN to be developed by our Group is a specific kind of wireless communication technique as part of an IoT solution that could be put into direct use by end-users, and our Group has no plan to involve the application of WLAN millimeter wave technology in developing the industrial WLAN. The installation of industrial WLAN in industrial environment, such as factories, can enhance the connectivity of the network there with local base stations.</p>
(d) <b>Different value chain position</b>	<p>In the market of data transmission services and technology in which our Group operates, the Nanjing Entities are involved in upstream activities, predominantly the research and development of WLAN millimeter wave technology, being a kind of data transmission technology.</p> <p>Research and development of WLAN millimeter wave technology for further commercialization, relating to wireless communication standards/ protocols</p>	<p>Development of chip products and related solutions applying WLAN millimeter wave technology, being the basic components of telecommunication equipment and/or solutions</p>	<p>It is involved in downstream activities primarily focusing on the commercialization of cellular data transmission and other communication technologies through the provision of IoT solutions and telecommunication equipment for different application scenarios, such as consumer applications and industrial applications.</p>

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Business delineation in terms of	Excluded businesses <sup>(Note 1)</sup>		
	Nanjing Zeputuo	Nanjing Yitaike	Our Group

Set forth below is the diagram of the value chain of the data transmission services and technology market:



(e) <b>Different target customers</b>	Market players operating in the data transmission field including various manufacturers of telecommunication devices and related components	Intends to be various telecommunication devices manufacturers	Various end-users of telecommunication equipment and IoT solutions, mainly include (i) state-owned or private project owners; (ii) main contractors of IoT solution project, who sub-contract a pre-defined section of the project to our Group; and (iii) overseas distributor
		No overlapping customers in between <sup>(Note 2)</sup>	
(f) <b>Different major suppliers</b>	Primarily consist of suppliers of hardware components (such as Waveguide-to-coaxial adaptors, 45GHz duplexers, 5775 MHz cavity band pass filters and circular waveguide parts)	For the purposes of the development of chip products and related solutions, will primarily consist of OEM manufacturers, from which it intends to mainly source servers and 45GHz radio-frequency integrated circuit sets for set up of R&D scenarios	Primarily consist of (i) suppliers of hardware components (such as network switches, LTE modules and private 5G network terminal equipment during the Track Record Period); (ii) OEM manufacturers; and (iii) software developers
		No overlapping suppliers in between <sup>(Note 3)</sup>	
(g) <b>Different financial scale</b>	Based on the unaudited management accounts of Nanjing Zeputuo, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, Nanjing Zeputuo did not record any operating revenue.	Based on the unaudited management accounts of Nanjing Yitaike, for the year ended December 31, 2021 and the five months ended May 31, 2022, Nanjing Yitaike did not record any revenue.	For the three years ended December 31, 2021 and the five months ended May 31, 2022, our Group recorded revenue of approximately RMB80.9 million, RMB127.4 million, RMB189.6 million and RMB82.9 million, respectively.
	As of the Latest Practicable Date, Nanjing Zeputuo had one outstanding project pending final project-completion check.	As of the Latest Practicable Date, Nanjing Yitaike was still in the preparatory stage prior to commence any business operations.	
(h) <b>Segregated management</b>	While during the Track Record Period and up to the Latest Practicable Date, Ms. Wang served as a director of Nanjing Zeputuo, and during the Track Record Period, each of Dr. Chen, Ms. Wang and Mr. Feng Yijing, our executive Directors, was also a director of Nanjing Yitaike, he/she was mainly involved in the strategic planning instead of the daily affairs of Nanjing Zeputuo and Nanjing Yitaike. During the Track Record Period and up to the Latest Practicable Date, the daily operations of Nanjing Zeputuo and Nanjing Yitaike had been managed by management teams different from that of our Group. On December 16, 2021, Ms. Wang and Mr. Feng Yijing resigned from Nanjing Yitaike as directors and ceased to hold any positions in Nanjing Yitaike.		

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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*Notes:*

1. As confirmed by our Directors, none of the Nanjing Entities had any business relationship with our Group during the Track Record Period.
2. As our Group may apply WLAN millimeter wave chip products in our products and services in the future depending on industry trends, the development of WLAN millimeter wave technology and our customer needs, Nanjing Yitaike could potentially become our supplier in the future. Since our inception and up to the Latest Practicable Date, our Group had not commenced any business operation relating to WLAN millimeter wave technology and its related chip products, nor had we applied WLAN millimeter wave technology in our products and services. As advised by Frost & Sullivan, as of the Latest Practicable Date, the WLAN millimeter wave technology was still in the R&D stage and had yet to commence commercialization in the PRC. [In this regard, our Company has entered into a preferential technology licensing framework agreement (the “**Framework Agreement**”) with the Nanjing Entities, Dr. Chen and Ms. Wang (each being our Controlling Shareholder, holding a controlling stake in Nanjing Yitaike and Nanjing Zeputuo, respectively), whereby our Company may from time to time during the term of the Framework Agreement by notice in writing to the Nanjing Entities to request entering into an individual licensing agreement with the Nanjing Entities to acquire a non-exclusive license to utilize the relevant technology and related applications as developed by the Nanjing Entities for so long as Dr. Chen and/or Ms. Wang (as the case may be) remain to hold over 50% equity interest, directly or indirectly, in the Nanjing Yitaike and/or Nanjing Zeputuo, respectively (as the case may be). Pursuant to the Framework Agreement, the individual licensing agreement to be entered into shall be entered into by the parties in good faith after arm’s length negotiation and on normal commercial terms.]
3. During the Track Record Period, the Nanjing Entities and our Group did not source from the same suppliers, and accordingly, there had been no overlapping suppliers in between.

Based on the foregoing, our Directors are of the view that our business can be clearly differentiated from that of Nanjing Zeputuo and Nanjing Yitaike, and there will not be any direct or indirect competition of their businesses with that of our Group. Our Group positions itself as a market player in the PRC private 5G network market providing one-stop IoT solutions and telecommunication equipment with 5G technologies adopted, seeking to expand horizontally to enhance our research and development capabilities and expand our product portfolio relating to the development of IoT solutions and telecommunication equipment through acquisition of companies with similar principal business being business research and development of telecommunication equipment, such as 5G base station, chip board, software enhancing connection with 5G network, thereby consolidating our market position. In this regard, as the acquisition targets, similar to our Group, focus on the commercialization of 5G technology to provide telecommunication equipment and related solutions, the Directors confirm that the principal business as engaged by the targeted companies for acquisition and the Nanjing Entities are different. Given that the WLAN millimeter wave technology, being the research focus of the Nanjing Entities, was still in the R&D stage and had yet to commence commercialization in the PRC as of the Latest Practicable Date, engaging in the research and development activities of a completely different technology would involve substantial investment and in-depth expertise, our Directors believe that the inclusion of the Nanjing Entities to expand its business upstream would divert our business focuses and resources dedicated to our principal business. In addition, in light of our gradual shift in our business focus to the development and commercialization of 5G technology by providing telecommunication equipment and IoT solutions, such upstream integration focusing on

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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research and development of WLAN millimeter wave technology for use of fixed wireless devices connection does not align with our current business strategies. Given that Nanjing Yitaike is still in its initial stage of business development and in view of different business focuses of the Nanjing Entities as compared to that of our Group, our Directors therefore have no intention to expand upstream to include the Nanjing Entities in our Group in the near future. For further details, see “Business — Our Business Strategies” and “Future Plans and [REDACTED] — [REDACTED]” in this Document.

To ensure that competition will not exist in the future, each of our Controlling Shareholders has entered into the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly, participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our business. For details of the Deed of Non-competition, see “— Deed of Non-competition” in this section.

### RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders and our Directors do not have any interest in a business apart from the Group’s business which competes or is likely to compete, directly or indirectly, with the Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

### DEED OF NON-COMPETITION

Each of our Controlling Shareholders (each a “**Covenantor**” and collectively as the “**Covenantors**”) has given an irrevocable non-competition undertaking in favor of the Company (for itself and for benefit of each of the members of our Group) under the Deed of Non-Competition pursuant to which, each of the Covenantors has irrevocably, unconditionally and severally undertaken with the Company that, among others, with effect from the [REDACTED] Date and for as long as the Shares remain [REDACTED] on the [REDACTED] and the Covenantors are individually or collectively with any of their respective close associates interested directly or indirectly in not less than 30% of the voting power in general meetings of the Company (the “**Restricted Period**”), each Covenantor shall not, and shall procure that their respective close associates will not:

- (i) save for engaging in the Restricted Business (as defined below) through our Group, directly or indirectly, whether on its own account or in conjunction with or on behalf of any person, carry on, develop, invest in, engage in, participate or be interested in or acquire or hold any right or interest in or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venture, employee, consultant, agent or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group in the PRC and any part of the world (the “**Restricted Business**”); and/or



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- (ii) directly or indirectly take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, (a) soliciting our Group's customers, suppliers or personnel of any member of our Group; (b) inducing or soliciting any person to induce any competition or suspension of the business of our Group; and (c) engaging in any business or activity on its own account or jointly with any person, that uses any trade name or trademark (registered or non-registered) of our Group, or any name of our Group that is used in association with our Group's business or activity at intervals, or any fraudulent imitations (except for circumstances in which our Group is involved);

Each of the Covenantors also undertakes to procure that, during the Restricted Period, any business investment or other commercial opportunity within and/or outside the PRC relating to the Restricted Business (the "**Business Opportunity**") identified by or offered to the Covenantors and/or any of their close associates (the "**Offeror**") is first referred to the Company in the following manner:

- (i) the Covenantors are required to, and shall procure their close associates to, refer, or procure the referral of, the Business Opportunity to the Company, and shall give written notice to the Company of any Business Opportunity containing all information reasonably necessary for the Company to consider whether (a) the Business Opportunity would constitute competition with its core business and/or any other new business which our Group may undertake at the relevant time, and (b) it is in the interest of our Group to pursue the Business Opportunity, including but not limited to the nature of the Business Opportunity and the details of the investment or acquisition (the "**Offer Notice**"); and
- (ii) the Offeror will be entitled to pursue the Business Opportunity only if (a) the Offeror has received a written notice from the Company declining the Business Opportunity and confirming that the Business Opportunity would not constitute competition with its core business, or (b) the Offeror has not received the notice from the Company within 20 days from the receipt of the Offer Notice, provided that the principal terms by which the Offeror subsequently pursues the Business Opportunity are not more favorable than those made available to the Company; if there is a material change in the terms and conditions of the Business Opportunity pursued by the Offeror, the Offeror shall refer to the Business Opportunity as so revised to the Company again in the manner as set out above as if it were a new Business Opportunity.



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Upon receipt of the Offer Notice, the Company shall seek opinions and decisions from its Board (other than Directors who have a material interest in the matter) as to whether (a) such Business Opportunity would constitute competition with the Company’s core business, and (b) it is in the interest of the Company and its Shareholders as a whole to pursue the Business Opportunity. Any Director who has material interest in the Business Opportunity shall abstain from voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such Business Opportunity.

Notwithstanding the aforesaid, the non-competition undertaking as set out above shall not prevent the Covenantors and their respective close associates from holding or being interested in a direct or indirect shareholding interest of not more than 5% of the issued shares in a company listed on a recognized stock exchange and engaged in any Restricted Business provided that the relevant Covenantors and/or their respective close associates do not control the majority of the composition of the board of directors of that company.

## INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on its business independent of, and does not place undue reliance on, our Controlling Shareholders and their close associates after the [REDACTED] for the following reasons:

### Management Independence

Our management and operational decisions are made by our Board and our senior management. Our Board comprises four executive Directors and three independent non-executive Directors. While two out of our seven Directors, namely Dr. Chen and Ms. Wang, are also our Controlling Shareholders, all of our other Directors and senior management team members possess relevant management and/or industry-related experience to act as Directors or senior management of the Company and to make management decisions independent from our Controlling Shareholders. For further details, see “Directors and Senior Management” in this Document. Each of Dr. Chen and Ms. Wang has also given non-competition undertakings in favour of our Company. For further details, see “— Deed of Non-competition” in this section.

Save for Dr. Chen, Ms. Wang and Mr. Feng Yijing, our executive Directors, have resigned from their directorships in Nanjing Yitaike. As a director of Nanjing Yitaike responsible for strategic planning, Dr. Chen’s role and duties with Nanjing Yitaike are not onerous and are therefore not expected to occupy a material amount of his time on a daily basis. With respect to Nanjing Haoxin and Nanjing Zeputuo in which Ms. Wang holds general partnership and directorship, respectively, it is expected that the time to be devoted to both Nanjing Haoxin and Nanjing Zeputuo to be minimal upon [REDACTED] having regard to their current status and the role of Ms. Wang in these two companies. Save for Dr. Chen and Ms. Wang, there is no overlap of directors and members of the senior management between our Group and each of Nanjing Yitaike, Nanjing Haoxin and Nanjing Zeputuo.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Group and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of the Company in respect of such transactions and shall not be counted in the quorum. In addition, we have a senior management team to make business decisions independently. Our independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

Further, following the [REDACTED] of our Shares on the [REDACTED], our Board will be required to comply with provisions under the Listing Rules and certain matters, such as connected transactions, are required to be reviewed by our independent non-executive Directors. Our Directors are of the view that the substantial proportion of independent non-executive Directors comprising our Board of Directors should enhance our overall corporate governance standards.

Based on the above, our Directors are of the view that our Board, as a whole, together with our senior management team, is capable of managing our business independently of our Controlling Shareholders and their respective close associates.

### **Operational Independence**

We have established our own business independent of that of our Controlling Shareholders and/or their close associates. We make business decisions independently, hold all relevant licenses necessary to carry on our business and have sufficient capital, and manpower to operate our business independently. We have established our own organizational structure made up of individual departments, each with specific areas of responsibilities. We do not rely on our Controlling Shareholders or their close associates for our operations. We have independent access to suppliers and customers. We have not shared any operational resources such as sales and marketing, risk management and general administration resources with our Controlling Shareholders and/or their respective close associates during the Track Record Period. We have established a set of internal controls to facilitate the effective operation of our business.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

### **Financial Independence**

Our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We have our own internal control and accounting systems and finance department to perform independent treasury function on cash receipts and payments, independent accounting and reporting functions and independent internal control function.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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During the Track Record Period, we primarily funded our operations and expansions through bank borrowings, our Shareholders' equity and cash flow from our operations. As of the Latest Practicable Date, there was no outstanding loan or guarantee provided by, or granted to, any of our Controlling Shareholders or their respective associates. In the circumstances, we believe we are able to obtain financing from third parties or from our internally generated funds without reliance on our Controlling Shareholders.

Based on the above, our Directors are of the view that we are financially independent of our Controlling Shareholders and their respective close associates.

## CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage potential conflicts of interest after the [REDACTED]. In particular, we will implement the following measures:

- as part of our preparation for the [REDACTED], we [have amended] our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;
- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- we are committed that our Board should include a balanced composition of Directors (including independent non-executive Directors). We [have appointed] three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our [REDACTED]. For details of our independent non-executive Directors, see "Directors and Senior Management — Directors — Independent Non-executive Directors";

## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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- in the event that our independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions of our independent non-executive Directors either through its annual report or by way of announcements;
- our independent non-executive Directors shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-competition by our Controlling Shareholders;
- we will disclose, to the extent permissible by applicable laws and regulations, the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules;
- we have appointed Ping An of China Capital (Hong Kong) Company Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and corporate governance; and
- any transaction made (or proposed to be made) between our Company and our connected persons will be required to comply with (i) Chapter 14A of the Listing Rules which include, but without limitation, where applicable, the announcement, reporting, circular and shareholders' approval requirements and (ii) those other conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with the relevant requirements under the Listing Rules.

## DIRECTORS AND SENIOR MANAGEMENT

### BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The functions and duties of our Board include but are not limited to, convening general meetings, reporting on the performance of our Board’s work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for profit distributions, and formulating proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conferred by our Articles of Association.

The following table sets forth the information in respect of the members of our Board:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Date of joining our Group</u>	<u>Date of appointment as Director</u>	<u>Relationship with other Directors and senior management</u>
Dr. Chen Ping (陳平)	58	Chairman, chief executive officer and executive Director	Responsible for overall strategic planning and overseeing general management and daily operation of our Group	April 2012	August 2021	Spouse of Ms. Wang Zheshi
Ms. Wang Zheshi (王者師)	39	Chief administrative and human resources officer and executive Director	Responsible for overseeing the administrative and human resources affairs of our Group	September 2012	August 2021	Spouse of Dr. Chen Ping
Mr. Feng Yijing (馮義晶)	40	Chief financial officer and executive Director	Responsible for overseeing the overall management of accounting and financial matters of our Group	July 2019	August 2021	None
Mr. Wang Jun (王軍)	47	Chief technology officer and executive Director	Responsible for overseeing the management of our Group’s technological resources	November 2021	December 2021	None

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Mr. Gu Jiong (顧炯)	49	Independent non-executive Director	Responsible for supervising the management of our Group and providing independent judgment to our Board	[●]	[●]	None
Mr. Fong Wo, Felix (方和)	71	Independent non-executive Director	Responsible for supervising the management of our Group and providing independent judgment to our Board	[●]	[●]	None
Mr. Yang Hai (楊海)	46	Independent non-executive Director	Responsible for supervising the management of our Group and providing independent judgment to our Board	[●]	[●]	None

### DIRECTORS

#### Executive Directors

**Dr. Chen Ping (陳平)**, aged 58, is our co-founder and executive Director. Dr. Chen is also the chairman of our Board and our chief executive officer responsible for the overall strategic planning and overseeing general management and daily operation of our Group. Dr. Chen also holds directorships in each of the subsidiaries of our Group. He is also the chairman of the Nomination Committee.

Dr. Chen has over 25 years of experience in the telecommunications industry and has acquired the relevant knowledge and expertise relating to engineering from working with various multinational enterprises prior to founding our Group. From 1988 to 1991, Dr. Chen was a radio frequency (RF) design engineer at Scientific Atlanta, Inc., a telecommunications manufacturer in the United States, after which he pursued further studies at the University of Nevada and completed his master’s degree in 1993. From 1993 to 1996, Dr. Chen worked as a senior design engineer at Fujitsu America, Inc., a wholly-owned subsidiary of Fujitsu Limited, a Japanese multinational information and communications technology equipment and services corporation whose shares are listed on the Tokyo Stock Exchange (stock code: 6702). From 1996 to 1999, Dr. Chen was a senior RF design engineer at Qualcomm, Inc., a multinational

## DIRECTORS AND SENIOR MANAGEMENT

semiconductor and wireless technology manufacturer headquartered in the United States whose shares are listed on the NASDAQ (stock code: QCOM). From 1999 to 2002, Dr. Chen served as a senior radio-frequency integrated circuit (RFIC) design manager at RF Micro Devices, Inc. (currently known as Qorvo, Inc., listed on the NASDAQ (stock code: QRVO)), a company principally engaged in radio frequency technology in the United States, where he was responsible for designing radio frequency for applications in wireless infrastructure. From 2002 to 2004, Dr. Chen served as the managing director in the Asia-Pacific region for Signal Technology Corporation, a microwave and RF components manufacturer, where he gained experience in the defense electronics field. From 2004 to 2009, Dr. Chen was the general manager of the Asia-Pacific region for SkyCross, Inc., a global wireless antenna solutions company, where he was responsible for the overall management of the company in the Asia-Pacific region. From 2009 to 2012, Dr. Chen and Ms. Wang were in the course of preparing for the establishment of our Group. Dr. Chen then co-founded our Group with Ms. Wang in September 2012 through establishing Shenzhen Wulian.

Dr. Chen obtained a master’s degree in electrical engineering from the University of Nevada in the United States in August 1993. Dr. Chen subsequently obtained a doctorate degree in electrical engineering from North Carolina Agricultural and Technical State University in the United States in May 2008.

Dr. Chen was previously a director of the following companies at the time of their respective dissolutions:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Nanjing Maitumai	PRC	Trading of telecommunication equipment	March 20, 2019	Deregistration
Dongguan Maitumai Intelligent Technology Co Ltd (東莞市邁途邁智能科技有限公司)	PRC	Research and development and sales of IoT chips	November 22, 2017	Deregistration
Shenzhen Howking	PRC	Research and development and sales of mobile phone antennae	April 2, 2022	Deregistration
Huizhou Wulian	PRC	Research and development and provision of IoT solutions	April 13, 2022	Deregistration



## DIRECTORS AND SENIOR MANAGEMENT

Dr. Chen confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolutions of the above companies.

Dr. Chen is the spouse of Ms. Wang, who is our executive Director and chief administrative and human resources officer. Dr. Chen is also the son-in-law of Ms. Jin, one of our Controlling Shareholders.

**Ms. Wang Zheshi (王者師)**, aged 39, is our co-founder and executive Director. Ms. Wang is also our chief administrative and human resources officer principally responsible for overseeing the administrative and human resources affairs of our Group.

Ms. Wang has around 11 years of experience in the administrative and human resources field. Prior to founding our Group, from August 2006 to March 2009, Ms. Wang worked in SkyCross, Inc. Shenzhen office with her position served as the director of Administration and Human Resource, where she was responsible for its administrative personnel management. From 2009 to 2012, Ms. Wang and Dr. Chen were in the course of preparing for the establishment of our Group. Ms. Wang then co-founded our Group with Dr. Chen in September 2012 through establishing Shenzhen Wulian.

Ms. Wang obtained a bachelor’s degree in art and design from Jilin University of Arts (吉林藝術學院) in the PRC in July 2006.

Ms. Wang was previously a director of the following companies at the time of their respective dissolutions:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Shenzhen Howking Technology Co., Ltd. (深圳市濠環科技有限公司)	PRC	Research and development, import and export of telecommunication equipment	August 5, 2015	Deregistration
Shenzhen Howking	PRC	Research and development and sales of mobile phone antennae	April 2, 2022	Deregistration
Huizhou Wulian	PRC	Research and development and provision of IoT solutions	April 13, 2022	Deregistration

## DIRECTORS AND SENIOR MANAGEMENT

Ms. Wang confirmed that (i) to the best of her knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on her part leading to the dissolutions of the above companies; (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolutions of the above companies; and (iv) no misconduct or misfeasance had been involved on her part in the dissolutions of the above companies.

Ms. Wang is the spouse of Dr. Chen, who is our executive Director, chairman and chief executive officer. Ms. Wang is also the daughter of Ms. Jin, one of our Controlling Shareholders.

**Mr. Feng Yijing (馮義晶)**, aged 40, is our executive Director. Mr. Feng is also our chief financial officer principally responsible for overseeing the overall management of accounting and financial matters of our Group. He is also a member of the Remuneration Committee.

Mr. Feng has around 17 years of experience in the accounting and auditing field. Prior to joining our Group in 2019, from August 2004 to October 2016, Mr. Feng worked at Ernst & Young Hua Ming LLP, Nanjing Branch with his last position as senior audit manager, where he was responsible for audit and other assurance and advisory services. From October 2016 to January 2019, Mr. Feng was the chief financial officer of Hangzhou Wansecheng E-Commerce Co., Ltd. (萬色城電子商務集團有限公司), where he was responsible for the overall financial matters of the group. From June 2020 to July 2022, Mr. Feng served as an independent non-executive director of Suchuang Gas Corporation limited (蘇創燃氣股份有限公司), a piped natural gas operator whose shares were formerly listed on the Stock Exchange until August 3, 2022 (stock code: 1430).

Mr. Feng obtained a bachelor’s degree in auditing from the Nanjing Audit University (南京審計大學) (formerly known as the Nanjing Institute of Audit (南京審計學院)) in the PRC in June 2004. Mr. Feng became a non-practising member of the Chinese Institute of Certified Public Accountants in January 2017. He was also admitted as a fellow member of the Association of Chartered Certified Accountants in January 2013. Mr. Feng is also a Certified Internal Auditor, as awarded by the Institute of Internal Auditors in November 2010.

**Mr. Wang Jun (王軍)**, aged 47, is an executive Director. Mr. Wang is also our chief technology officer principally responsible for overseeing the management of our Group’s technological resources.

Mr. Wang has around 21 years of experience in the software development field. Prior to joining our Group in November 2021, from December 2000 to July 2003, Mr. Wang worked at Huawei Technologies Co., Ltd. Nanjing Research & Development Center (華為技術有限公司南京研究所). From August 2003 to February 2008, Mr. Wang worked at Nanjing Lucent Technologies Telecommunications Co., Ltd. (南京朗訊科技通信有限公司) with his last position as a technician. From March 2008 to April 2009, Mr. Wang joined Microsoft (China) Co., Ltd. Shanghai Minhang Branch with his last position as software design engineer II. From May 2009 to October 2018, Mr. Wang was a software developer at Ericsson Canada, Inc. From

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## DIRECTORS AND SENIOR MANAGEMENT

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October 2018 to April 2021, Mr. Wang worked at Beijing DinoPlusAI Inc. (北京龍加智科技有限公司) as a software director, where he was engaged in artificial intelligence related business.

Mr. Wang obtained a bachelor’s degree in industrial automation and master’s degree in control theory and control engineering from the Southeast University (東南大學) in the PRC in June 1997 and March 2000, respectively.

### **Independent Non-executive Directors**

**Mr. Gu Jiong (顧炯)**, aged 49, was appointed as an independent non-executive Director on [●]. Mr. Gu is responsible for supervising the management of our Group and providing independent judgment to our Board. He is also the chairman of the Audit Committee and a member of the Nomination Committee.

From July 1995 to April 2004, Mr. Gu worked at Ernst & Young Hua Ming LLP, Shanghai Branch and was the senior manager of audit department when he left the firm. From April 2004 to December 2009, Mr. Gu worked at UTStarcom Telecom Co., Ltd. and its holding company UTStarcom Holdings Corp. (formerly known as UTStarcom, Inc.), a global telecom infrastructure provider specialized in the provision of packet optical transport and broadband access products to network operators whose shares are listed on the NASDAQ (ticker symbol: UTSI), where he last served as the finance controller (財務總監) and was responsible for accounting and financial matters. From January 2010 to August 2013, Mr. Gu served as the chief financial officer in BesTV New Media Co., Ltd. (currently known as Oriental Pearly Media Co., Ltd (東方明珠新媒體股份有限公司)), whose shares are listed on Shanghai Stock Exchange (stock code: 600637) and principally engaged in the provision of technical services, content services and marketing services for television terminals, computer terminals and mobile terminals through a media source platforms where he was responsible for the financial matters of this company. From January 2016 to October 2016 and from October 2016 to January 2019, Mr. Gu was a non-executive director and an alternative director to Hui To Thomas of Shaw Brothers Holdings Limited (formerly known as Meike International Holdings Limited), a company listed on the Stock Exchange (stock code: 953), respectively. From March 2019 to November 2020, Mr. Gu was an independent non-executive director of Tu Yi Holding Company Limited, a company listed on the Stock Exchange (stock code: 1701). From June 2015 to November 2020, Mr. Gu was an independent non-executive director of Chen Xing Development Holdings Limited, a company listed on the stock exchange (stock code: 2286). From June 2015 to June 2021, Mr. Gu was an independent non-executive director of Xinming China Holdings Limited, a company listed on the Stock Exchange (stock code: 2699). From September 2013 to August 2016, Mr. Gu was the chief financial officer of CMC (Shanghai) Investment Management LLP (華人文化(上海)投資管理中心(有限合夥)), where he was responsible for the overall financial and capital operations of the company. Since September 2016, Mr. Gu has been the director, vice president and chief financial officer of CMC Inc. (華人文化有限責任公司) (“CMC”) (formerly known as CMC Holdings Limited), an investment platform focused on the media and entertainment investments, where he is responsible for overseeing the financial operations and location-based entertainment business of CMC.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Gu is currently the independent non-executive director of Amlogic (Shanghai) Co., Ltd (晶晨半導體(上海)股份有限公司), a company involved in the bulk purchase distribution of electronic parts and electronic communications equipment whose shares are listed on the Shanghai Stock Exchange (stock code: 688099), and of the following companies whose shares are listed on the Stock Exchange:

<u>Appointment date</u>	<u>Company</u>	<u>Stock code</u>
December 2020	Vesync Co., Ltd	2148
April 2019	Mulsanne Group Holding Limited	1817
September 2018	DaFa Properties Group Limited	6111
April 2018	Ascletris Pharma Inc.	1672

Mr. Gu obtained a bachelor's degree in financial management from Fudan University (復旦大學) in the PRC in July 1995. He is currently a non-practicing member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Mr. Gu was previously a director of the following companies at the time of their respective dissolutions:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Shanghai Huahan Tiyu Cultural Development Company Limited (上海華翰體育文化發展有限公司)	PRC	Organization of sports related project	September 6, 2019	Deregistration
Shanghai Huacheng Tiyu Culture Communication Company Limited (上海華聘體育文化傳播有限公司)	PRC	Organization of sports related project	January 30, 2019	Deregistration
CMC Base HK Limited	Hong Kong	Investment holding	February 19, 2021	Deregistration

Mr. Gu confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolutions of the above companies.

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## DIRECTORS AND SENIOR MANAGEMENT

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**Mr. Fong Wo, Felix (方和)**, *BBS, JP*, aged 71, was appointed as our independent non-executive Director on [●]. Mr. Fong is responsible for supervising the management of our Group and providing independent judgment to our Board. He is also the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Mr. Fong has practiced law for more than 32 years. Mr. Fong was admitted as a barrister and solicitor in Ontario, Canada in 1980, a solicitor in England and Wales in 1986, and in Hong Kong in 1987. He is a member of the Law Societies of Hong Kong, Upper Canada and England and Wales. Since 1988, Mr. Fong has been with King & Wood Mallesons (formerly known as Robert Lee & Fong, Felix Fong & Hon, Fong & Ng, Arculli Fong & Ng and King & Wood) specializing in foreign investments in the PRC.

From May 2000 to December 2008, Mr. Fong served as a non-executive director of Cinda International Holdings Limited (formerly known as Hantec Investment Holdings Limited), a financial institution principally engaged in corporate finance advisory, securities broking and asset management whose shares are listed on the Stock Exchange (stock code: 111). From May 2010 to May 2016, Mr. Fong served as an independent non-executive director of China Oilfield Services Limited (中海油田服務股份有限公司), a company dually listed on the Stock Exchange (stock code: 2883) and Shanghai Stock Exchange (stock code: 601808) which is principally engaged in offshore oil and gas exploration, development and production. From April 2011 to July 2018, he served as an independent non-executive director of China Investment Development Limited (中國投資開發有限公司) (formerly known as Temujin International Investments Limited), a company principally engaged in investment in listed and unlisted securities whose shares are listed on the Stock Exchange (stock code: 204). From October 2010 to March 2020, he served as an independent non-executive director of Evergreen International Holdings Limited (長興國際 (集團) 控股有限公司), a company principally engaged in the manufacturing and sales of menswear whose shares are listed on the Stock Exchange (stock code: 238). From June 2012 to May 2020, he served as an independent non-executive director of Sheen Tai Holdings Group Company Limited (順泰控股集團有限公司), a company principally engaged in the manufacturing and sales of cigarette packaging materials whose shares are listed on the Stock Exchange (stock code: 1335). From May 2017 to June 2020, he served as an independent non-executive director of Wuxi Biologics (Cayman) Inc. (藥明生物技術有限公司), a company principally engaged in the provision of biologics services whose shares are listed on the Stock Exchange (stock code: 2269). From June 2015 to October 2021, he served as an independent non-executive director of Xinming China Holdings Limited (新明中國控股有限公司) (stock code: 2699), a company principally engaged in property development whose shares are listed on the Stock Exchange.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Fong is currently the independent non-executive director of the following companies whose shares are listed on the Stock Exchange:

<u>Appointment date</u>	<u>Company</u>	<u>Stock code</u>
December 2020	Vesync Co., Ltd	2148
December 2019	Television Broadcasts Limited (電視廣播有限公司)	511
January 2007	Guangdong Land Holdings Limited (粵海置地控股有限公司) (formerly known as Kingway Brewery Holdings Limited)	124
September 2006	Greenland Hong Kong Holdings Limited (綠地香港控股有限公司) (formerly known as SPG Land (Holdings) Limited)	337

Mr. Fong obtained a bachelor’s degree in engineering from McMaster University in Canada in June 1974 and a Juris Doctor degree from Osgoode Hall Law School of York University in Canada in June 1978. Mr. Fong is appointed by the Ministry of Justice of the PRC (中華人民共和國司法部) as one of the China-appointed Attesting Officers in Hong Kong.

Mr. Fong was previously a director of the following companies at the time of their respective dissolutions:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Superview Properties Limited	Hong Kong	Property holding	January 24, 2003	Striking Off
Winful Asia Limited (盈豐亞洲有限公司)	Hong Kong	Investment	February 17, 2006	Striking Off
Marley Properties Limited	Hong Kong	Property holding	October 29, 2010	Deregistration
Baoleide Investment Consultancy (Beijing) Co., Ltd (寶萊德投資顧問(北京)有限公司)	PRC	Investment and consultancy	December 26, 2013	Deregistration
Artbox Productions Limited	Hong Kong	Investment	October 3, 2014	Deregistration
ACE Global Investments Limited (匯信金融投資有限公司)	Hong Kong	Investment	October 24, 2014	Striking Off



## DIRECTORS AND SENIOR MANAGEMENT

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
ACE Million Limited (寶年萊策略有限公司)	Hong Kong	Investment	June 19, 2015	Deregistration
China Network Intelligence (CNI) Limited (普萊德策略管理有限公司)	Hong Kong	Investment	December 4, 2015	Deregistration
Richard Liu Foundation Limited	Hong Kong	Charity	June 10, 2016	Deregistration
Tota Limited (在線培訓有限公司)	Hong Kong	Online training	November 4, 2016	Deregistration

Mr. Fong confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolutions of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolutions of the above companies; and (iv) no misconduct or misfeasance had been involved on his part in the dissolutions of the above companies.

**Mr. Yang Hai (楊海)**, aged 46, was appointed as our independent non-executive Director on [●]. Mr. Yang is responsible for supervising the management of our Group and providing independent judgment to our Board. He is also a member of each of the Audit Committee and the Remuneration Committee.

Mr. Yang has approximately 16 years of experience in the communication technology industry. Since December 2011, Mr. Yang has been serving as the vice-president of Etekcitcity US, a subsidiary of Vesync Co., Ltd (“**Vesync**”), a company listed on the Stock Exchange (stock code: 2148). Mr. Yang currently serves as an executive director for Vesync. From September 2006 to June 2011, Mr. Yang worked at Ericsson (China) Communications Co., Ltd as a software engineer responsible for gateway server development. From June 2003 to September 2006, Mr. Yang worked as a software engineer at Asiainfo Technologies (China), Inc, Shanghai Branch (亞信科技(中國)有限公司上海分公司), where he was principally responsible for billing system development.

Mr. Yang obtained a bachelor’s degree in thermal energy and power engineering from Southeast University (東南大學) in the PRC in June 1996. He further obtained a master’s degree in thermal engineering from Shanghai Jiaotong University (上海交通大學) in the PRC in March 1999.



## DIRECTORS AND SENIOR MANAGEMENT

Mr. Yang was previously a director of the following company at the time of its dissolution:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Nature of business</u>	<u>Date of dissolution</u>	<u>Means of dissolution</u>
Chongqing Gongzhou Technology Co Ltd (重慶共舟科技有限公司)	PRC	Provision of information technology	August 7, 2017	Deregistration

Mr. Yang Hai confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, the above company was solvent immediately prior to its dissolution; (ii) there is no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above company; and (iv) no misconduct or misfeasance had been involved on his part in the dissolution of the above company.

Save as disclosed in this section, “Substantial Shareholders” and “Statutory and General Information — C. Further Information about our Directors, Management and Substantial Shareholders” in Appendix IV to this Document, as at the Latest Practicable Date, our Directors (i) had no interest in our Shares within the meaning of Part XV of the SFO; (ii) did not have any relationship with any Directors, senior management or substantial shareholders of our Company or Controlling Shareholders; and (iii) did not hold any directorship in any other public companies the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention to our Shareholders and there was no information in relation to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as of the Latest Practicable Date.

## DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

The following table sets forth the information about the members of our senior management team:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Roles and responsibilities</u>	<u>Date of joining our Group</u>	<u>Relationship with other Directors and senior management</u>
Mr. Jia Kexin (賈可欣)	48	Vice president of sales of Nanjing Howking	Responsible for managing the sales department and formulating marketing plans and sales strategies	August 2021	None
Mr. Zhang Yan (張岩)	33	Research and development director of Shenzhen Wulian	Responsible for overseeing the research and development department, providing technical advice and formulating research and development implementation plans	October 2015	None
Mr. Qin Yufeng (秦玉峰)	40	Research and development director of Nanjing Howking	Responsible for the daily operation and management of the research and development department	April 2020	None
Ms. Li Qiong (李瓊)	33	Production manager of Shenzhen Wulian	Responsible for overseeing its supply chain system and inventory management	January 2013	None

**Mr. Jia Kexin (賈可欣)**, aged 48, is the vice president of sales of Nanjing Howking principally responsible for managing the sales department and formulating marketing plans and sales strategies.

Mr. Jia has approximately 20 years of experience in the marketing and management field. Prior to joining our Group in August 2021, from February 2003 to August 2021, Mr. Jia took on several positions at Comba Telecom Technology (Guangzhou) Ltd. (京信通信技術(廣州)有限公司) (“**Comba**”), with his last position as its group marketing director. Comba is a subsidiary of Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a global solutions and services provider of wireless and information communications systems, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2342).

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Jia obtained a bachelor's degree in plant protection from the Nanjing Agricultural University (南京農業大學) in the PRC in July 1997. Mr. Jia subsequently obtained a master's degree in environmental science from the Graduate School of Chinese Academy of Sciences (中國科學院研究生院) in the PRC in December 2002.

**Mr. Zhang Yan (張岩)**, aged 33, is the research and development director of Shenzhen Wulian principally responsible for overseeing the research and development department, providing technical advice and formulating research and development implementation plans.

Mr. Zhang has over six years of experience in the research and development field. Mr. Zhang joined our Group in October 2015 as a software engineer of Shenzhen Wulian, where he was principally responsible for application software project development. He was then promoted to the position of research and development manager of Shenzhen Wulian in February 2017, leading the development of key projects. In July 2020, Mr. Zhang was appointed as Shenzhen Wulian's research and development director and has since been responsible for overseeing the research and development department, providing technical advice.

Mr. Zhang graduated from Yunnan Technology and Business University (雲南工商學院) (formerly known as Yunnan Einsun Software Vocational College (雲南愛因森軟件職業學院)) majoring in software technology in the PRC in January 2011.

**Mr. Qin Yufeng (秦玉峰)**, aged 40, is the research and development director of Nanking Howking principally responsible for the daily operation and management of the research and development department.

Mr. Qin has approximately 17 years of experience in the electronic information engineering field. Prior to joining our Group in April 2020, from July 2004 to March 2008, Mr. Qin was a technician at Sun-create Electronics Co., Ltd. (安徽四創電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600990). From April 2008 to April 2020, Mr. Qin was the product planning director of ZTE Corporation (中興通訊股份有限公司), a company listed on both the Main Board of the Hong Kong Stock Exchange (stock code: 0763) and the Shenzhen Stock Exchange (stock code: 000063).

Mr. Qin obtained a bachelor's degree in electronic information engineering from Anhui University (安徽大學) in July 2004.

**Ms. Li Qiong (李瓊)**, aged 33, is the production manager of Shenzhen Wulian, principally responsible for overseeing its supply chain system and inventory management.

Ms. Li has approximately 12 years of experience in the product production and procurement field. Prior to joining our Group in January 2013, from November 2009 to December 2012, Ms. Li was a buyer for Shenzhen Howking Technology Co., Ltd. (深圳市濠璟科技有限公司), where she was responsible for procurement logistics.

Ms. Li graduated from Hunan Vocational College of Commerce (湖南商務職業技術學院) majoring in marketing in the PRC in June 2018.

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## DIRECTORS AND SENIOR MANAGEMENT

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### COMPANY SECRETARY

**Ms. Zhang Xiao** (張瀟), aged 34, was appointed as our company secretary on January 25, 2022.

Ms. Zhang is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specializing in corporate services, and has over six years of experience in the corporate secretarial field. Ms. Zhang has been admitted as an associate member of both The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom in 2019.

Ms. Zhang obtained a bachelor’s degree in Computer Science from The Chinese University of Hong Kong in December 2010 and a master’s degree in corporate governance from Hong Kong Metropolitan University (formerly known as The Open University of Hong Kong) in November 2018.

### BOARD COMMITTEES

#### Audit Committee

An audit committee was established by our Company pursuant to a resolution of our Board on [●] with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code. The primary duties of the audit committee are to provide an independent view of the effectiveness of our financial reporting, risk management and internal control systems, oversee our audit process, develop and review policies and perform other duties and responsibilities as assigned by our Board.

The members of the audit committee are Mr. Gu Jiong, Mr. Fong Wo, Felix and Mr. Yang Hai, all of whom are independent non-executive Directors. Mr. Gu Jiong is the chairman of the audit committee.

#### Remuneration Committee

A remuneration committee was established by our Company pursuant to a resolution of our Board on [●] with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code. The primary duties of the remuneration committee are to (i) establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determine the terms of the specific remuneration package of each executive Director and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

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## DIRECTORS AND SENIOR MANAGEMENT

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The members of the remuneration committee are Mr. Fong Wo, Felix, Mr. Yang Hai and Mr. Feng Yijing. Mr. Fong Wo, Felix is the chairman of the remuneration committee.

### Nomination Committee

A nomination committee was established by our Company pursuant to a resolution of our Board on [●] with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The primary duties of the nomination committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to its composition; (ii) identify, select or make recommendations to our Board on the selection of nominees for directorship; (iii) ensure the diversity of our Board; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on relevant matters relating to the appointment, re-appointment, removal and succession of our Directors.

The members of the nomination committee are Dr. Chen Ping, Mr. Fong Wo, Felix and Mr. Gu Jiong. Dr. Chen Ping is the chairman of the nomination committee.

## COMPENSATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, allowances, benefits in kind, contributions to pension schemes and discretionary bonuses related to the performance of our Company. We also reimburse them for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations.

The aggregate remuneration paid to our Directors for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 were RMB656,000, RMB1,051,000, RMB2,076,000 and RMB1,173,000, respectively.

The aggregate remuneration paid to the five highest paid individuals of our Group, excluding our Directors, for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 were RMB1,717,000, RMB1,302,000, RMB1,402,000 and RMB591,000, respectively.

No remuneration was paid by our Group to the Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period. Further, none of our Directors had waived or agreed to waive any remuneration during the same period.

Under the arrangement currently in force, the aggregate amount of remuneration payable to our Directors for the year ending December 31, 2022 is estimated to be approximately RMB2.8 million (excluding any discretionary bonus), respectively.

## DIRECTORS AND SENIOR MANAGEMENT

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### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarized in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this Document.

### CORPORATE GOVERNANCE CODE

#### Board Diversity

We have adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth and support the execution of our business strategy. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and experiences, including business management, strategic development, direct selling and social commerce, administration and management, finance, auditing and accounting experiences. Our Board members also obtained degrees in various majors including art and design, engineering and auditing. Furthermore, the ages of our Directors range from 38 to 71 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. In particular, one of the existing executive Directors of our Company is a female. We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of our corporate governance and we will continue to apply the principle of appointments based on merits with reference to our board diversity policy as a whole.

Our nomination committee is responsible for ensuring the diversity of our Board. After the [REDACTED], our nomination committee will review the board diversity policy (including gender balance) from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

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## DIRECTORS AND SENIOR MANAGEMENT

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### Chairman and chief executive officer

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Dr. Chen currently performs these two roles concurrently. Our Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group for more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority within our Group will not be impaired by the present arrangement and the current structure will enable our Company to make and implement decisions more promptly and effectively.

Our Board will from time to time review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

### COMPLIANCE ADVISOR

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Ping An of China Capital (Hong Kong) Company Limited as our compliance advisor. The compliance advisor will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this Document or where our business activities, developments or results deviate from any forecast, estimate or other information of this Document; and
- (iv) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our compliance advisor will commence on the [REDACTED] Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the [REDACTED] Date.



## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued under the [REDACTED] or the exercise of any options may be granted under the Share Option Scheme), the following persons will have or be deemed or taken to have beneficial interests and/or short position in the Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

Name	Nature of interest	Number of Shares as of the Latest Practicable Date <sup>(1)</sup>	Approximate percentage of interest in our Company as of the Latest Practicable Date	Number of Shares immediately after the [REDACTED] and the [REDACTED] <sup>(1)</sup>	Approximate percentage of interest in our Company immediately after the [REDACTED] and the [REDACTED]
Howking Tech Holding <sup>(2)</sup>	Beneficial owner	640,790(L)	64.0871%	[REDACTED](L)	[REDACTED]%
Ms. Jin <sup>(2)</sup>	Interest in a controlled corporation	640,790(L)	64.0871%	[REDACTED](L)	[REDACTED]%
Ms. Wang <sup>(2)(3)</sup>	Interest in a controlled corporation	640,790(L)	64.0871%	[REDACTED](L)	[REDACTED]%
Dr. Chen <sup>(3)</sup>	Interest of spouse	640,790(L)	64.0871%	[REDACTED](L)	[REDACTED]%
Shanghai Jinyuan <sup>(4)</sup>	Beneficial owner	75,201(L)	7.5210%	[REDACTED](L)	[REDACTED]%
Huixin Qianhai <sup>(4)</sup>	Interest in a controlled corporation	75,201(L)	7.5210%	[REDACTED](L)	[REDACTED]%
Ningbo Huixin Zhiyuan Investment Management Partnership (LLP) (寧波匯信致遠投資管理合夥企業(有限合夥)) (“Ningbo Huixin”) <sup>(4)</sup>	Interest in a controlled corporation	75,201(L)	7.5210%	[REDACTED](L)	[REDACTED]%

## SUBSTANTIAL SHAREHOLDERS

Name	Nature of interest	Number of Shares of the Latest Practicable Date <sup>(1)</sup>	Approximate percentage of interest in our Company as of the Latest Practicable Date	Number of Shares immediately after the [REDACTED] and the [REDACTED] <sup>(1)</sup>	Approximate percentage of interest in our Company immediately after the [REDACTED] and the [REDACTED]
Ningbo Xinhui Qianhai Equity Investment Co., Ltd. (寧波信匯前海股權投資有限公司) (“Ningbo Xinhui”) <sup>(4)</sup>	Interest in a controlled corporation	75,201(L)	7.2510%	[REDACTED](L)	[REDACTED]%
Ms. Xie Xiongqing (謝雄清) <sup>(5)</sup>	Interest in a controlled corporation	75,201(L)	7.2510%	[REDACTED](L)	[REDACTED]%
Mr. Ye Xiang (葉翔) <sup>(5)</sup>	Interest in a controlled corporation	75,201(L)	7.2510%	[REDACTED](L)	[REDACTED]%
Ms. Ban Lifeng (班麗鳳) <sup>(5)</sup>	Interest in a controlled corporation	75,201(L)	7.2510%	[REDACTED](L)	[REDACTED]%
Ms. Ding Di (丁迪) <sup>(6)</sup>	Interest in a controlled corporation and interest of spouse	72,576(L)	7.2585%	[REDACTED](L)	[REDACTED]%
Mr. Wu Chak Man (胡澤民) <sup>(6)</sup>	Beneficial owner and interest of spouse	72,576(L)	7.2585%	[REDACTED](L)	[REDACTED]%

*Notes:*

- (1) The letter “L” denotes the person’s long position in the Shares.
- (2) Howking Tech Holding is directly held as to 56.7980% by Ms. Wang and 43.2020% by Ms. Jin. By virtue of the SFO, each of Ms. Wang and Ms. Jin is therefore deemed to be interested in any Shares in which Howking Tech Holding is interested.
- (3) Dr. Chen, our executive Director, is the spouse of Ms. Wang. Therefore, Dr. Chen is deemed to be interested in any Shares held by Ms. Wang by virtue of the SFO.

## SUBSTANTIAL SHAREHOLDERS

- (4) The sole general partner of Shanghai Jinyuan is Huixin Qianhai holding 99.99% interest. Therefore, Huixin Qianhai is deemed to be interested in any Shares held by Shanghai Jinyuan by virtue of the SFO.

Further, the sole general partner of Huixin Qianhai is Ningbo Huixin holding 1.0417% interest, whose sole general partner is Ningbo Xinhui. As such, by virtue of the SFO, each of Ningbo Huixin and Ningbo Xinhui is therefore deemed to be interested in any Shares in which Huixin Qianhai is interested.

- (5) Ms. Xie Xiongqing (謝雄清) has more than one-third interest in Huixin Qianhai as a limited partner, and each of Mr. Ye Xiang (葉翔) and Ms. Ban Lifeng (班麗鳳) has more than one-third interest in Ningbo Huixin as a limited partner. Ningbo Xinhui is also owned as to 50% by Mr. Ye Xiang and 50% by Ms. Ban Lifeng. As such, by virtue of the SFO, each of Ms. Xie Xiongqing, Mr. Ye Xiang and Ms. Ban Lifeng is deemed to be interested in any Shares in which Huixin Qianhai is interested.
- (6) The Shares in which Ms. Ding Di and Mr. Wu Chak Man are interested or deemed to be interested immediately after the [REDACTED] and the [REDACTED] will consist of (i) [REDACTED] Shares held by Zhangzhou Heze; and (ii) [REDACTED] Shares held by Mr. Wu Chak Man.

The sole general partner of Zhangzhou Heze is Ningbo Meishan Bonded Port Mofan Investment Management Co., Ltd. (寧波梅山保稅港區魔範投資管理有限責任公司) (“**Ningbo Meishan**”), which holds 0.5882% interest in Zhangzhou Heze. Ningbo Meishan is in turn owned as to 99% by Ms. Ding Di (丁迪), who also directly holds 10% interest in Zhangzhou Heze as one of its limited partners. By virtue of the SFO, each of Ningbo Meishan and Ms. Ding is therefore deemed to be interested in any Shares in which Zhangzhou Heze is interested.

Ms. Ding and Mr. Wu Chak Man (胡澤民) are the spouse of each other, and are therefore deemed to be interested in any Shares in which one another is interested as well as the Shares held by Zhangzhou Heze by virtue of the SFO.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be issued under the [REDACTED] or the exercise of any options may be granted under the Share Option Scheme), have beneficial interests or short positions in any of our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## SHARE CAPITAL

### AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the [REDACTED] and the [REDACTED]:

<i>Authorized share capital:</i>	<i>US\$</i>
300,000,000 Shares	3,000,000

Assuming that the [REDACTED] is not exercised and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED] will be as follows:

<i>Issued share capital:</i>	<i>US\$</i>
999,874 Shares in issue at the date of this Document	9,998.74

*Shares to be issued, fully paid or credited as fully paid:*

[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED] Shares to be issued pursuant to the [REDACTED]</u>	<u>[REDACTED]</u>
<u>[REDACTED] Total</u>	<u>[REDACTED]</u>

Assuming the [REDACTED] is exercised in full and without taking into account any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme, the share capital of the Company immediately following the completion of the [REDACTED] and the [REDACTED] will be as follows:

<i>Issued share capital:</i>	<i>US\$</i>
999,874 Shares in issue at the date of this Document	9,998.74

*Shares to be issued, fully paid or credited as fully paid:*

[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued upon exercise of the [REDACTED]	[REDACTED]
_____ in full	_____
<u>[REDACTED] Total</u>	<u>[REDACTED]</u>

## SHARE CAPITAL

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### ASSUMPTIONS

The above table assumes that the [REDACTED] has become unconditional and the Shares are issued pursuant to the [REDACTED] and the [REDACTED]. It takes no account of any Shares, which may be allotted and issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates of any Shares referred to below.

### MINIMUM PUBLIC FLOAT

At least [REDACTED]% of the total number of issued Shares must at all times be held by the public. The [REDACTED] represent [REDACTED]% of the issued share capital of our Company upon the [REDACTED].

### RANKING

Our Shares are ordinary shares in our share capital and rank *pari passu* with all Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of issue of such Share.

### SHARE OPTION SCHEME

We conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this Document.

### ISSUING MANDATE

Subject to the [REDACTED] becoming unconditional, our Directors have been granted by the Shareholders a general and unconditional mandate to allot, issue or deal with Shares with a total number of not more than the sum of:

- (a) 20% of the aggregate number of Shares in issue and to be issued immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares which may be allotted and issued upon the exercise of the [REDACTED] and the options which may be granted under the [REDACTED]); and
- (b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the repurchase mandate as referred to below.

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## SHARE CAPITAL

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The issuing mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company; or
- the expiration of the period within which our Company is required by the Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For more information on this issuing mandate, please refer to the section headed “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 3. Written Resolutions of all the Shareholders passed on [●]” in Appendix IV to this Document.

### REPURCHASE MANDATE

Subject to the [REDACTED] becoming unconditional, the Directors have been granted by the Shareholders a general mandate to exercise all the powers of our Company to repurchase not more than 10% of the aggregate number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares that may be allotted and issued pursuant to exercise of the [REDACTED] or the options which may be granted under the Share Option Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be [REDACTED] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules and all other applicable laws, regulations and rules.

The repurchase mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company; or
- the expiration of the period within which our Company is required by its Articles or any applicable laws of the Cayman Islands to hold its next annual general meeting; or
- when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

For more information on this repurchase mandate, please refer to “Statutory and General Information — A. Further Information about our Company and its Subsidiaries — 3. Written Resolutions of all the Shareholders passed on [●]” in Appendix IV to this Document.

## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

As a matter of Cayman Companies Act, an exempted company is not required by law to hold any general meetings or class meetings on an annual or regular basis. The holding of a general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of the Constitution of Our Company and Cayman Companies Act” in Appendix III to the Document.

Our Company has only one class of Shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolutions of Shareholders (i) increase its share capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce the share capital or capital redemption reserve by our Shareholders passing a special resolution. Besides, all or any of the special rights attached to the Shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For more information, see “Summary of the Constitution of Our Company and Cayman Companies Act” in Appendix III to this document.



## FINANCIAL INFORMATION

*You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 and our unaudited consolidated financial information for the five months ended May 31, 2021 included in the Accountant’s Report set out in Appendix I to this Document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRSs.*

*The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed “Risk Factors” in this Document.*

### OVERVIEW

We are a well-established IoT solution and telecommunication products provider and the eighth largest player in the PRC private 5G network market in terms of revenue in 2021, according to Frost & Sullivan. During the Track Record Period, we mainly provided customized IoT solutions to customers in various industries, 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. As a technology-driven company, we continuously invest and are planning to invest more in R&D, in order to cater the continuously changing needs from customers in diversified industries with advanced technologies. In particular, with the promotion of 5G commercial applications in the PRC, we have strategically started providing 5G telecommunication equipment and private 5G network solutions to our customers since 2019 and 2020, respectively.

Leveraging our advanced technology and in-depth industry insights in both radio frequency hardware and IoT software markets, we offer customized IoT solutions to our customers in manufacturing, municipal services, and other industries in the PRC to assist our customers to monitor operational conditions, improve facilities utilization, increase profitability, and enhance business operation efficiency through digitalization. Catering to customers’ specific needs, we provide our customers with flexible solution offerings by providing either integrated IoT solutions or IoT software solutions. In return, our customers pay us service fees and considerations for such solutions. In addition to our IoT solutions, we also sell 5G and other telecommunication equipment in the PRC and export antennas to the United States and Russia, which contribute a recurring and predictable revenue stream to us.

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

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## FINANCIAL INFORMATION

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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 IoT solutions and telecommunication products, revenue generated from 5G technologies-related solutions, equipment and services (“**5G business**”) amounted to RMB2.0 million, RMB69.5 million, RMB72.9 million, RMB22.0 million and RMB51.0 million in 2019, 2020 and 2021 and the five months ended May 31, 2021 and 2022, respectively, becoming a substantial portion of and contributing 40.6% of our overall revenue during the Track Record Period.

### BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed “Reorganization” in the section headed “History, Reorganization and Corporate Structure” in this Document, our Company became the holding company of the companies now comprising our Group on December 16, 2021. As the Reorganization only involved inserting new holding companies at the top of an existing company and has not resulted in any change of economic substances, our consolidated financial information has been presented as a continuation of the existing company using the pooling-of-interests method as if our Group structure had been in place at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses were established or acquired, whichever is a shorter period. The consolidated statements of financial position of our Group as of December 31, 2019, 2020 and 2021 and May 31, 2022 have been prepared to present the assets and liabilities of the subsidiaries now comprising our Group as if the current Group structure had been in existence at those dates. All intra-group transactions and balances have been eliminated on consolidation.

Our consolidated financial information has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

### KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

#### **Favorable Economic Policies in the PRC and Overseas**

All of our major markets, i.e. the PRC, the United States and Russia, have adopted economic policies that are favorable to our business, which has contributed and will continue to contribute to our growth in the IoT solution business in the PRC, particularly the private 5G network market, and in exports of antennas to the United States and Russia.

## FINANCIAL INFORMATION

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In the PRC, the government’s increasing policy support and the growing adoption of advanced telecommunication technology and digitalization in business operations have contributed to the rapid growth of the IoT solution market. The PRC Government has also adopted policies to accelerate the development and expand investments in private 5G network, which is likely to drive the demand for our private 5G network solution services and telecommunication products (particularly 5G telecommunication devices). We also benefitted from the government grants distributed to high-technology industries during the Track Record Period. In the United States, the federal government has implemented a series of policies to support the rapid development of the IoT industry, which increased the demand for our IoT antenna products. In Russia, the growingly stringent safety standard and market trend of smart control for vehicles is likely to drive the demand for smart antenna for vehicles, the major products that we sold to the Russian market. See “Industry Overview” for more details.

We expect to continue our growth in IoT solutions, equipment sales and services domestically and overseas in light of favorable policies in all our major markets, but if any national or local government discontinues any of the favorable policies or even turns them into unfavorable policies, our business performance in that market may be hindered.

### **Ability to Remain Competitive**

We are in a competitive industry, which is characterized by rapid technological advancement, downward pricing trends over the life cycle of a product or solution and high working capital requirements. We primarily compete on the following bases:

- research and development capability for new technologies and products;
- design capability for our solutions and products;
- relationships with suppliers and distributor;
- timing of introducing new solutions and products;
- implementation capability;
- after-sales services; and
- pricing and payment terms.

There can be no assurance that we will maintain our competitiveness in these areas. If we fail to develop new technologies and products, periodically enhance our existing products, maintain or improve relationships with our customers, or otherwise compete successfully, it will adversely affect our business and future prospects.

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## FINANCIAL INFORMATION

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### **Provision of IoT Solutions is Generally Project-Based and of Non-Recurring Nature. As Such, Our Financial Performance of This Business Line in a Particular Period Highly Depends on the Total Number of Projects Completed and Accepted, as well as the Financial Performance of Projects with High Contract Values During the Same Period**

During the Track Record Period, we derived a substantial portion of our revenues from the provision of IoT solutions, which are project-based and of non-recurring nature. Since our IoT solution projects are generally customized to our clients' particular needs, the technologies adopted, the contract value contribution of hardware components and the overall project size by contract value vary from project to project. In addition, the gross profit margin of our IoT solutions may vary depending on the proportion of contract value related to embedded hardware equipment. Generally, IoT solutions that focus on software development enjoy a relatively higher gross profit margin than IoT solutions that rely more on the hardware equipment embedded.

During the Track Record Period, we recognized revenue from an IoT solution project when our customer accepted the project that we had completed. As a result, the number of completed and accepted projects and the financial performance of IoT solution projects with high contract value in a particular period determine the financial performance of our IoT solution business during the same period.

Nevertheless, we are willing to accept certain projects of lower contract values or smaller profit margin because we believe our key competitive advantage lies in our higher flexibility to provide customized IoT solutions to accommodate customers of various needs.

### **Ability to Broaden our Customer Base**

We provide our IoT solution services and sell a majority of our products to a small number of key customers. For example, in 2019, 2020 and 2021 and the five months ended May 31, 2022, our revenue from the sales to our five largest customers represented 70.2%, 81.9%, 65.1% and 91.5%, respectively, of our revenue for the same periods. Revenue from the largest customer represented 20.9%, 31.8%, 22.2% and 53.3%, respectively, of our revenue for the same periods.

Our future success depends on our ability to maintain relationships with our current major customers and broaden our customer base. A broader customer base can safeguard our financial condition and results of operations by rendering us less susceptible to unanticipated demand fluctuations of our customers and other risks, including:

- significant bargaining leverage of our customers who may request changes in sales terms including pricing and payment terms and product delivery schedules to their favor;
- direct competition from customers who may decide to increase its level of internal design and manufacturing of telecommunication products;

## FINANCIAL INFORMATION

- significant loss of revenue resulted from the loss of major customers’ businesses; and
- significant credit risk as a result of the significant concentration of our account receivables.

### Ability to Control Our Costs and Expenses

Our cost of sales primarily comprises material costs and OEM expenses. Our ability to effectively control such costs and expenses may materially affect our profitability.

During the Track Record Period, material costs represented the largest component of our cost of sales, accounting for 50.8%, 72.4%, 67.4% and 31.8%, respectively, of our total cost of sales in 2019, 2020 and 2021 and the five months ended May 31, 2022. Material costs as a percentage of our cost of sales for each year/period comprising the Track Record Period varied because we tailored our purchase of materials to the specific requirement for our customized products and solutions offered for the corresponding year/period. Such percentage was exceptionally low for the five months ended May 31, 2022 mainly because our antenna exports to overseas markets declined while our domestic 5G IoT solution projects delivered were relatively small during this period, both of which required substantial material purchases before delivery. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in material costs on our gross profit for the periods indicated:

	Year ended December 31,						Five month ended May 31,			
	2019		2020		2021		2021		2022	
	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit
	<i>(RMB'000, except percentages)</i>									
	<i>(Unaudited)</i>									
15%	-3,387	-9.3%	-8,262	-16.1%	-11,201	-14.2%	-4,237	-24.5%	-2,572	-8.9%
10%	-2,258	-6.2%	-5,508	-10.7%	-7,467	-9.5%	-2,824	-16.3%	-1,715	-5.9%
5%	-1,129	-3.1%	-2,754	-5.4%	-3,734	-4.7%	-1,412	-8.2%	-857	-3.0%
-5%	1,129	3.1%	2,754	5.4%	3,734	4.7%	1,412	8.2%	857	3.0%
-10%	2,258	6.2%	5,508	10.7%	7,467	9.5%	2,824	16.3%	1,715	5.9%
-15%	3,387	9.3%	8,262	16.1%	11,201	14.2%	4,237	24.5%	2,572	8.9%

## FINANCIAL INFORMATION

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, OEM expenses represented the second-largest component of our cost of sales, accounting for 19.5%, 20.0%, 28.8% and 64.7%, respectively, of our total cost of sales for the same periods. OEM expenses as a percentage of our cost of sales were relatively stable from 2019 to 2021. Such percentage increased significantly to 64.7% for the five months ended May 31, 2022 mainly because 55.0% of revenue for the same period were derived from sales of 5G telecommunication equipment, the production of which were outsourced to our OEM partners. Any change in OEM expenses, including processing fees and materials fees paid to our OEM manufacturers, could affect our results of operations. The following table sets forth a sensitivity analysis illustrating the impact of hypothetical fluctuations in OEM expenses on our gross profit for the periods indicated:

	Year ended December 31,						Five month ended May 31,			
	2019		2020		2021		2021		2022	
	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit	Change in gross profit	% change in gross profit
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
15%	-1,299	-3.6%	-2,278	-4.4%	-4,788	-6.1%	-979	-5.7%	-5,241	-18.1%
10%	-866	-2.4%	-1,518	-3.0%	-3,192	-4.1%	-652	-3.8%	-3,494	-12.1%
5%	-433	-1.2%	-759	-1.5%	-1,596	-2.0%	-326	-1.9%	-1,747	-6.0%
-5%	433	1.2%	759	1.5%	1,596	2.0%	326	1.9%	1,747	6.0%
-10%	866	2.4%	1,518	3.0%	3,192	4.1%	652	3.8%	3,494	12.1%
-15%	1,299	3.6%	2,278	4.4%	4,788	6.1%	979	5.7%	5,241	18.1%

We expect that material costs and OEM expenses will continue to be our most significant costs and expenses that can materially affect our profitability.

### The Outbreak of Covid-19

The outbreak and continuous spread of COVID-19 have caused an adverse impact on the global economy. Our business operations and financial conditions had been and may continue to be affected by the COVID-19 pandemic. The negative impact of the COVID-19 pandemic on us was primarily in the first quarter of 2020, during which we incurred additional expenses in connection with the prevention of COVID-19 and the diagnosis and treatment of COVID-19. In the first quarter of 2020, we experienced postponement of customer orders, including a significant delay of orders from our major distributor in Russia. Nevertheless, the COVID-19 impacts on our business have been alleviated since the second half of 2020, and our revenue generated in 2021 was significantly higher than that in 2020. For more information, see “—Description of Key Statement of Profit or Loss Items” in this section.

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In the first quarter of 2022, the outbreak of the Omicron variant of COVID-19 led to the imposition of more restrictive measures and even lock-downs in major cities in China, including Shenzhen, where we had established an assembly and a testing center. Although the lock-down in Shenzhen and other restrictive measures have not severely disrupted our business so far, we cannot accurately predict what effects the Omicron variant or other new variants of COVID-19 would have on our business operation and financial performance in the future.

### Seasonality

Our business is subject to seasonal fluctuations. Revenue generated in the second half contributed to 78.3%, 89.9% and 62.0% of the total annual revenue in 2019, 2020 and 2021, respectively. This situation was mainly due to the fact that during the Track Record Period, most orders for our IoT solutions or telecommunication equipment were confirmed and completed in the second half of the year. As a result, most IoT solutions and telecommunication equipment sales were completed and delivered in the second half of the year, leading to more concentrated revenue recognition in the same period.

### CRITICAL ACCOUNTING POLICIES

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Our management also exercises judgment in applying the accounting policies.

The summary of significant accounting policies is set out in Note 2.4 to the Accountant's Report set out in Appendix I to this Document. These policies have been consistently applied to all the years and periods as disclosed, unless otherwise stated. Critical accounting estimates and judgments are set out in Note 3 to the Accountant's Report set out in Appendix I to this Document. We set forth below the accounting policies, estimates and judgments that we believe are the most significant to our financial information or that involve the most significant judgments and estimates used in the preparation of our financial statements.

### Revenue Recognition

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.



## FINANCIAL INFORMATION

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When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

### *Provision of IoT Solutions*

Revenue from provision of IoT solutions is recognized at the point in time when control of the assets or services is transferred to the customers and customer acceptance is acquired.

### *Sales of Telecommunication Equipment*

Revenue from the sales of telecommunication equipment is recognized at the point in time when control of the assets is transferred to the customers, generally on delivery of the products.

### *Other Services*

Revenue from maintenance, consulting and other services is generally recognized at the point in time when control of the assets or services is transferred to the customers and customer acceptance is acquired, or over the scheduled period on a straight-line basis or over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by us.

### **Impairment of Financial Assets**

We recognize an allowance for expected credit losses (“**ECLs**”) for all debt instruments not held at fair value through profit or loss. For trade receivables, notes receivable and contract assets that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognize a loss allowance based on lifetime ECLs at each reporting date. For trade receivables, notes receivable and contract assets that contain a significant financing component, we choose to adopt the simplified approach in calculating ECLs with policies as described above.

## FINANCIAL INFORMATION

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We use a provision matrix to calculate ECLs for trade receivables, notes receivable and contract assets. The provision matrix is initially based on the expected credit loss rates of industry peers. We will calibrate the matrix to adjust the expected credit loss with factors that are specific to the debtors and the economic environment. For peer group's assessment, we take into consideration the ECLs accounting policy, business nature and revenue size. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

The assessment of ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The peer group's expected credit loss may also not be representative of customers' actual default in the future.

### **Inventories**

Inventories are stated at the lower of costs and net realizable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Provisions**

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### **Contract Assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If we perform our contract obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

### **Income Tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

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## FINANCIAL INFORMATION

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### *Current Tax*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of year/period comprising the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

### *Deferred Tax*

Deferred tax is provided, using the liability method, on all temporary differences at the end of each year/period comprising the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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### DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(RMB'000)</i>			<i>(Unaudited)</i>	
Revenue	80,885	127,425	189,552	53,095	82,947
Cost of sales	(44,487)	(76,044)	(110,753)	(35,807)	(53,973)
<b>Gross profit</b>	<b><u>36,398</u></b>	<b><u>51,381</u></b>	<b><u>78,799</u></b>	<b><u>17,288</u></b>	<b><u>28,974</u></b>
Other income and gains	3,528	5,405	4,066	1,373	774
Selling and distribution expenses	(2,474)	(1,688)	(2,140)	(534)	(1,183)
Administrative expenses	(14,012)	(15,127)	(28,258)	(7,856)	(16,496)
Impairment losses on financial and contract assets, net	(3,019)	(4,823)	(11,478)	(2,513)	(764)
Other expenses	(98)	(1,989)	(421)	(650)	–
Finance costs	(1,688)	(366)	(500)	(231)	(127)
<b>PROFIT BEFORE TAX</b>	<b><u>18,635</u></b>	<b><u>32,793</u></b>	<b><u>40,068</u></b>	<b><u>6,877</u></b>	<b><u>11,178</u></b>
Income tax expense	(1,284)	(4,240)	(5,688)	(560)	(651)
<b>PROFIT FOR THE YEAR/PERIOD</b>	<b><u>17,351</u></b>	<b><u>28,553</u></b>	<b><u>34,380</u></b>	<b><u>6,317</u></b>	<b><u>10,527</u></b>
Attributable to:					
Owners of the parent	17,351	28,553	34,380	6,317	10,527
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>	<b><u>–</u></b>	<b><u>–</u></b>	<b><u>(486)</u></b>	<b><u>(385)</u></b>	<b><u>414</u></b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>	<b><u>17,351</u></b>	<b><u>28,553</u></b>	<b><u>33,894</u></b>	<b><u>5,932</u></b>	<b><u>10,941</u></b>

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### Non-HKFRS Measure

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also present the adjusted net profits as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. We believe that this non-HKFRS measure facilitates comparison of operating performance from period to period by eliminating impacts of [REDACTED], which are relating to the [REDACTED]. In addition, we believe that this non-HKFRS measure provides useful information to investors and others in understanding and evaluating our results of operations in the same manner as our management and in comparing financial results across the Track Record Period. The use of this non-HKFRS measure has limitations as an analytical tool. As such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of profit or loss or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore, may not be comparable to similar measures presented by other companies.

The table below sets out the adjusted net profit as a non-HKFRS measure in each respective year/period during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
			<i>(RMB'000)</i>		
				<i>(Unaudited)</i>	
Profit for the year/period	17,351	28,553	34,380	6,317	10,527
Add: [REDACTED]	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<b>Adjusted net profit for the year/period (non-HKFRS measure)</b>	<u><u>17,351</u></u>	<u><u>29,402</u></u>	<u><u>41,755</u></u>	<u><u>6,635</u></u>	<u><u>17,617</u></u>

## FINANCIAL INFORMATION

### Revenue

During the Track Record Period, we generated our revenue primarily from provision of IoT solutions and sales of telecommunication equipment. To a lesser extent, we also generated revenue from provision of other services, such as telecommunication equipment maintenance services. See “Business — Our Business Model” for more details.

The following table sets forth the breakdown of our revenue by business lines 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
<i>(RMB'000, except percentages)</i>										
<i>(Unaudited)</i>										
<i>Provision of IoT Solutions<sup>(1)</sup></i>										
5G	–	–	52,996	41.6%	59,312	31.3%	22,024	41.5%	5,401	6.5%
Non-5G	41,719	51.6%	22,522	17.7%	63,986	33.8%	7,590	14.3%	24,175	29.2%
<b>Sub-total</b>	<b>41,719</b>	<b>51.6%</b>	<b>75,518</b>	<b>59.3%</b>	<b>123,298</b>	<b>65.1%</b>	<b>29,614</b>	<b>55.8%</b>	<b>29,576</b>	<b>35.7%</b>
<i>Sales of equipment</i>										
Antennas	20,445	25.3%	23,607	18.5%	39,825	21.0%	20,334	38.3%	6,587	7.9%
5G telecommunication equipment	1,840	2.2%	16,338	12.8%	13,562	7.2%	–	–	45,617	55.0%
Other equipment <sup>(2)</sup>	8,967	11.1%	1,986	1.6%	6,582	3.4%	3,147	5.9%	486	0.6%
<b>Sub-total</b>	<b>31,252</b>	<b>38.6%</b>	<b>41,931</b>	<b>32.9%</b>	<b>59,969</b>	<b>31.6%</b>	<b>23,481</b>	<b>44.2%</b>	<b>52,690</b>	<b>63.5%</b>
<b>Others<sup>(3)</sup></b>	<b>7,914</b>	<b>9.8%</b>	<b>9,976</b>	<b>7.8%</b>	<b>6,285</b>	<b>3.3%</b>	<b>–</b>	<b>–</b>	<b>681</b>	<b>0.8%</b>
<b>Total</b>	<b>80,885</b>	<b>100.0%</b>	<b>127,425</b>	<b>100.0%</b>	<b>189,552</b>	<b>100.0%</b>	<b>53,095</b>	<b>100.0%</b>	<b>82,947</b>	<b>100.0%</b>

*Notes:*

- (1) IoT solutions include integrated IoT solutions and IoT software solutions.
- (2) Other equipment mainly include 4G telecommunication equipment, communication facility equipment and network switches (交換器).
- (3) Others mainly include telecommunication equipment maintenance and consulting services.

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The significant increase in our revenue from RMB80.9 million in 2019 to RMB189.6 million in 2021 at a CAGR of 53.1% was primarily contributable to the increase of revenue generated from provision of IoT solutions at a CAGR of 71.9% during the same periods, which was in line with the increasing demand for IoT solutions in the PRC during the Track Record Period. In particular, the launch of our private 5G network solutions in 2020 was the main driver for the growth of revenue from provision of IoT solutions from 2019 to 2020. The revenue from provision of IoT solutions continued to increase significantly from 2020 to 2021 mainly driven by the growing revenue from our private non-5G network solutions, while the revenue from private 5G network solutions remained relatively stable during this period. Furthermore, revenue generated from sales of telecommunication equipment also increased at a CAGR of 38.5% from 2019 to 2021. The revenue from this business line increased by 34.2% from RMB31.3 million in 2019 to RMB41.9 million in 2020, primarily attributable to increased sales of 5G telecommunication equipment in 2020. The significant increase in revenue generated from sales of telecommunication equipment from 2020 to 2021 was primarily attributable to the increase in our antenna export business to overseas markets. Our revenue from sales of telecommunication equipment further increased by 124.4% from RMB23.5 million for the five months ended May 31, 2021 to RMB52.7 million for the same period in 2022, primarily attributable to the sales of 5G pRRU, a type of 5G telecommunication equipment, at the amount of RMB44.2 million to the largest customer for the five months ended May 31, 2022.

In terms of the telecommunication technology adopted in our solutions, products and services, we further divide our revenues into revenues generated from solutions, products and services adopting 5G technologies and non-5G technologies as set forth in the table below:

	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
	<i>(RMB'000, except percentages)</i>									
	<i>(Unaudited)</i>									
5G Business	1,972	2.4%	69,463	54.5%	72,874	38.4%	22,024	41.5%	51,018	61.5%
Non-5G Business	78,913	97.6%	57,962	45.5%	116,678	61.6%	31,071	58.5%	31,929	38.5%
<b>Sub-total</b>	<b>80,885</b>	<b>100.0%</b>	<b>127,425</b>	<b>100.0%</b>	<b>189,552</b>	<b>100.0%</b>	<b>53,095</b>	<b>100.0%</b>	<b>82,947</b>	<b>100.0%</b>

We started our 5G business in 2019. Since we launched our first private 5G network solution project in 2020, revenue generated from 5G business has increased significantly. Nevertheless, our non-5G business remains a major focus of our business, the revenue from which continued to grow during the Track Record Period except a setback in 2020 due to the COVID-19 pandemic.



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Geographically, we derived our revenue from the PRC, Russia and the United States. Our business in the PRC covers the provision of IoT solutions, sales of telecommunication equipment and other services, while we only export vehicle-mounted antenna and IoT antenna to Russia and the United States, respectively. 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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
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%
<b>Sub-total</b>	<b><u>80,885</u></b>	<b><u>100.0%</u></b>	<b><u>127,425</u></b>	<b><u>100.0%</u></b>	<b><u>189,552</u></b>	<b><u>100.0%</u></b>	<b><u>53,095</u></b>	<b><u>100.0%</u></b>	<b><u>82,947</u></b>	<b><u>100.0%</u></b>

During the Track Record Period, as we increased our efforts to promote IoT solutions and 5G telecommunication equipment in the PRC, revenue derived from the PRC has increased significantly.

Our revenues derived from Russia, which were mainly attributable to our export of vehicle-mounted antenna, remained relatively stable from 2019 to 2020. The revenue derived from Russia increased significantly by 84.5% from RMB13.2 million in 2020 to RMB24.3 million in 2021, primarily attributable to the increasing number of orders from our Russian distributor. Our revenue derived from Russia decreased significantly by 76.6% from RMB10.7 million for the five months ended May 31, 2021 to RMB2.5 million for the same period in 2022, to a large extent due to the Russia-Ukraine conflicts in 2022. Our revenue derived from the U.S. market increased by 44.2% from RMB7.2 million in 2019 to RMB10.4 million in 2020 and by 48.8% to RMB15.5 million in 2021 primarily attributable to the growing market demand for IoT antenna in the United States during the same year. Our revenue derived from the U.S. market decreased by 57.7% from RMB9.7 million for the five months ended May 31, 2021 to RMB4.1 million for the same period in 2022 mainly because the global chip shortage affected the business of our U.S. customer, who in turn reduced purchasing orders from us.

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### Cost of Sales

Cost of sales primarily includes (i) material costs, (ii) OEM expenses and (iii) labor costs.

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

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Cost	% of cost of sales	Cost	% of cost of sales	Cost	% of cost of sales	Cost	% of cost of sales	Cost	% of cost of sales
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Material costs	22,579	50.8%	55,081	72.4%	74,674	67.4%	28,244	78.9%	17,148	31.8%
OEM expenses	8,661	19.5%	15,184	20.0%	31,921	28.8%	6,524	18.2%	34,940	64.7%
Labor costs	12,269	27.6%	5,081	6.7%	3,069	2.8%	635	1.8%	1,358	2.5%
Others <sup>(1)</sup>	978	2.1%	698	0.9%	1,089	1.0%	404	1.1%	527	1.0%
<b>Sub-total</b>	<b>44,487</b>	<b>100.0%</b>	<b>76,044</b>	<b>100.0%</b>	<b>110,753</b>	<b>100.0%</b>	<b>35,807</b>	<b>100.0%</b>	<b>53,973</b>	<b>100.0%</b>

*Note:*

- (1) Others mainly include amortization and depreciation in our right-of-use assets and other direct expenses.

Material costs primarily represent costs in purchasing materials and equipment, which constituted the largest portion of our cost of sales during the Track Record Period. OEM expenses mainly consist of processing fees and material fees that we paid to our OEM manufacturers. Labor costs mainly consist of salaries and employment benefit that we paid to our employees for equipment testing, software deployment and operation maintenance, as well as outsourcing service fees. Our labor costs and its contribution to the total cost of sales in 2019 were significantly higher than those in 2020 and 2021 mainly because more projects required labor outsourcing for onsite installations.

The increases in cost of sales during the Track Record Period were mainly due to the increases in both material costs and OEM expenses as a result of more purchases of equipment, other materials and OEM services driven by the increasing number of projects undertaken by us and sales of telecommunication equipment.

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In addition, the following table sets out the breakdown of our cost of sales by business lines for the periods indicated:

	Year ended December 31,						Five months ended May 31,			
	2019		2020		2021		2021		2022	
	Cost	% of cost of sales	Cost	% of cost of sales	Cost	% of cost of sales	Cost	% of cost of sales	Cost	% of cost of sales
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Provision of IoT Solutions	17,555	39.5%	45,521	59.9%	66,088	59.7%	20,206	56.4%	15,216	28.2%
Sales of telecommunication equipment	23,731	53.3%	28,394	37.3%	41,508	37.5%	15,601	43.6%	38,710	71.7%
Others <sup>(1)</sup>	3,201	7.2%	2,129	2.8%	3,157	2.8%	-	-	47	0.1%
<b>Sub-total</b>	<b>44,487</b>	<b>100.0%</b>	<b>76,044</b>	<b>100.0%</b>	<b>110,753</b>	<b>100.0%</b>	<b>35,807</b>	<b>100.0%</b>	<b>53,973</b>	<b>100.0%</b>

The cost of sales for each major business line generally increased in line with the increase in revenue of each business line.

### Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business lines for the periods indicated:

	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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
Provision of IoT Solutions	24,164	57.9%	29,997	39.7%	57,210	46.4%	9,408	31.8%	14,360	48.6%
Sales of telecommunication equipment	7,521	24.1%	13,537	32.3%	18,461	30.8%	7,880	33.6%	13,980	26.5%
Others	4,713	59.6%	7,847	78.7%	3,128	49.8%	-	-	634	93.1%
<b>Sub-total</b>	<b>36,398</b>	<b>45.0%</b>	<b>51,381</b>	<b>40.3%</b>	<b>78,799</b>	<b>41.6%</b>	<b>17,288</b>	<b>32.6%</b>	<b>28,974</b>	<b>34.9%</b>

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The provision of IoT solutions was our largest business line during the Track Record Period in terms of gross profit contribution, which contributed 64.3% of our total gross profit during the same period. We generally price our IoT solutions on a “cost-plus” basis, under which we estimate costs to be incurred in the project and add a reasonable margin with reference to the market price. The price determination process is generally conducted on a project-by-project basis. In general, our IoT solutions without or with less equipment embedded have a higher gross profit margin.

The gross profit margin of our IoT solutions decreased from 57.9% in 2019 to 39.7% in 2020 despite the gross profit increase, mainly due to the launch of our private 5G network solutions in 2020, the gross profit margin of which is lower than that of non-5G network solutions, as our private 5G network solutions generally incurred higher material costs for the 5G equipment embedded in such solutions. The gross profit margin of our IoT solutions increased from 39.7% in 2020 to 46.4% in 2021, primarily attributable to the increasing proportion of gross profit derived from non-5G IoT solutions in 2021, which were more software-based and had relatively higher gross profit margin. For the same reason, the gross profit margin of our IoT solutions increased from 31.8% for the five months ended May 31, 2021 to 48.6% for the same period in 2022.

Our second-largest business line in terms of gross profit contribution was sales of telecommunication equipment, which contributed 27.4% of our total gross profit during the Track Record Period. The gross profit margin of our sales of telecommunication equipment increased from 24.1% in 2019 to 32.3% in 2020 mainly attributable to the increasing gross profit margin of our antenna products, which contributed to the largest portion of our gross profit from the sales of telecommunication equipment in 2020. The increasing gross profit margin of our antenna products was primarily attributable to the relatively higher gross profit margin of IoT antenna products that we exported to the United States in 2020. The gross profit margin of sales of telecommunication equipment remained relatively stable at 32.3% in 2020 and 30.8% in 2021, but decreased from 33.6% for the five months ended May 31, 2021 to 26.5% for the same period in 2022, as our sales of telecommunication equipment became more concentrated on 5G telecommunication equipment, which tends to have a lower profit margin but a higher contract value than antenna products that contributed most of the revenue generated from sales of telecommunication equipment for the five months ended May 31, 2021.

## FINANCIAL INFORMATION

In addition, our gross profit can also be divided into gross profit from 5G business and non-5G business. The following table sets forth a breakdown of our gross profit and gross profit margin by 5G and non-5G business for the periods indicated:

	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
	<i>(RMB'000, except percentages)</i>						<i>(Unaudited)</i>			
5G business	868	44.0%	22,632	32.6%	22,655	31.1%	7,270	33.0%	13,426	26.3%
Non-5G business	35,530	45.0%	28,749	49.6%	56,144	48.1%	10,018	32.2%	15,548	48.7%
<b>Sub-total</b>	<b>36,398</b>	<b>45.0%</b>	<b>51,381</b>	<b>40.3%</b>	<b>78,799</b>	<b>41.6%</b>	<b>17,288</b>	<b>32.6%</b>	<b>28,974</b>	<b>34.9%</b>

Gross profit attributable to our 5G business increased significantly from RMB0.9 million in 2019 to RMB22.6 million in 2020, primarily attributable to the increasing number of 5G solutions and products that we provided and sold for the same year as a result of the expansion and development of private 5G network market, and it remained relatively stable at RMB22.7 million in 2021. The gross profit margin of our 5G business decreased from 44.0% in 2019 to 32.6% in 2020 mainly because we strategically switched our 5G business focus from sales of 5G antenna products in 2019, to (i) sales of 5G base station and (ii) provision of IoT solution projects involving 5G base stations in 2020, which generally had a lower profit margin but higher contract value than 5G antenna products. The gross profit margin of our 5G business remained stable at 32.6% in 2020 and at 31.1% in 2021, respectively, but it decreased significantly from 33.0% for the five months ended May 31, 2021 to 26.3% for the same period in 2022 despite the gross profit growth during the same period. The decrease in gross profit margin during this period was mainly because the sales of 5G telecommunication equipment that contributed to 89.3% of all gross profit for the five months ended May 31, 2022 had a lower gross profit margin than the 5G IoT solution that contributed to all gross profit for the same period in 2021.

## FINANCIAL INFORMATION

Gross profit contributed to our non-5G business decreased from RMB35.5 million in 2019 to RMB28.7 million in 2020, but significantly increased to RMB56.1 million in 2021, which generally reflected the fluctuations in our revenue from non-5G business. The gross profit margin of our non-5G business increased from 45.0% in 2019 to 49.6% in 2020 mainly attributable to the increase in the gross profit margin of our non-5G telecommunication equipment sold in 2020, which concentrated on the sales of equipment with higher gross profit margin in 2020. In 2019, in order to maintain our market share in the relatively mature and competitive non-5G equipment market in the PRC, we sold a variety of non-5G telecommunication equipment with gross profit margins ranging from less than 10.0% to over 50.0%. However, in 2020, we strategically decided to cease selling non-5G telecommunication equipment with low profit margins, such as 4G LTE module (4G LTE模塊), and communication facility equipment (計算機機房系統集成設備), and focused more on products with higher gross profit margins ranging from 25.0% to 55.0%, such as non-5G exported antennas and base station antennas. The gross profit margin of our non-5G business increased from 32.2% for the five months ended May 31, 2021 to 48.7% for the same period in 2022 mainly because more non-5G gross profit was generated from the provision of IoT solutions for the five months ended May 31, 2022, which generally had a higher gross profit margin, while antenna exports to Russia and the United States, which had a lower gross profit margin, decreased in early 2022 as a result of the Russia-Ukraine conflicts and global chip shortage, respectively.

In addition, when we just launched our 5G business mainly by selling 5G antenna products in 2019, the gross profit margin of 5G business and non-5G business are similar at 44.0% and 45.0%, respectively. However, the overall gross profit margin of 5G business was lower compared to that of our non-5G business in 2020 and 2021 mainly because our 5G IoT solutions, which contributed to the majority of all 5G business revenue in the same years, generally have a higher proportion of contract value from hardware equipment installed and deployed in a 5G solution project as compared to that in a non-5G solution project, and the gross profit margin of hardware equipment is generally lower than that of software development and affiliated services. In particular, (i) in 2020, the provision of 5G IoT solutions that contributed to 79.4% of our 5G gross profit derived 83.4% of all contract value from hardware equipment, whereas non-5G IoT solutions that contributed to 41.8% of total non-5G gross profit only derived 25.7% of total contract value from hardware equipment in the same year; and (ii) in 2021, the provision of 5G IoT solutions that contributed to 83.3% of our 5G gross profit derived 43.9% of all contract value from hardware equipment, whereas non-5G IoT solutions that contributed to 68.3% of total non-5G gross profit only derived 2.0% of total contract value from hardware equipment.

## FINANCIAL INFORMATION

### Other Income and Gains

Our other income and gains primarily consist of (i) government grants, (ii) interest income, and (iii) gains on derecognition of financial assets and liabilities measured at amortized cost. The following table sets forth a breakdown of our other income and gains by nature for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
			(RMB'000)		
				(Unaudited)	
Government grants <sup>(1)</sup>	1,223	3,508	3,845	1,277	427
Interest income <sup>(2)</sup>	1,158	1,179	221	96	96
Gain on liquidation of subsidiaries <sup>(3)</sup>	955	14	–	–	59
Others <sup>(4)</sup>	192	704	–	–	192
<b>Total</b>	<b>3,528</b>	<b>5,405</b>	<b>4,066</b>	<b>1,373</b>	<b>774</b>

*Notes:*

- (1) Government grants mainly include (i) VAT deductions for software products and subsidies for technology development, invention patents and R&D investment, as well as (ii) other general support from government, such as subsidies to relieve COVID-19 impacts. During the Track Record Period, we enjoyed VAT deductions for the software products integrated into our IoT solution projects. Pursuant to the relevant policy of the PRC Ministry of Finance and the PRC State Taxation Administration, the part of actual VAT burden exceeding 3% shall be refunded upon collection. As a result, we were entitled to an aggregate VAT deduction of RMB3.6 million during the Track Record Period.
- (2) Interest income comprises (i) bank interest income, (ii) interest income arising from revenue contracts, (iii) other interest income from loans to related parties, and (iv) other interest income from financial assets at fair value through profit or loss.
- (3) Gain on liquidation of subsidiaries refers to the waiver of other payables as a result of the deregistration of one subsidiary in 2019 and one subsidiary in 2022.
- (4) Others mainly consist of (i) gain on disposal of items of inventory, (ii) fair value gains, and (iii) foreign exchange gains.



## FINANCIAL INFORMATION

The table below sets forth a breakdown of our government grants by types for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
				(RMB'000)	
				(Unaudited)	
VAT deductions for software products (ongoing) <sup>(1)</sup>	–	1,761	1,828	1,035	1
Subsidies for technology development, invention patents and R&D investments (one-off)	982	1,577	1,985	242	389
Others <sup>(2)</sup>	241	170	32	–	37
<b>Total</b>	<b>1,223</b>	<b>3,508</b>	<b>3,845</b>	<b>1,277</b>	<b>427</b>

*Note:*

- (1) The government policy in relation to the VAT deductions for software product had been effective since January 2011.
- (2) Others include one-off subsidies, such as subsidies to support local industrial enterprises and to relieve COVID-19 impacts, and ongoing subsidies, such as input VAT deductions and subsidies for childbirth.

The fluctuation in our other income and gains during the Track Record Period mainly reflects the fluctuation in government grants that were distributed at the discretion of local governments in Nanjing and Shenzhen.

## FINANCIAL INFORMATION

### Selling and Distribution Expenses

Our selling and distribution expenses mainly consist of (i) staff costs, (ii) travelling expenses, (iii) depreciation, and (iv) entertainment expenses. The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(RMB'000)</i>			<i>(Unaudited)</i>	
Staff costs	1,006	996	1,322	373	848
Travelling expenses	1,187	176	664	117	169
Depreciation	93	106	100	37	51
Entertainment expenses	152	181	29	1	106
Others <sup>(1)</sup>	36	229	25	6	9
<b>Total</b>	<b><u>2,474</u></b>	<b><u>1,688</u></b>	<b><u>2,140</u></b>	<b><u>534</u></b>	<b><u>1,183</u></b>

*Note:*

(1) Others mainly consist of office expenses, consulting fees and services fees.

Staff costs primarily comprise salaries and social insurance and housing fund contributions for our sales staff. Travelling expenses primarily comprise expenses on transportation, meals, accommodation and other subsidies for business development purposes. Depreciation primarily comprises depreciation of right-of-use assets. Entertainment expenses primarily refer to expenses incurred for promotional and business development purposes.

## FINANCIAL INFORMATION

### Administrative Expenses

Our administrative expenses primarily consist of (i) R&D expenses, (ii) staff costs, (iii) [REDACTED], (iv) consulting expenses, (v) depreciation & amortization, (vi) office expenses, and (vii) tax surcharges.

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

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
			<i>(RMB'000)</i>		
				<i>(Unaudited)</i>	
R&D expenses	7,672	7,042	9,791	3,902	5,284
Staff costs	2,167	3,510	5,057	1,980	2,195
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Consulting expenses	2,011	1,193	2,390	484	580
Depreciation & amortization	391	426	958	337	422
Office expenses	461	519	908	343	245
Tax surcharges	700	1,078	1,204	305	444
Others <sup>(1)</sup>	610	510	575	187	236
<b>Total</b>	<b>14,012</b>	<b>15,127</b>	<b>28,258</b>	<b>7,856</b>	<b>16,496</b>

*Note:*

(1) Others mainly include travelling expenses, entertainment expenses and rental expenses.

R&D expenses primarily consist of salaries, allowances, benefits in kind and pension scheme contributions of our R&D personnel, R&D expenses paid to external institutions and material costs and depreciation of machinery for R&D purposes. Staff costs primarily comprise salaries, allowances, benefits in kind and pension scheme contributions of our administrative staff. [REDACTED] were incurred in connection with the [REDACTED] of the Company. Consulting expenses mainly consist of consulting fees we paid to patent agencies for patent applications and consultancy, recruitment costs and audit expenses.

## FINANCIAL INFORMATION

### Impairment Losses on Financial and Contract Assets

We recognize an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. We use a provision matrix to calculate ECLs for trade receivables, notes receivable and contract assets based on historical expected default rates of industry peers and days past due for groupings of various customers with similar loss pattern.

Our impairment losses on financial and contract assets in 2019, 2020 and 2021 and the five months ended May 31, 2022 were RMB3.0 million, RMB4.8 million, RMB11.5 million and RMB0.8 million, respectively. For details, see “— Certain Balance Sheet Items — Trade and Notes Receivables” in this section.

### Other Expenses

Our other expenses primarily consist of exchange difference loss.

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
			<i>(RMB'000)</i>		
				<i>(Unaudited)</i>	
Exchange difference loss	–	1,875	353	643	–
Others <sup>(1)</sup>	98	114	68	7	–
<b>Total</b>	<b>98</b>	<b>1,989</b>	<b>421</b>	<b>650</b>	<b>–</b>

*Note:*

- (1) Others mainly include overdue tax payments after tax return amendments, inventory loss and loss from disposal of non-current assets.

Our other expenses in 2019, 2020 and 2021 and the five months ended May 31, 2022 were RMB0.1 million, RMB2.0 million, RMB0.4 million and nil, respectively. Other expenses were exceptionally high in 2020 due to an exchange loss of RMB1.9 million as a result of depreciation of USD against RMB in 2020.

## FINANCIAL INFORMATION

### Finance Costs

Our finance costs comprise (i) interest on loans from a related party, (ii) interest on bank loans, and (iii) interest on lease liabilities. The following table sets forth a breakdown of finance costs for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(RMB'000)</i>			<i>(Unaudited)</i>	
Interest on loans from a related party	1,580	–	–	–	–
Interest on bank loans	6	299	368	185	68
Interest on lease liabilities	102	67	132	46	59
<b>Total</b>	<b><u>1,688</u></b>	<b><u>366</u></b>	<b><u>500</u></b>	<b><u>231</u></b>	<b><u>127</u></b>

### Income Tax Expense

Our income tax expense consists of current income tax and deferred income tax. Current income tax comprises only PRC corporate income tax. The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(RMB'000)</i>			<i>(Unaudited)</i>	
Current	830	4,157	7,462	1,085	823
Deferred	454	83	(1,774)	(525)	(172)
<b>Total</b>	<b><u>1,284</u></b>	<b><u>4,240</u></b>	<b><u>5,688</u></b>	<b><u>560</u></b>	<b><u>651</u></b>

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, our Company and subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

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## FINANCIAL INFORMATION

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The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the Track Record Period.

The provision for current income tax in the PRC is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of our Group as determined in accordance with the *PRC Corporate Income Tax Law*, which became effective on January 1, 2008, except for certain subsidiaries of our Group in the PRC which are granted tax concession and are taxed at preferential tax rates.

Nanjing Howking and Shenzhen Wulian were recognized as a High and New Technology Enterprise and entitled to a preferential income tax rate of 15% for 2019, 2020 and 2021. The preferential tax treatments were granted to both subsidiaries in December 2019 and will expire in December 2022, subject to further renewal. For further information, please see “Risk Factors — Risks Relating to Our Business and Industry — We are subject to risks associated with changes in government grants and preferential tax treatment.”

Our effective income tax rate, representing income tax expense divided by profit before income tax, expressed as a percentage, was 6.9%, 12.9%, 12.4% and 5.8% for 2019, 2020, 2021 and the five months ended May 31, 2022, respectively. The effective income tax rate in 2019 was exceptionally low because the deregistration of two subsidiaries in 2019 resulted in investment loss deductibles.

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Five Months Ended May 31, 2022 Compared to Five Months Ended May 31, 2021

##### *Revenue*

Our revenue 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 primarily attributable to the increases in sales of 5G telecommunication equipment and provision of non-5G IoT solutions.

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## FINANCIAL INFORMATION

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Our revenue from provision of IoT solutions remained approximately the same at RMB29.6 million for the five months ended May 31, 2021 and 2022, respectively. Our revenue from provision of non-5G IoT solutions increased from RMB7.6 million for the five months ended May 31, 2021 to RMB24.2 million for the same period in 2022 mainly because we delivered non-5G IoT solution projects to two major customers in the first five months of 2022, each of whom brought over RMB10.0 million in revenue. On the other hand, our revenue from provision of 5G IoT solutions decreased from RMB22.0 million for the five months ended May 31, 2021 to RMB5.4 million for the same period in 2022 as 5G IoT solution projects delivered in the first five months of 2022 were smaller in size than the project delivered in the same period of 2021, despite the increase in project number.

Our revenue from sales of telecommunication equipment increased by 124.4% from RMB23.5 million for the five months ended May 31, 2021 to RMB52.7 million for the same period in 2022, primarily attributable to increasing sales of 5G telecommunication equipment in the first five months of 2022, which mainly consisted of our sales of 5G pRRU at the amount of RMB44.2 million to the largest customer for the five months ended May 31, 2022.

### *Costs of Sales*

Our cost of sales increased by 50.7% from RMB35.8 million for the five months ended May 31, 2021 to RMB54.0 million for the same period in 2022. The increase primarily reflected increasing OEM expenses to support the increasing sales of our 5G telecommunication equipment.

Our OEM expenses increased by 435.6% from RMB6.5 million for the five months ended May 31, 2021 to RMB34.9 million for the same period in 2022 to support our sales of 5G telecommunication equipment, which grew from nil to RMB45.6 million in revenue during the same period. Our material costs decreased by 39.3% from RMB28.2 million for the five months ended May 31, 2021 to RMB17.1 million for the same period in 2022 as such costs were partially shifted to our OEM partners and recorded as our OEM expenses. Our labor costs increased by 113.9% from RMB0.6 million for the five months ended May 31, 2021 to RMB1.4 million for the same period in 2022 due to the expansion of our workforce and the overall salary raise.

### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, our gross profit increased significantly by 67.6% from RMB17.3 million for the five months ended May 31, 2021 to RMB29.0 million for the same period in 2022. Our gross profit margin remained relatively stable at 32.6% and 34.9%, respectively, during the same periods.



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## FINANCIAL INFORMATION

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### *Other Income and Gains*

Our other income and gains decreased by 43.6% from RMB1.4 million for the five months ended May 31, 2021 to RMB0.8 million for the same period in 2022, primarily due to the decrease in VAT deduction as a form of government grant mainly as a result of our entitlement to delayed VAT payment in the first five months of 2022.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 121.5% from RMB0.5 million for the five months ended May 31, 2021 to RMB1.2 million for the same period in 2022 mainly due to increasing salaries paid to our sales team, which had expanded to support our business development.

### *Administrative Expenses*

Our administrative expenses increased by 110.0% from RMB7.9 million for the five months ended May 31, 2021 to RMB16.5 million for the same period in 2022 mainly due to the increases in [REDACTED] in connection with the [REDACTED] of the Company and R&D expenses.

### *Impairment Losses on Financial and Contract Assets*

Our impairment losses on financial and contract assets decreased by 69.6% from RMB2.5 million for the five months ended May 31, 2021 to RMB0.8 million for the same period in 2022 mainly attributable to our efforts to collect overdue trade receivables that resulted in a decrease in the impairment allowance for trade receivables aged over one year.

### *Other Expenses*

Our other expenses for the five months ended May 31, 2021 were RMB0.7 million, mainly consisting of foreign exchange losses as a result of fluctuations in exchange rates, while we recorded no other expenses for the same period in 2022.

### *Finance Costs*

Our finance costs decreased by 45.0% from RMB0.2 million for the five months ended May 31, 2021 to RMB0.1 million for the same period in 2022 mainly attributable to the decrease in interest on bank loans.

### *Income Tax Expense*

Our income tax expense for the five months ended May 31, 2021 was RMB0.6 million at an effective income tax rate of 8.1%, while our income tax expense for the same period in 2022 was RMB0.7 million at an effective income tax rate of 5.8%. The growth in income tax expenses is in line with the increases in revenue and gross profit, reflecting our overall business expansion.

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## FINANCIAL INFORMATION

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### *Profit for the Period*

As a result of the foregoing, our profit for the period 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. Our net profit margin, which represents profit for the period as a percentage of revenue for the same period, increased slightly from 11.9% for the five months ended May 31, 2021 to 12.7% for the same period in 2022.

### **Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

#### *Revenue*

Our revenue increased by 48.8% from RMB127.4 million in 2020 to RMB189.6 million in 2021 primarily attributable to overall increase in market demand in our major business lines.

Our revenue from provision of IoT solutions increased by 63.3% from RMB75.5 million in 2020 to RMB123.3 million in 2021, primarily attributable to the increasing number of IoT solution projects from 13 in 2020 to 34 in 2021.

Our sales of telecommunication equipment comprise antennas, 5G telecommunication equipment and other telecommunication equipment. Our revenue from sales of telecommunication equipment increased by 43.0% from RMB41.9 million in 2020 to RMB60.0 million in 2021, primarily attributable to the increasing revenue generated from exporting antennas to the United States and Russia from 2020 to 2021.

Others primarily comprise telecommunication equipment maintenance services. Our revenue from other services decreased from RMB10.0 million in 2020 to RMB6.3 million in 2021, primarily because we concentrated on the development of our IoT solutions in 2021.

#### *Costs of Sales*

Our cost of sales increased by 45.6% from RMB76.0 million in 2020 to RMB110.8 million in 2021. The increase was primarily due to the overall expansion of our business and reflected our revenue growth.

Our material costs increased by 35.6% from RMB55.1 million in 2020 to RMB74.7 million in 2021 primarily due to the increasing purchases of raw materials and equipment as we received more orders for the provision of IoT solutions and telecommunication equipment sales. Our OEM expenses increased by 110.2% from RMB15.2 million in 2020 to RMB31.9 million in 2021 mainly because the growth of our antenna export business and the manufacturing of more 5G base station in 2021 required more OEM work.

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## FINANCIAL INFORMATION

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### *Gross Profit and Gross Profit Margin*

As a result of the foregoing, our gross profit significantly increased by 53.4% from RMB51.4 million in 2020 to RMB78.8 million in 2021. Our gross profit margin remained relatively stable at 40.3% in 2020 and 41.6% in 2021.

### *Other Income and Gains*

Our other income and gains decreased significantly by 24.8% from RMB5.4 million in 2020 to RMB4.1 million in 2021, primarily due to the decrease in interest income generated from our investment in wealth management products as a result of the redemption of such products in 2021.

### *Selling and Distribution Expenses*

Our selling and distribution expenses increased by 26.8% from RMB1.7 million in 2020 to RMB2.1 million in 2021 mainly due to the increase in traveling expenses for business expansion and the salary raise for our staff in 2021.

### *Administrative Expenses*

Our administrative expenses increased significantly by 86.8% from RMB15.1 million in 2020 to RMB28.3 million in 2021, primarily due to (i) an increase in our R&D expenses as a result of the hiring of 12 additional R&D staff and the overall salary raise for our employees 2021; and (ii) an increase in [REDACTED] of RMB[REDACTED].

### *Impairment Losses on Financial and Contract Assets*

Our net impairment losses on financial and contract assets increased by 138.0% from RMB4.8 million in 2020 to RMB11.5 million in 2021 primarily due to the enlarging amount and aging of trade receivables in line with our revenue growth from 2020 to 2021. For details, see “— Certain Balance Sheet Items — Trade and Notes Receivables” in this section.

### *Other Expenses*

Our other expenses decreased significantly by 78.8% from RMB2.0 million in 2020 to RMB0.4 million in 2021, primarily attributable to a decrease in exchange difference loss in 2021 as the depreciation of USD against RMB was less significant in 2021 compared to that in 2020.

### *Finance Costs*

Our finance costs increased from RMB0.4 million in 2020 to RMB0.5 million in 2021, primarily due to an increase in interests on bank loans as a result of four new bank loans with a total principal amount of RMB9.1 million.

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## FINANCIAL INFORMATION

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### *Income Tax Expense*

Our income tax expense in 2021 was RMB5.7 million, and the effective income tax rate was 12.4%. The effective income tax rate in 2021 is lower than 12.9% in 2020 because of the increase in the additional deductible allowance for research and development costs.

### *Profit for the Year*

As a result of the foregoing, our profit for the year increased by 20.4% from RMB28.6 million in 2020 to RMB34.4 million in 2021. Our net profit margin, which represents profit for the year as a percentage of revenue for the same year, decreased from 22.4% in 2020 to 18.1% in 2021.

### **Year Ended December 31, 2020 Compared to Year Ended December 31, 2019**

#### *Revenue*

Our revenue increased by 57.5% from RMB80.9 million in 2019 to RMB127.4 million in 2020. The increase of our revenue from 2019 to 2020 was primarily attributable to the increase in revenue generated from both provision of IoT solutions and sales of telecommunication equipment.

Our revenue generated from provision of IoT solutions increased by 81.0% from RMB41.7 million in 2019 to RMB75.5 million in 2020, primarily because favorable government policies regarding 5G development paved way for our procurement of more private 5G network solution projects in 2020, such as a 5G smart mining project in Guilin.

Our revenue generated from sales of telecommunication equipment increased by 34.2% from RMB31.3 million in 2019 to RMB41.9 million in 2020, primarily attributable to increased sales of 5G telecommunication equipment by RMB14.5 million.

Revenue generated from other services also increased by 26.1% from RMB7.9 million in 2019 to RMB10.0 million in 2020, primarily attributable to the growth of 4G telecommunication services.

#### *Costs of Sales*

Our cost of sales increased by 70.9% from RMB44.5 million in 2019 to RMB76.0 million in 2020 mainly due to the increase in both materials costs and OEM expenses, which were partially offset by the decrease in labor costs for the same period.

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## FINANCIAL INFORMATION

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Our material costs increased by 143.9% from RMB22.6 million in 2019 to RMB55.1 million in 2020 primarily due to enlarging IoT project size and increasing sales of telecommunication. Our OEM expenses increased by 75.3% from RMB8.7 million in 2019 to RMB15.2 million in 2020 mainly because the manufacturing of 5G base stations incurred more OEM expenses in 2020. Our labor costs decreased by 58.6% from RMB12.3 million in 2019 to RMB5.1 million in 2020 mainly because more projects required labor outsourcing for onsite installations in 2019.

### ***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by 41.2% from RMB36.4 million in 2019 to RMB51.4 million in 2020. Our gross profit margin decreased from 45.0% in 2019 to 40.3% in 2020. The decrease in our gross profit margin was primarily due to the enlarging proportion of revenue derived from IoT solution projects with a relatively lower gross profit margin due to increasing supply of hardware in these IoT solution projects in 2020.

### ***Other Income and Gains***

Our other income and gains increased by 53.2% from RMB3.5 million in 2019 to RMB5.4 million in 2020, primarily attributable to increasing amount of government grants from local governments’ discretionary incentives in 2020, such as an entrepreneurship award to innovative companies and software value-added tax refunds, to promote high-tech companies like our Group in 2020.

### ***Selling and Distribution Expenses***

Our selling and distribution expenses decreased by 31.8% from RMB2.5 million in 2019 to RMB1.7 million in 2020, primarily attributable to the significant decrease in travel expenses as a result of COVID-19 travel restrictions in 2020.

### ***Administrative Expenses***

Our administrative expenses slightly increased from RMB14.0 million in 2019 to RMB15.1 million in 2020 primarily due to the increase in staff costs of RMB1.3 million as a result of business growth.

### ***Impairment Losses on Financial and Contract Assets***

Our impairment losses on financial and contract assets increased by 59.8% from RMB3.0 million in 2019 to RMB4.8 million 2020 due to the enlarging amount and aging of trade receivables in line with our revenue growth from 2019 to 2020.

## FINANCIAL INFORMATION

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### *Other Expenses*

Our other expenses increased significantly by 1,929.6% from RMB0.1 million in 2019 to RMB2.0 million in 2020, primarily due to a significant exchange difference loss as a result of depreciation of USD, the denominated currency for our sales of IoT antennas, against RMB in 2020.

### *Finance Costs*

Our finance costs decreased significantly by 78.3% from RMB1.7 million in 2019 to RMB0.4 million in 2020, primarily due to our full repayment of loans and interests to a related party by the end of 2020.

### *Income Tax Expense*

Our income tax expense increased significantly by 230.2% from RMB1.3 million in 2019 to RMB4.2 million in 2020, and our effective income tax rate increased from 6.9% in 2019 to 12.9% in 2020. Our effective income tax rate in 2019 was exceptionally low primarily as a result of tax exemptions and deductibles derived from the de-registrations of two subsidiaries in 2019.

### *Profit for the Year*

As a result of the foregoing, our profit for the year increased significantly by 64.6% from RMB17.4 million in 2019 to RMB28.6 million in 2020. Our net profit margin, which represents profit for the year as a percentage of revenue, slightly increased from 21.5% in 2019 to 22.4% in 2020, primarily attributable to the stabilization of costs combined with increasing revenue in 2020.

## FINANCIAL INFORMATION

### CERTAIN BALANCE SHEET ITEMS

	As of December 31,			As of
	2019	2020	2021	May 31, 2022
	<i>(RMB'000)</i>			
<b><i>NON-CURRENT ASSETS</i></b>				
Property, plant and equipment	3,330	3,768	4,251	3,771
Right-of-use assets	1,972	496	3,162	2,536
Other intangible assets	73	58	167	170
Deferred tax assets	2,353	2,270	4,044	4,216
Trade and notes receivables	2,711	1,394	–	–
Contract assets	982	911	1,558	1,933
Deposits	166	–	170	170
<b>Total non-current assets</b>	<b>11,587</b>	<b>8,897</b>	<b>13,352</b>	<b>12,796</b>
<b><i>CURRENT ASSETS</i></b>				
Inventories	2,060	3,067	2,507	3,265
Trade and notes receivables	71,887	120,945	140,751	167,541
Contract assets	70	107	6,620	7,168
Prepayments, other receivables and other assets	610	1,435	102,897	8,235
Financial assets at fair value through profit or loss	26,060	1,344	–	5,038
Restricted deposits	233	233	233	–
Cash and cash equivalents	7,458	28,807	86,337	26,915
<b>Total current assets</b>	<b>108,378</b>	<b>155,938</b>	<b>339,345</b>	<b>218,162</b>
<b><i>CURRENT LIABILITIES</i></b>				
Trade payables	19,847	23,323	27,161	36,743
Other payables and accruals	13,738	11,328	161,847	20,956
Interest-bearing bank borrowings	2,352	7,231	3,000	5,000
Lease liabilities	1,581	534	1,450	1,503
Tax payable	394	2,989	4,422	1,647
Government grants	143	101	–	–
<b>Total current liabilities</b>	<b>38,055</b>	<b>45,506</b>	<b>197,880</b>	<b>65,849</b>
<b><i>Non-Current Liabilities</i></b>				
Lease liabilities	534	–	1,783	1,134
Government grants	134	34	–	–
<b>Total non-current liabilities</b>	<b>668</b>	<b>34</b>	<b>1,783</b>	<b>1,134</b>
<b>Net Assets</b>	<b>81,242</b>	<b>119,295</b>	<b>153,034</b>	<b>163,975</b>



## FINANCIAL INFORMATION

### Property, Plant and Equipment

Our property, plant and equipment mainly consist of (i) electronic devices for office use, (ii) machines, and (iii) antenna molds. Our property, plant and equipment increased from RMB3.3 million as of December 31, 2019 to RMB3.8 million as of December 31, 2020 as a result of purchases of new equipment for our office renovation, and further increased to RMB4.3 million as of December 31, 2021 in support of our increasing numbers of projects. As a result of depreciation over time, our property, plant and equipment decreased from RMB4.3 million as of December 31, 2021 to RMB3.8 million as of May 31, 2022.

### Right-of-use Assets

Right-of-use assets represent our right to utilize leased items, which were mainly plant and office premises used for our operations. Right-of-use assets are recognized at the commencement date of relevant leases. During the Track Record Period, we had two leases that had terms between two and three years. Our right-of-use assets significantly decreased from RMB2.0 million as of December 31, 2019 to RMB0.5 million as of December 31, 2020 as a result of rental payments. Our right-of-use assets increased from RMB0.5 million as of December 31, 2020 to RMB3.2 million as December 31, 2021 as we renewed the two leases in 2021, which also had terms between two and three years. Our right-of-use assets decreased from RMB3.2 million as of December 31, 2021 to RMB2.5 million as of May 31, 2022 due to normal depreciation and amortization over time.

### Inventories

Inventories comprise (i) raw materials, (ii) work in progress, and (iii) finished goods. The following table sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	<i>(RMB'000)</i>			
Raw materials <sup>(1)</sup>	574	649	1,418	1,701
Work in progress <sup>(2)</sup>	550	1,524	685	730
Finished goods <sup>(3)</sup>	936	894	404	834
<b>Total</b>	<b>2,060</b>	<b>3,067</b>	<b>2,507</b>	<b>3,265</b>

*Notes:*

- (1) Raw materials include electronic components and printed circuit board, mainly used for antennae production.
- (2) Work in progress mainly include project costs for IoT solution projects in progress and semi-finished equipment pending further processing, final assembly or onsite installation.
- (3) Finished goods mainly include antenna products for export.

## FINANCIAL INFORMATION

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Our inventories increased by 48.9% from RMB2.1 million as of December 31, 2019 to RMB3.1 million as of December 31, 2020, primarily attributable to the increase in work in progress as a result of the increasing project costs mainly due to a smart city project uncompleted as of December 31, 2020, and decreased by 18.3% to RMB2.5 million as of December 31, 2021 primarily due to (i) the decrease in work in progress mainly due to completion of the aforementioned smart city project in 2021 and (ii) the decrease in finished goods as more antenna products were sold and delivered to customers, which was partially offset by the increase of raw materials for increasing production of antenna products. Our inventories increased from RMB2.5 million as of December 31, 2021 to RMB3.3 million as of May 31, 2022 mainly due to (i) the increases in raw materials and finished goods for our antenna products, and (ii) the increase in work in progress due to a 5G IoT project uncompleted as of May 31, 2022.

For the years ended December 31, 2019, 2020 and 2021, and the five months ended May 31, 2022, our inventory turnover days were 21 days, 12 days, nine and eight days, respectively. We calculate the inventory turnover days using the average of the opening and ending inventory balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days in the relevant period (365 days for 2019, 366 days for 2020, 365 days for 2021 and 151 days for the five months ended May 31, 2022). The decrease in inventory turnover days during the Track Record Period was primarily because an increasing portion of our revenue were derived from provision of IoT solutions, which generally requires fewer inventory of physical equipment than sales of telecommunication equipment.

Pursuant to our accounting policy, provision for inventory should be made when the cost of inventory is more than its net realizable value. As of September 30, 2022, our Directors assessed that our net realizable value of inventories was not less than the cost; therefore, no provision for inventories had been made pursuant to our accounting policies from the Track Recorded Period to September 30, 2022.

As of September 30, 2022, approximately RMB1.5 million, or approximately 44.6% of our inventories as of May 31, 2022, had been subsequently settled.

## FINANCIAL INFORMATION

### Trade and Notes Receivables

Trade receivables mainly represent balances due from our customers for goods sold and solutions/services rendered. During the Track Record Period, we generally granted credit terms ranging from 3 to 300 days to most of our customers, depending on the specific payment terms in each contract. The credit terms varied because we granted credit terms to customers on a case-by-case basis, taking into consideration of the project or transaction nature and the customer background in each case. For example, we granted relatively longer credit terms to certain state-owned entities for their IoT solution projects during the Track Record Period. Our notes receivable consist of two trade acceptance notes that our customer issued to us in the first five months of 2022 as payments, both of which will be due in one year from their respective issuance dates. Such notes receivable were generated from daily business activities. The following table sets forth our net trade receivables and notes receivable measured at amortized cost as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	<i>(RMB'000)</i>			
Trade receivables	80,953	133,519	163,118	189,580
Notes receivable measured at amortized cost	–	–	–	1,036
Impairment	(6,355)	(11,180)	(22,367)	(23,075)
	<b>74,598</b>	<b>122,339</b>	<b>140,751</b>	<b>167,541</b>

Our net trade receivables experienced a steady increase during the Track Record Period which was in line with the increase in our revenue as a result of our business development during the same period.

As our notes receivable were aged within one year and not due as of May 31, 2022, the loss allowance was assessed to be minimal, and no loss was recognized for our notes receivable for the five months ended May 31, 2022.

We apply the simplified approach using a provision matrix to measure expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. As of December 31, 2019, 2020, 2021 and May 31, 2022, we made provision for impairment of our trade receivables of RMB6.4 million, RMB11.2 million, RMB22.4 million and RMB23.1 million, respectively, which we believe were sufficient. For more information on the provision to measure expected credited losses, see “— Critical Accounting Policies — Impairment of Financial Assets” in this section.

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The following table sets forth the aging analysis of net trade receivables, based on the invoice date and net of loss allowance, as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31, 2022
	<i>(RMB'000)</i>			
Within 1 year	52,205	84,019	68,857	98,703
1 to 2 years	22,278	29,557	47,387	49,705
2 to 3 years	115	8,763	19,859	14,238
3 to 4 years	–	–	4,648	2,563
4 to 5 years	–	–	–	1,296
<b>Total</b>	<b>74,598</b>	<b>122,339</b>	<b>140,751</b>	<b>166,505</b>

As of December 31, 2019, 2020, 2021 and May 31, 2022, trade receivables aged over one year were RMB22.4 million, RMB38.3 million, RMB71.9 million and RMB67.9 million, representing 30.0%, 31.3%, 51.1% and 40.7% of the total trade receivables as of the same dates, respectively. Trade receivables aged over one year were particularly large as of December 31, 2021 and May 31, 2022 mainly because in 2020, we delivered IoT solution projects and products of high contract value to state-owned entities, which tend to settle payments through time-consuming and prolonged internal administrative procedures.

For the years ended December 31, 2019, 2020, 2021 and for the five months ended May 31, 2022, our trade receivables turnover days were 266 days, 308 days, 286 days and 321 days, respectively. We calculate the trade receivables turnover days using the average of the opening and ending trade receivables for the period, divided by revenues for the relevant period, multiplied by the number of days in the relevant period (365 days for 2019, 366 days for 2020, 365 days for 2021 and 151 days for the five months ended May 31, 2022). Our trade receivables turnover days increased from 266 days in 2019 to 308 days in 2020, mainly because the significant increase in the average trade receivables from 2019 to 2020 outpaced the revenue growth for the same periods. The significant trade receivable increase at the end of 2020 was mainly due to three large projects for state-owned entities or their affiliates that completed in the fourth quarter of 2020 with an aggregate amount of trade receivables of RMB63.9 million as of December 31, 2020. Our trade receivables turnover days decreased from 308 days in 2020 to 286 days in 2021 was mainly attributable to the fact that the growth rate of our revenue surpassed that of our trade receivables, which partially benefitted from our increasing efforts to collect receivables from customers pursuant to our enhanced internal policies implemented in the second half of 2021. Our trade receivables turnover days increased from 286 days in 2021 to 321 days for the five months ended May 31, 2022 mainly because our revenue recognition tends to concentrate on the second half of the year, rendering the trade receivables turnover days in the first five months of a year longer than the annual turnover days.

## FINANCIAL INFORMATION

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In general, in order to minimize potential credit risks, we have established record system to monitor receivables and outstanding invoices. In particular, we maintain a customer credit profile, continuously evaluate the credit of customers, maintain trade receivables management account and aging analysis tables, and will take appropriate follow-up actions such as active communications with our customers and legal actions, depending on the specific circumstances. We also usually check the balance of our trade receivables on a regular basis and will send payment reminders to our customers to collect trade receivables. Through the implementation of stringent credit control procedures, we are able to effectively monitor the balance and collection progress of our trade receivables.

Our net trade receivables amounted to RMB166.5 million as of May 31, 2022, among which RMB67.8 million, or 40.7%, aged over one year. Among all net trade receivables aged over one year as of May 31, 2022, 83.2% was due from four state-owned enterprises or affiliates. According to Frost & Sullivan, state-owned entities or their affiliates usually settle payments through time-consuming and prolonged internal administrative procedures, but their risks of failing to settle payments are low. Considering the background of such customers and our continuous efforts to collect such receivables pursuant to our internal policy, we believe that the default risk of our trade receivables are low.

Nevertheless, we consistently and actively communicated with relevant parties in order to collect such trade receivables. Pursuant to the relevant internal policy, we usually start our collecting process with negotiation for obtaining a promise to pay from relevant customers, the outstanding amount from whom are relatively small and aged less than one year. For trade receivables either (a) at the outstanding balance between RMB3.0 million and RMB10.0 million aged over two years with no payments post Track Record Period, or (b) at the overdue balance exceeding RMB10.0 million aged over one year, we authorized our attorney to send trade receivables collection letters to relevant customers. As of the Latest Practicable Date, we had no pending material litigation on the outstanding trade receivable balance or any disputes over the amount of outstanding balance.

As of September 30, 2022, approximately RMB62.2 million, or approximately 32.8% of our trade receivables as of May 31, 2022 were subsequently settled. Among the outstanding balances, most of the corresponding customers had started to repay or at least indicated willingness to settle as soon as possible. Based on ongoing communication with such customers and the historical progress in the subsequent settlement, we believe that except for the impairment of trade receivables, the outstanding balances of trade receivables should be settled eventually. As such, we do not believe there is any material recoverability issue for our trade receivables.

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### Contract Assets

Contract assets refer to our right to considerations in exchange for goods or services that we have transferred or rendered to our customers. Contract assets will be converted into trade receivables upon our satisfaction of all contract obligations upon the end of warranty period. The following table sets forth our contract assets (including current and non-current contract assets) as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	<i>(RMB'000)</i>			
<b>Contract assets arising from:</b>				
Provision of IoT solutions	947	911	8,362	9,050
Sales of telecommunication equipment	148	148	148	382
	<b>1,095</b>	<b>1,059</b>	<b>8,510</b>	<b>9,432</b>
Impairment	(43)	(41)	(332)	(331)
<b>Total</b>	<b>1,052</b>	<b>1,018</b>	<b>8,178</b>	<b>9,101</b>

The significant increase of our contract assets from RMB1.0 million as of December 31, 2020 to RMB8.2 million as of December 31, 2021 was primarily due to the increase in the contract value of projects in warranty which is in line with our overall business expansion. Our contract assets increased by 11.3% from RMB8.2 million as of December 31, 2021 to RMB9.1 million as of May 31, 2022 arising from three projects that had been completed in the first five months of 2022 but still in warranty as of May 31, 2022.

For the years ended December 31, 2019, 2020, 2021 and the five months ended May 31, 2022, our contract asset turnover days were five days, three days, nine days and 16 days, respectively. We calculate the contract asset turnover days using the average of the opening and ending contract assets for the period, divided by revenues for the relevant period and multiplied by the number of days in the relevant period (365 days for 2019, 366 days for 2020, 365 days for 2021 and 151 days for the five months ended May 31, 2022). Our contract asset turnover days increased from three days in 2020 to nine days in 2021 mainly due to new projects that were delivered and started warranty period in the second half of 2021, which increased our contract assets at the end of 2021. As such projects remained in warranty as of May 31, 2022 and we had new projects that were delivered and started warranty period in the first five months of 2022, our contract asset turnover days increased significantly from nine days in 2021 to 16 days for the five months ended May 31, 2022.

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As of September 30, 2022, approximately RMB4.1 million, or approximately 43.1% of our contract assets as of May 31, 2022, had been converted into trade receivables, while the remaining balance was derived from projects that were still within warranty periods as of the same date.

### Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets primarily comprise (i) prepayments, (ii) deferred [REDACTED], (iii) deductible input value-added tax, (iv) due from a director, (v) due from a related party, (vi) deposits and other receivables, and (vii) due from shareholders. The following table sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31, 2022
	<i>(RMB'000)</i>			
Prepayments <sup>(1)</sup>	410	482	2,743	3,175
Deferred [REDACTED] <sup>(2)</sup>	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deductible input value-added tax	21	19	118	269
Due from a director <sup>(3)</sup>	–	96	–	–
Due from a related party <sup>(4)</sup>	–	–	955	–
Deposits and other receivables <sup>(5)</sup>	345	555	624	686
Due from shareholders <sup>(6)</sup>	–	–	96,400	–
<b>Total</b>	<b>776</b>	<b>1,435</b>	<b>103,067</b>	<b>8,405</b>

*Notes:*

- (1) Prepayments were mainly made to suppliers for procurement of software platform, IT services and antenna accessories and equipment.
- (2) The deferred [REDACTED] were incurred in connection with the [REDACTED] of the Company.
- (3) Due from a director refers to the amount due from Dr. Chen Ping. Please see “— Related Party Transactions — Transactions with Related Parties.”
- (4) Due from a related party refers to the outstanding balance due from an entity controlled by a shareholder and director. Please see “— Related Party Transactions — Transactions with Related Parties.”
- (5) Deposits and other receivables were mainly for procurement of more projects.
- (6) Due from shareholders was incurred from our [REDACTED] reorganization.



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Prepayments, other receivables and other assets increased by 84.9% from RMB0.8 million as of December 31, 2019 to RMB1.4 million as of December 31, 2020 primarily due to the incurrence of [REDACTED] in 2020 and the increase in deposits and other receivables for project biddings as our efforts to procure more projects. Prepayments, other receivables and other assets increased significantly from RMB1.4 million as of December 31, 2020 to RMB103.1 million as of December 31, 2021, primarily due to the increase of amount due from shareholders of RMB96.4 million mainly caused by the receivables from shareholders who had not fully performed their capital injection obligations to our Company, as part of our Reorganization, by December 31, 2021. As such receivables due from shareholders were fully settled in January 2022, our prepayment, other receivables and other assets dropped significantly to RMB8.4 million as of May 31, 2022. See “History, Reorganization and Corporate Structure — Offshore Reorganization — Offshore Shareholding Restructuring.”

### Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss comprise short-term wealth management products issued by banks in the PRC. We recorded financial assets at fair value through profit or loss of RMB26.1 million, RMB1.3 million, nil and RMB5.0 million as of December 31, 2019, 2020 and 2021 and May 31, 2022, respectively. The decrease in our balance of financial assets at fair value from RMB26.1 million as of December 31, 2019 to RMB1.3 million as of December 31, 2020 was primarily due to the redemption of our wealth management products in 2020. In addition, we redeemed all of our wealth management products at hand by December 31, 2021, and then purchased new wealth management products in the first five months of 2022, resulting in financial assets at fair value through profit or loss of RMB5.0 million as of May 31, 2022.

We purchase financial assets as a supplemental means to improve utilization of our cash on hand on a short-term basis. The wealth management products we purchased were recorded as level 2 of fair value hierarchy. The valuation is reviewed and approved by the chief financial officer. See Note 2.4 to the Accountant’s Report in Appendix I to this Document for further details of level 2 of fair value hierarchy. Such investment in wealth management products will be subject to compliance with the Chapter 14 requirements after [REDACTED].

We typically purchase short-term and low-risk wealth management products with no fixed maturity term and are redeemable on demand. We have established a set of investment policies and internal control measures to achieve reasonable returns on our investments of wealth management products while mitigating our exposure to investment risks. These policies and measures include the following:

- Investment in financial assets with our idle cash on hand is allowed, subject to the assessment of the business operation and cashflow by our finance department;
- Our finance department is responsible for the overall execution of our investments, including risk assessment, which is primarily based on the underlying assets, the terms and conditions of the investment and the expected rates of return and risk levels;

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- Our finance department shall designate a person to keep record of all board resolutions, contracts, agreements, investment certificates and other investment-related documents;
- The authority of our finance department to make investment decisions shall not exceed the scope of authority approved by the Board;
- We have implemented a stringent procedure which requires our CFO and General Manager to review investment decisions made by our finance department and any subsequent re-purchases or sales of the approved investments to ensure that the transactions are all made in good faith and reasonable; and
- Investments exceeding the pre-approved annual budget must be approved by our Shareholders or the Board in accordance with the relevant laws and our Articles of Associations.

Our chief financial officer, Mr. Feng Yijing, has led our finance department and supervised the entire investment process since he joined our Group in July 2019. See “Directors and Senior Management” for a detailed description of Mr. Feng Yijing’s qualifications and credentials.

During the Track Record Period and up to the Latest Practicable Date, we preserved all of our investment capital and did not encounter any default by the issuing financial institutions.

### **Trade Payables**

Trade payables primarily represent amounts payable to our suppliers for the purchases of parts and equipment used in our antenna products and IoT solutions.

Our trade payables increased by 17.5% from RMB19.8 million as of December 31, 2019 to RMB23.3 million as of December 31, 2020, primarily due to the purchase of hardware equipment for an IoT solution close to the end of 2019 with an outstanding balance of RMB4.0 million yet to settle. Our trade payables increased by 16.5% from RMB23.3 million as of December 31, 2020 to RMB27.2 million as of December 31, 2021, primarily due to increasing purchases of equipment and devices for our business expansion. Our trade payables increased by 35.3% from RMB27.2 million as of December 31, 2021 to RMB36.7 million as of May 31, 2022, primarily due to the purchase of the private 5G system equipment from a supplier, the balance of which remained undue as of May 31, 2022.

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We were generally granted credit terms of three to 60 days by most of our suppliers during the Track Record Period. The following table sets forth an aging analysis of our trade payables, based on invoice date, as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31, 2022
	<i>(RMB'000)</i>			
Within 60 days	14,879	11,190	9,854	23,561
60 days to 1 year	3,841	4,254	6,894	4,062
1 to 2 years	969	6,752	3,866	2,848
2 to 3 years	1	969	5,420	5,301
Over 3 years	157	158	1,127	971
<b>Total</b>	<b>19,847</b>	<b>23,323</b>	<b>27,161</b>	<b>36,743</b>

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our trade payables turnover days were 111 days, 104 days, 83 days and 89 days, respectively. We calculate the trade payables turnover days using the average of the opening and ending trade payables balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days in the relevant period (365 days for 2019, 366 days for 2020, 365 days for 2021 and 151 days for the five months ended May 31, 2022). Trade payables turnover days remain relatively stable between 2019 and 2020, but decreased from 104 days in 2020 to 83 days for 2021, primarily because the increase in our cost of sales outpaced the increase of our trade payables, in line with our business expansion for the same period. For the year ended December 31, 2021 and the five months ended May 31, 2022, our trade payables turnover days remained relatively stable at 83 days and 89 days, respectively.

As of September 30, 2022, approximately RMB25.2 million, or approximately 68.5% of our trade payables as of May 31, 2022, had been subsequently settled.

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### Other Payables and Accruals

Our other payables and accruals comprise (i) other payables, (ii) due to related parties, (iii) due to a director, (iv) other tax payables, (v) payroll and welfare payables, (vi) contract liabilities, and (vii) interest payables. The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of May 31,
	2019	2020	2021	2022
	<i>(RMB'000)</i>			
Other payables <sup>(1)</sup>	5,677	610	101,393	5,344
Due to related parties	319	–	5,086	–
Due to a director	–	–	44,949	–
Other tax payables	2,896	5,245	3,828	6,531
Payroll and welfare payables	4,843	5,163	6,588	6,494
Contract liabilities	–	298	–	2,582
Interest payables	3	12	3	5
<b>Total</b>	<b>13,738</b>	<b>11,328</b>	<b>161,847</b>	<b>20,956</b>

*Note:*

- (1) During the Track Record Period, other payables mainly consisted of amounts due to shareholders, government subsidy refund, payables in relation to the [REDACTED], consulting fees and reimbursement expenses. Among the outstanding balance as of December 31, 2021, approximately RMB96.4 million were amounts due to shareholders as a result of the reorganization process in 2021 and had been fully settled in the first quarter of 2022 as we completed the Reorganization.

Our other payables and accruals decreased by 17.5% from RMB13.7 million as of December 31, 2019 to RMB11.3 million as of December 31, 2020 primarily due to the decrease in other payables from RMB5.7 million as of December 31, 2019 to RMB0.6 million as of December 31, 2020 as a result of our refund of subsidies of RMB5.0 million to a local government, which was partially offset by the increase in other tax payables, such as value added tax of RMB2.0 million. Subsidies that were refunded to a local government were received pursuant to an agreement between Nanjing Howking and the Jiangsu Provincial Department of Science and Technology (江蘇省科學技術廳) signed in 2015. Under the agreement, Nanjing Howking was entitled to a one-off subsidy of RMB5.0 million for the development of LTE broadband base station antenna and active integration base station antenna, subject to fulfilment of relevant innovation breakthrough indicators, technical quality indicators, and economic indicators. While Nanjing Howking fulfilled innovation breakthrough and technical quality indicators, it failed to accomplish the economic indicators mainly due to its switch of business focus to provision of IoT solutions. As a result, the relevant provincial government authorities issued a notice in 2020 that withdrew the subsidies to Nanjing Howking. During the Track Record Period, other than the above, no government grants received by us were subject to any

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condition, nor had we received any other notices from any government authorities that requested any refund of subsidies.

Our other payables and accruals increased by 1,328.7% from RMB11.3 million as of December 31, 2020 to RMB161.8 million as of December 31, 2021, primarily due to (i) an increase in other payables of RMB100.8 million mainly as a result of capital reduction for the reorganization purpose that increased payables due to shareholders; and (ii) an increase in amount due to a director of RMB44.9 million for the reorganization purpose, both of which had been fully settled in January, 2022.

Our other payables and accruals decreased significantly by 87.1% from RMB161.8 million as of December 31, 2021 to RMB21.0 million as of May 31, 2022 primarily because other payables of RMB96.4 million due to our shareholders and amount due to a director of RMB44.9 million as of December 31, 2021, both of which arose out of the reorganization process, had been fully settled in the first quarter of 2022 as we completed the Reorganization.

### Lease Liabilities

Our lease liabilities decreased from RMB2.1 million as of December 31, 2019 to RMB0.5 million as of December 31, 2020 as a result of our rental payments. Our lease liabilities increased from RMB0.5 million as of December 31, 2020 to RMB3.2 million as of December 31, 2021 as we renewed two leases in 2021. Our lease liabilities decreased from RMB3.2 million as of December 31, 2021 to RMB2.6 million as of May 31, 2022 as a result of rental payments for the two leases renewed in 2021. The following table sets forth an analysis of our lease liabilities as of the dates indicated:

	As of December 31,			As of
	2019	2020	2021	May 31, 2022
	<i>(RMB'000)</i>			
Current	1,581	534	1,450	1,503
Non-current	534	–	1,783	1,134
	<b>2,115</b>	<b>534</b>	<b>3,233</b>	<b>2,637</b>

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### LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including research and development expenses, project material costs, product selling and distribution expenses, loan repayment, and daily management and operation expenses.

Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank borrowings and capital contributions from Shareholders. As of December 31, 2019, 2020 and 2021 and May 31, 2022, we had cash and cash equivalents of RMB7.5 million, RMB28.8 million, RMB86.3 million and RMB26.9 million, respectively, consisting of our cash on hand, demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and redeemable on demand, which collectively form an integral part of our cash management.

#### Cash Flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	Year ended December 31,			Five months ended May 31,	
	2019	2020	2021	2021	2022
	<i>(RMB'000)</i>				
	<i>(Unaudited)</i>				
Operating cash flows before movements in working capital	23,160	40,995	53,294	11,167	13,045
Movements in working capital	(25,740)	(53,371)	(30,325)	(7,918)	(14,291)
Income tax paid	(1,166)	(1,562)	(6,029)	(3,536)	(3,598)
<b>Net cash flows (used in)/from operating activities</b>	<b>(3,746)</b>	<b>(13,938)</b>	<b>16,940</b>	<b>(287)</b>	<b>(4,844)</b>
Net cash flows (used in)/from investing activities	(11,474)	24,550	(1,407)	(16,196)	(4,248)
Net cash flows from/(used in) financing activities	13,037	12,105	42,463	(92)	(50,677)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2,183)</b>	<b>22,717</b>	<b>57,996</b>	<b>(16,575)</b>	<b>(59,769)</b>
Cash and cash equivalents at the beginning of the period	9,581	7,458	28,807	28,807	86,337
Effect of foreign exchange rate changes, net	60	(1,368)	(466)	(162)	347
<b>Cash and cash equivalents at the end of the period</b>	<b>7,458</b>	<b>28,807</b>	<b>86,337</b>	<b>12,070</b>	<b>26,915</b>

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### *Operating Activities*

We derive our cash inflow from operating activities through (i) provision of IoT solutions, (ii) sales of telecommunication equipment and (iii) provision of other services. To a much lesser extent, we derive cash inflow from government grants, interest income and disposal of items of inventories. Cash outflow from operating activities primarily comprises payments for procuring raw materials, OEM expenses, research and development expenses, employee benefit expenses, and other operating expenses incurred during our daily operation.

Our net cash used in operating activities was RMB4.8 million for the five months ended May 31, 2022. This net cash outflow was primarily due to an increase in trade and notes receivables of RMB27.3 million, which was partially offset by (i) profit before tax of RMB11.2 million, (ii) an increase in trade payables of RMB9.6 million mainly due to the purchase of the private 5G network system equipment, and (iii) an increase in other payables and accruals of RMB5.5 million. We had taken the following measures, among others, to improve our net operating cash outflow position: (i) collecting more overdue trade receivables and (ii) expanding our business and revenue pool. Specifically, in the period between May 31, 2022 and September 30, 2022, all top five customers in terms of outstanding amounts of trade receivables made payment to partially settle outstanding trade receivables mainly as a result of our constant efforts to collect trade receivables due from such customers, and we had obtained 33 newly awarded contracts as our business expanded. We also plan to develop the industrial WLAN technology and apply it to more application scenarios to further diversify our revenue pool.

Our net cash from operating activities was RMB16.9 million for the year ended December 31, 2021. Our cash generated from operating activities was primarily from (i) profit before tax of RMB40.1 million, adjusted for impairment of trade receivables of RMB11.2 million, (ii) an increase in trade payables of RMB3.8 million, and (iii) an increase in other payables and accruals of RMB3.4 million, which was partially offset by (i) an increase in trade receivables of RMB29.8 million and (ii) an increase in contract assets of RMB7.5 million.

Our net cash used in operating activities was RMB14.0 million for the year ended December 31, 2020. This net cash outflow was primarily due to an increase in trade receivables of RMB53.1 million as a result of the commencement of 5G network project constructions, mainly for entities associated with SOEs, which was partially offset by profit before tax of RMB32.8 million.

Our cash used in operating activities was RMB3.7 million for the year ended December 31, 2019. This net cash outflow was primarily due to an increase in trade receivables of RMB43.6 million as a result of the commencement of more projects in 2019, which was partially offset by (i) profit before tax of RMB18.6 million, and (ii) an increase in trade payables of RMB12.7 million primarily attributable to (a) the outsourcing fees due to a recruiting company of RMB6.3 million and (b) project fees due to a project contractor based in Guizhou of over RMB5.0 million as a result of our rapid business expansion.



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### *Investing Activities*

Our cash used in investing activities mainly consists of purchases of financial assets at fair value through profit or loss, purchases of items of property, plant and equipment and loans to a director and related parties. Our cash generated from investing activities mainly consists of disposal of financial assets at fair value through profit or loss and repayments of loans to related parties.

Our net cash used in investing activities was RMB4.2 million for the five months ended May 31, 2022. This net cash outflow was primarily due to purchases of financial assets at fair value through profit or loss of RMB10.0 million, which consisted of two wealth management products. The net cash outflow was partially offset by disposal of financial assets at fair value through profit or loss of RMB5.0 million as a result of redemption of one of the two wealth management products in May 2022.

Our net cash used in investing activities was RMB1.4 million for the year ended December 31, 2021. This net cash outflow was primarily due to (i) loans to a director of RMB20.4 million and (ii) purchases of financial assets at fair value through profit or loss of RMB8.8 million. This net cash outflow was partially offset by (i) repayment of loans to Directors of RMB20.5 million and (ii) disposal of financial assets at fair value through profit or loss of RMB10.1 million.

Our net cash generated from investing activities was RMB24.6 million for the year ended December 31, 2020. This net cash inflow was primarily attributable to the disposal of financial assets at fair value through profit or loss of RMB153.7 million derived from the disposal of our wealth management products. This net cash inflow was partially offset by purchases of financial assets at fair value through profit or loss of RMB129.0 million for purchasing wealth products for the same year.

Our net cash used in investing activities was RMB11.5 million for the year ended December 31, 2019. This net cash outflow was primarily due to purchases of financial assets at fair value through profit or loss of RMB50.5 million for purchasing wealth management products. This net cash outflow was partially offset by (i) disposal of financial assets at fair value through profit or loss of RMB25.5 million and (ii) repayment of loans by related parties of RMB19.6 million primarily due to partial repayment of loans by Huizhou Wulian in 2019.

### *Financing Activities*

Cash inflow from financing activities mainly comprises proceeds from issue of shares, new bank loans, and loans from a related party. We use cash in financing activities primarily for repayment of loans from a related party, interest, bank loans and lease payments.

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Our net cash used in financing activities was RMB50.7 million for the five months ended May 31, 2022. This net cash outflow was primarily due to (i) capital reduction of RMB96.4 million for the Reorganization purpose; (ii) repayment of loans from a director of RMB40.9 million for the Reorganization purpose; (iii) payments for equity interest of the reorganization from a director and a shareholder of RMB9.2 million; and (iv) repayment of bank loans of RMB3.0 million. This net cash outflow was partially offset by (i) proceeds from issue of shares of RMB96.4 million upon the fulfillment of capital injection obligations by shareholders to our Company and (ii) new bank loans of RMB5.0 million.

Our net cash generated from financing activities was RMB42.5 million for the year ended December 31, 2021. This net cash inflow was mainly attributable to (i) loans from a director of RMB40.9 million for the Reorganization purpose and (ii) proceeds from issue of shares of RMB21.0 million. This net cash inflow was partially offset by (i) repayment of bank loans of RMB13.3 million and (ii) capital reduction of RMB12.0 million.

Our net cash generated from financing activities was RMB12.1 million for the year ended December 31, 2020. This net cash inflow was primarily attributable to (i) capital injection from shareholders of RMB9.5 million and (ii) new bank loans of RMB7.2 million to leverage the favorable policy regarding interest-bearing bank loan towards high-tech companies and for the purpose of increasing cash flow to improve profitability. This net cash outflow was partially offset by (i) repayments of bank loans of RMB2.4 million and (ii) lease payments of RMB1.6 million.

Our net cash generated from financing activities was RMB13.0 million for the year ended December 31, 2019. This net cash inflow was primarily attributable to (i) capital injection from shareholders of RMB43.5 million as a result of the premiums paid by institutional investors in 2019 and (ii) loans from a related party of RMB5.7 million for daily operation expenses, such as staff costs and equipment purchase costs. This net cash inflow was partially offset by repayment of loans due to related parties of RMB33.1 million in 2019.

## CAPITAL EXPENDITURES

Our capital expenditures primarily consisted of expenditures on purchases of property, plant and equipment and renovation expenses, which amounted to RMB0.6 million, RMB1.4 million, RMB1.7 million and RMB92.6 thousand for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, respectively.

The capital expenditure increased by 120.3% from RMB0.6 million in 2019 to RMB1.4 million in 2020 mainly as a result of renovation and decoration for our Nanjing office in 2020. The capital expenditure increased by 20.5% from RMB1.4 million in 2020 to RMB1.7 million in 2021 mainly due to the increasing purchases of electronic equipment for laboratory and office uses. The capital expenditure incurred for the five months ended May 31, 2022 amounted to RMB92.6 thousand, mainly for purchases of electronic equipment for office use and antenna mold.

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For the year ending December 31, 2022, we expect to incur capital expenditure of RMB2.0 million primarily related to purchases of non-current assets, such as office equipment, electronic equipment for laboratory use and machines. We intend to fund our planned capital expenditures through a combination of the [REDACTED] from the [REDACTED] as well as cash generated from operating activities.

### NET CURRENT ASSETS

The table below sets forth, as of the dates indicated, our current assets, current liabilities and net current assets:

	As of December 31,			As of	As of
	2019	2020	2021	May 31, 2022	September 30, 2022
			<i>(RMB'000)</i>		<i>(unaudited)</i>
<b>CURRENT ASSETS</b>					
Inventories	2,060	3,067	2,507	3,265	4,136
Trade and notes receivables	71,887	120,945	140,751	167,541	192,637
Contract assets	70	107	6,620	7,168	3,348
Prepayments, other receivables and other assets	610	1,435	102,897	8,235	9,850
Financial assets at fair value through profit or loss	26,060	1,344	–	5,038	–
Restricted deposits	233	233	233	–	–
Cash and cash equivalents	7,458	28,807	86,337	26,915	38,308
<b>Total current assets</b>	<b>108,378</b>	<b>155,938</b>	<b>339,345</b>	<b>218,162</b>	<b>248,279</b>
<b>CURRENT LIABILITIES</b>					
Trade payables	19,847	23,323	27,161	36,743	44,115
Other payables and accruals	13,738	11,328	161,847	20,956	22,162
Interest-bearing bank borrowings	2,352	7,231	3,000	5,000	–
Lease liabilities	1,581	534	1,450	1,503	1,559
Tax payables	394	2,989	4,422	1,647	3,827
Government grants	143	101	–	–	–
<b>Total current liabilities</b>	<b>38,055</b>	<b>45,506</b>	<b>197,880</b>	<b>65,849</b>	<b>71,663</b>
<b>NET CURRENT ASSETS</b>	<b>70,323</b>	<b>110,432</b>	<b>141,465</b>	<b>152,313</b>	<b>176,616</b>

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As of December 31, 2019, 2020 and 2021, May 31, 2022 and September 30, 2022, our net current assets amounted to RMB70.3 million, RMB110.4 million, RMB141.5 million, RMB152.3 million and RMB176.6 million, respectively.

We had net current assets of RMB176.6 million as of September 30, 2022, consisting of current assets of RMB248.3 million and current liabilities of RMB71.7 million, which represented an increase of RMB24.3 million from RMB152.3 million as of May 31, 2022. This increase in net current assets was primarily attributable to (i) an increase in trade and notes receivables of RMB25.1 million primarily due to the completion and delivery of a 5G medical project with a contract value of RMB32.7 million in late September of 2022, and (ii) an increase in cash and cash equivalents of RMB11.4 million mainly attributable to our business expansion and collection of payments from customers. The increase in net current assets was partially offset by (i) an increase in trade payables of RMB7.4 million mainly for the 5G medical project completed and delivered in September 2022, and (ii) a decrease in financial assets at fair value through profit or loss of RMB5.0 million as we redeemed the relevant wealth management products in June 2022.

We had net current assets of RMB152.3 million as of May 31, 2022, consisting of current assets of RMB218.2 million and current liabilities of RMB65.8 million, which represented an increase of RMB10.8 million from RMB141.5 million as of December 31, 2021. This increase was mainly attributable to (i) a decrease in other payables and accruals of RMB140.9 million as we settled the payables arising from the Reorganization and the amount due to a director, and (ii) an increase in trade and notes receivables of RMB26.8 million. The increase in net current assets was partially offset by (i) a decrease in prepayments, other receivables and other assets of RMB94.7 million mainly because we settled receivables due from shareholders in January 2022, and (ii) a decrease in cash and cash equivalent of RMB59.4 million mainly as a result of loan repayment to a director of RMB40.9 million.

We had net current assets of RMB141.5 million as of December 31, 2021, consisting of current assets of RMB339.3 million and current liabilities of RMB197.9 million, which represented an increase of RMB31.0 million from our net current assets of RMB110.4 million as of December 31, 2020. This was primarily attributable to (i) an increase in prepayments, deposits and other receivables of RMB101.5 million mainly caused by the receivables from shareholders who had not fully performed their capital injection obligations to our Company, (ii) an increase in cash and cash equivalents of RMB57.5 million mainly as a result of a loan from a director for the reorganization purpose, and (iii) an increase in trade receivables of RMB19.8 million in line with our business expansion. This increase was partially offset by the elimination of financial assets at fair value through profit or loss as all our wealth management products had been fully redeemed as of December 31, 2021.

We had net current assets of RMB110.4 million as of December 31, 2020, consisting of current assets of RMB155.9 million and current liabilities of RMB45.5 million, which represented an increase of RMB40.1 million from our net current assets of RMB70.3 million as of December 31, 2019. This increase was primarily attributable to an increase in trade receivables of RMB49.1 million in line with our revenue growth.

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As of December 31, 2019, we had net current assets of RMB70.3 million, comprising current assets of RMB108.4 million and current liabilities of RMB38.1 million.

### Working Capital Sufficiency

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations and bank borrowings.

Taking into account the financial resources available to us, including cash flow from operating activities, bank borrowings and the estimated [REDACTED] from the [REDACTED], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this Document. We had no material defaults in payables and borrowings or any breaches of covenants during the Track Record Period and up to the Latest Practicable Date.

## INDEBTEDNESS AND CONTINGENT LIABILITIES

### Indebtedness

During the Track Record Period, our indebtedness consisted of interest-bearing bank borrowings, lease liabilities, loans from a related party and loans from a director.

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2019	2020	2021	May 31, 2022	September 30, 2022
			<i>(RMB'000)</i>		<i>(unaudited)</i>
Interest-bearing bank borrowings	2,352	7,231	3,000	5,000	–
Lease liabilities	2,115	534	3,233	2,637	2,152
Loans from a related party	9	–	–	–	–
Loans from a director	–	–	40,880	–	–
<b>Total</b>	<b>4,476</b>	<b>7,765</b>	<b>47,113</b>	<b>7,637</b>	<b>2,152</b>

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### *Interest-bearing Bank Borrowings*

Our bank borrowings during the Track Record Period were denominated in Renminbi with one-year terms and were used to expand our business. All bank loans during the Track Record Period were guaranteed by our director(s) and/or shareholder(s) or with patents pledged as collaterals, but all directors’ and shareholders’ guarantees on our bank loans had been fully discharged by December 31, 2021. Our Directors confirm that there will be no new bank loans guaranteed by directors or shareholders prior to the [REDACTED]. As of December 31, 2019, 2020 and 2021 and May 31, 2022, the average interest rates of our guaranteed bank borrowings were 5.22%, 4.54%, 4.15% and 3.70%, respectively.

Our interest-bearing bank borrowings increased from RMB2.4 million as of December 31, 2019 to RMB7.2 million as of December 31, 2020, decreased to RMB3.0 million as of December 31, 2021, and then increased to RMB5.0 million as of May 31, 2022 primarily due to the demand for funding in support of our business expansion plan to capture the opportunities in private 5G network market. As of September 30, 2022, we had no outstanding bank borrowings.

Although our director(s) and shareholder(s) were the guarantors of certain bank loans obtained during the Track Record Period, we had terminated such practice by releasing guarantees by shareholders and directors and switched to new bank loans or credit facilities with alternative guaranty. For example, on November 27, 2021, we signed an IP pledge credit facility agreement with a bank in Nanjing, under which we were granted a credit limit of RMB10.0 million with three of our patents pledged as collaterals. As of May 31, 2022, all bank loans guaranteed by directors and shareholders had been released, and there had been no new bank loans guaranteed by a shareholder or a director up to the Latest Practicable Date. As of September 30, 2022, our total authorized credit facilities was RMB10.0 million, among which RMB10.0 million has not been utilized as of the same date. We do not anticipate any changes to the availability of bank financing to finance our operations in the future, although we cannot assure you that we will be able to access bank financing on favorable terms or at all.

### *Lease Liabilities*

We are the lessee in respect of certain properties held under operating leases for our offices and a plant during the Track Record Period. Our lease liabilities mainly represent the present value of lease payments to be made over the lease term, and after the lease commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and subtracted the lease payments made. The following table sets forth the present value of our lease liabilities as of the dates indicated:

	As of December 31,			As of May 31, 2022	As of September 30, 2022
	2019	2020	2021		
			<i>(RMB'000)</i>		<i>(unaudited)</i>
Current	1,581	534	1,450	1,503	1,559
Non-Current	534	–	1,783	1,134	593
<b>Total</b>	<b>2,115</b>	<b>534</b>	<b>3,233</b>	<b>2,637</b>	<b>2,152</b>

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Our lease liabilities decreased from RMB2.1 million as of December 31, 2019 to RMB0.5 million as of December 31, 2020, primarily due to no new lease signed in 2020. Our lease liabilities increased from RMB0.5 million as of December 31, 2020 to RMB3.2 million as of December 31, 2021 as we renewed the leases for our Shenzhen office and plant for another three years in 2021. Our lease liabilities decreased by 18.4% from RMB3.2 million as of December 31, 2021 to RMB2.6 million as of May 31, 2022, and further decreased by 18.4% to RMB2.2 million as of September 30, 2022, as we fulfilled our obligation under the lease terms.

As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to undertake additional debt or equity financing, nor was there any breach of covenant during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we did not have plans for material external debt financing.

### Contingent Liabilities

We did not have any material contingent liabilities as of December 31, 2019, 2020, and 2021, and May 31, 2022, respectively. Except as disclosed above, as of September 30, 2022, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors have confirmed that there is no material change in our indebtedness since May 31, 2022 and up to the Latest Practicable Date.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

We have not entered into, nor do we expect to enter into, any off-balance sheet arrangements. We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of third parties. In addition, we have not entered into any derivative contracts that are indexed to our equity interest and classified as owners' equity, or that are not reflected in our consolidated financial statements. We do not have variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing or hedging or research and development services with us.



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**RELATED PARTY TRANSACTIONS**

During the Track Record Period, we had certain transactions with related parties, a summary of which is set forth below.

**Transactions with Related Parties**

We had the following transactions with related parties for the periods indicated:

	<b>Year ended December 31,</b>			<b>Five months ended May 31, 2022</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	
	<i>(RMB'000)</i>			
<b>Fellow subsidiaries<sup>(1)</sup></b>				
Loans to	7,180	–	955	–
Interest income	771	–	–	–
Loans from	5,740	–	–	–
Interest expense	1,580	–	–	–
<b>Directors</b>				
Loans to	281	105	20,414	–
Loans from	–	–	40,880	–
Acquisition of equity interest in relation to the Reorganization from	–	–	4,069	–
<b>An ultimate shareholder:</b>				
Acquisition of equity interest in relation to the Reorganization from	–	–	5,086	–

*Note:*

(1) Fellow subsidiaries refer to entities controlled by our Controlling Shareholders.

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### *Loans from and Payables to Related Parties*

During the Track Record Period, we had loans from a fellow subsidiary and a director. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, we had loans from related parties of RMB5.7 million, nil, RMB40.9 million, and nil, respectively, primarily for daily operation expenses and our reorganization. The loan from our fellow subsidiary is unsecured, bearing an interest rate of 5% per annum, and repayable on demand. In 2019, 2020 and 2021 and the five months ended May 31, 2022, we paid interest expenses of RMB1.6 million, nil, nil and nil to the fellow subsidiary, respectively. The loans from two Directors are unsecured, interest-free and repayable on demand. In addition, we also had payables due to one director as part of the reorganization of RMB4.1 million, which had been fully settled in January 2022.

Our Directors believe that our liquidity and working capital would not be adversely affected after the discontinuance of such related party loans after the [REDACTED], taking into account (i) our cash and cash equivalents, (ii) our [REDACTED] investments and (iii) our credit facilities as of September 30, 2022.

### *Loans to Related Parties*

During the Track Record Period, we had loans to related parties, including two entities controlled by a director and a shareholder, and one director, respectively. For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, our loans to related parties amounted RMB7.5 million, RMB0.1 million, RMB21.4 million and nil, respectively.

The loan in 2019 was primarily for the acquisition of the equity interest in an upstream business by an entity controlled by a shareholder and director, which was fully repaid in 2019. In 2019, 2020 and 2021, we gave loans to one director, which had been fully repaid by the end of the Track Record Period. In addition, in 2021, we also granted a loan to an entity controlled by a director, which had been paid fully repaid by the end of the Track Record Period.

The loans granted to related parties were denominated in Renminbi, unsecured, bearing an interest rate of 5% per annum, and repayable on demand.

The above-mentioned loans may not be in compliance with the *General Lending Provisions* (《貸款通則》) promulgated by the PBOC in 1996, which stipulated that only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated, which is the charged interests, from loan advancing activities. According to the *Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases* (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “**Provisions**”) promulgated on August 6, 2015 and effective on September 1, 2015, borrowing agreements are valid if extended for purposes of financing production or business operations. Pursuant to *the*

## FINANCIAL INFORMATION

*Notice of the Supreme People’s Court on Conscientiously Studying, Implementing and Applying the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases* (最高人民法院關於認真學習貫徹適用《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》的通知) published on August 25, 2015, the Provisions shall apply to loans entered into prior to the implementation of the Provisions that are invalid under the former judicial interpretations but valid under the Provisions. Pursuant to the Provisions, private lending contracts concluded between legal persons or other organizations are effective and valid under PRC law except where the contracts for the lending (i) are void under the *PRC Contract Law*, which has been replaced by the *Civil Code of the PRC* since January 1, 2021; or (ii) fall within the scope of void lending contracts as particularly provided in the Provisions. According to the amendment of the Provisions promulgated on December 29, 2020 and came into effect on January 1, 2021, with respect to newly accepted cases of private lending in the first instance after August 20, 2020, if the borrowing or lending occurs before August 20, 2020, the Court shall support the parties’ request to calculate the interest from the establishment of the borrowing or lending to August 19, 2020, and if the borrowing or lending occurs after August 20, 2020, the upper limit of protected interest rate may be determined as four times of the prevailing loan prime rate as designated by the PBOC at the time when the plaintiff files the lawsuit.

Our Directors confirm that, as of the Latest Practicable Date, (i) the loan arrangements above were not for the purpose of engaging in financing business; (ii) we had not been subject to any penalties, investigation or notice from relevant competent authorities in relation to such arrangements; (iii) the abovementioned loans had been fully repaid; and (iv) such arrangements above were not expected to have any material impact on our operation. Based on the above, as advised by our PRC Legal Advisors, although we failed to comply with the General Lending Provisions, the possibility that the PBOC would impose a penalty ranging from one time to five times of illegal income on us in respect of the above-mentioned loans pursuant to the General Lending Provisions is low. Save as disclosed above, the interest-bearing loans to related parties were in compliance with the relevant mandatory laws and regulations in the PRC. Upon the completion of this [REDACTED], we will comply with the relevant Listing Rules and adopt a more prudent approach when reviewing and engaging related party transactions.

In addition, two directors and one shareholder of our Group have guaranteed our bank loans during the Track Record Period. For further details, see “— Indebtedness and Contingent Liabilities” in this section.

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### Balances with Related Parties

The following table sets forth a breakdown of our amounts due from/to related parties as of the dates indicated:

	As of December 31,			As of	Relationship with our Group
	2019	2020	2021	May 31, 2022	
	(RMB'000)				
<b>Due from a related party:</b>					
Nanjing Yitaike <sup>(1)</sup>	-	-	955	-	Fellow subsidiary
<b>Due from a director:</b>					
Dr. Chen Ping <sup>(2)</sup>	-	96	-	-	A director
<b>Total</b>	<b>-</b>	<b>96</b>	<b>955</b>	<b>-</b>	
<b>Due to a related party:</b>					
Huizhou Wulian <sup>(1)</sup>	319	-	-	-	Fellow subsidiary
Ms. Jin Yan <sup>(3)</sup>	-	-	5,086	-	An ultimate shareholder
<b>Due to a director:</b>					
Ms. Wang Zheshi <sup>(2)</sup>	-	-	44,949	-	An ultimate shareholder and director
<b>Total</b>	<b>319</b>	<b>-</b>	<b>50,035</b>	<b>-</b>	

*Notes:*

- (1) The balances from or to related parties are unsecured and repayable on demand, at an interest rate of 5% per annum.
- (2) The balances are unsecured, interest-free and repayable on demand.
- (3) The balance was caused by the payable due to Ms. Jin Yan as part of our reorganization.

All balances with related parties listed above were non-trade in nature.

By the end of the Track Record Period, we had settled all amounts due from/to related parties. We will discontinue all related party transactions after the [REDACTED], except as in compliance with the Listing Rules.

## FINANCIAL INFORMATION

It is the view of our Directors that each of the related party transactions set out in Note 31 to the Accountant’s Report in Appendix I to this Document (i) were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance.

### KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	As of/For the year ended December 31,			As of/For the five months ended May 31, 2022
	2019	2020	2021	
<b>Profitability ratios</b>				
Gross profit margin <sup>(1)</sup>	45.0%	40.3%	41.6%	34.9%
Net profit margin <sup>(2)</sup>	21.5%	22.4%	18.1%	12.7%
Return on equity <sup>(3)</sup>	34.1%	28.5%	25.2%	N/A <sup>(4)</sup>
Return on assets <sup>(5)</sup>	18.0%	20.1%	13.3%	N/A <sup>(4)</sup>
<b>Liquidity ratios</b>				
Current ratio <sup>(6)</sup>	2.8	3.4	1.7	3.3
Quick ratio <sup>(7)</sup>	2.8	3.4	1.7	3.3
<b>Capital adequacy ratio</b>				
Gearing ratio <sup>(8)</sup>	5.5%	6.5%	4.1%	4.7%

*Notes:*

- (1) Gross profit margin is calculated based on gross profit divided by revenue for the indicated period and multiplied by 100%.
- (2) Net profit margin is calculated based on net profit divided by revenue for the indicated period and multiplied by 100%.
- (3) Return on equity is calculated based on net profit for the indicated period divided by the arithmetic mean of the opening and closing balances of total equity for the same year and multiplied by 100%.
- (4) Return on equity and return on assets ratios for the five months ended May 31, 2022 are not meaningful as they are not comparable to annual ratios.
- (5) Return on assets is calculated based on net profit for the indicated period divided by the arithmetic mean of the opening and closing balances of total assets for the same period and multiplied by 100%.

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## FINANCIAL INFORMATION

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- (6) Current ratio is calculated based on total current assets divided by total current liabilities as of the date indicated.
- (7) Quick ratio is calculated based on total current assets minus inventories divided by total current liabilities as of the date indicated.
- (8) Gearing ratio is calculated based on total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity as of the date indicated multiplied by 100%.

See “— Period to Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin and net profit margin during the respective periods.

### **Return on Equity**

Our return on equity decreased from 34.1% in 2019 to 28.5% in 2020 and further decreased to 25.2% in 2021, because the increase in our total equity, which was mainly due to increases in current and non-current assets, outpaced our growth in profit for the period. See “— Certain Balance Sheet Items” in this section for more information.

### **Return on Assets**

Our return on assets increased from 18.0% in 2019 to 20.1% in 2020, primarily attributable to net profit growth that exceeded the increase in total assets. Our return on assets decreased from 20.1% as of December 31, 2020 to 13.3% as of December 31, 2021, primarily because the increase in total assets outpaced our net profit growth for the same periods. See “— Certain Balance Sheet Items” in this section for more information.

### **Current Ratio**

Our current ratio increased from 2.8 as of December 31, 2019 to 3.4 as of December 31, 2020, primarily attributable to a further increase in our total current assets, which outpaced the increase of total current liabilities. The increase in our total assets was primarily caused by (i) the increase in trade receivables and (ii) increase in cash and cash equivalents from December 31, 2019 to December 31, 2020. See “— Certain Balance Sheet Items” and “— Liquidity and Capital Resources” in this section for more information.

Our current ratio decreased from 3.4 as of December 31, 2020 to 1.7 as of December 31, 2021, primarily because the increase in our total current liabilities outpaced the increase in our total current assets, which was mainly due to the increase in other payables and accruals as a result of our reorganization.

Our current ratio increased from 1.7 as of December 31, 2021 to 3.3 as of May 31, 2022 primarily because our current liabilities dropped significantly as the other payables and accruals as a result of our reorganization became fully settled in the first quarter of 2022, which outpaced the decrease in current liabilities.

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### Quick Ratio

Our quick ratio increased from 2.8 as of December 31, 2019 to 3.4 as of December 31, 2020, then decreased to 1.7 as of December 31, 2021, but bounced back to 3.3 as of May 31, 2022. Since inventories only made a small part of our total current assets during the Track Record Period, the reasons for the fluctuations in quick ratio follow those in current ratio.

### Gearing Ratio

Our gearing ratio increased from 5.5% as of December 31, 2019 to 6.5% as of December 31, 2020, primarily because increase in our debt, which was primarily due to the increase in interest-bearing bank borrowings of over RMB4.8 million, outpaced the increase in our total equity.

Our gearing ratio decreased from 6.5% as of December 31, 2020 to 4.1% as of December 31, 2021, as our total debt decreased while our total equity increased.

Our gearing ratio increased from 4.1% as of December 31, 2021 to 4.7% as of May 31, 2022, because the increase in our debt mainly as a result of the increase in interest-bearing bank borrowings of RMB2.0 million outpaced the increase in our total equity.

## FINANCIAL RISKS

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, see Note 34 to the Accountant's Report set out in Appendix I to this Document.

### Foreign Currency Risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which we conduct business may affect our financial condition and results of operation. We seek to limit our exposure to foreign currency risk by minimizing our net foreign currency position.

Our transactions are denominated and settled in its functional currency, RMB. For our subsidiaries whose functional currency is RMB, if USD had strengthened or weakened by 5% against RMB with all other variables held constant, profit before tax for the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022 would have increased or decreased by RMB0.4 million, RMB1.5 million, RMB1.8 million and RMB0.9 million, respectively, while the equity as of December 31, 2021 and May 31, 2022 would have increased or decreased by RMB2.5 million and RMB5.5 millions, respectively.

We will constantly review the economic situation and our foreign exchange risk profile, and will consider appropriate hedging measures in the future, when necessary.



## FINANCIAL INFORMATION

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### **Credit Risk**

Credit risk mainly arises from (i) trade and notes receivables, (ii) contract assets, (iii) financial assets included in prepayment, other receivables and other assets (normal), (iv) restricted deposits (not yet past due), and (v) cash and cash equivalents (not yet past due). For the credit quality and maximum exposure to credit risk, see Note 34 to the Accountant's Report set out in Appendix I to this Document.

### **Liquidity Risk**

In the management of liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. For the maturity profile of our financial liabilities based on the contractual undiscounted payments, see Note 34 to the Accountant's Report set out in Appendix I to this Document.

### **DIVIDEND**

As advised by our Cayman Islands Legal Advisors, under the Cayman Companies Act and the Memorandum and Articles, we may declare and pay a dividend out of either profits or share premium account, provided that under no circumstances may a dividend be declared or paid if such payment would result in our inability to pay our debts when they fall due in the ordinary course of business. The payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries.

PRC laws require that dividends be paid only out of retained profits calculated according to PRC accounting principles. Any dividends we pay will be determined at the absolute discretion of our Board, taking into account factors including our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that our Board deems to be appropriate. Our Shareholders may approve, in a general meeting, any declaration of dividends, which must not exceed the amount recommended by our Board.

No dividends had been paid or declared by our Company since its incorporation, or any subsidiaries of our Group during the Track Record Period. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

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## FINANCIAL INFORMATION

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### DISTRIBUTABLE RESERVES

As of May 31, 2022, our Company did not have any distributable reserve available for distribution to Shareholders.

[REDACTED]

Our [REDACTED] mainly include [REDACTED], professional fees paid to legal advisor and the Reporting Accountants for their services rendered in relation to the [REDACTED] and the [REDACTED]. The estimated total [REDACTED] (based on the mid-point of our indicative price range for the [REDACTED] and assuming that the [REDACTED] is not exercised, excluding any discretionary incentive fee which may be payable by us) for the [REDACTED] are approximately RMB[REDACTED], which include (i) [REDACTED]-related expenses (including but not limited to [REDACTED] and fees) of approximately RMB[REDACTED], (ii) professional fees and expenses of legal advisors and reporting accountants of approximately RMB[REDACTED] and (iii) other fees and expenses, including fees to the Sole Sponsor, financial printer and other professional parties, of approximately RMB[REDACTED]. The estimated total [REDACTED] are estimated to represent [REDACTED]% of the gross [REDACTED] from the [REDACTED]. During the Track Record Period, we incurred [REDACTED] of RMB[REDACTED], of which RMB[REDACTED] was charged to the consolidated statements of profit or loss as administrative expenses and RMB[REDACTED] (deferred [REDACTED] in the consolidated statements of financial position as of May 31, 2022) will be deducted from equity upon the [REDACTED]. We expect to incur additional [REDACTED] of approximately RMB[REDACTED], of which approximately RMB[REDACTED] is expected to be recognized as administrative expenses and approximately RMB[REDACTED] is expected to be recognized as a deduction in equity directly upon the [REDACTED]. Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2022.

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “*Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*” issued by the HKICPA is to illustrate the effect of the [REDACTED] on the net tangible assets of our Group attributable to equity shareholders of our Company as of May 31, 2022 as if the [REDACTED] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the net tangible assets attributable to equity shareholders of our Company had the [REDACTED] been completed as of May 31, 2022 or at any future date.

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	Consolidated net tangible assets attributable to owners of the parent as of May 31, 2022	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent as of May 31, 2022	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as of May 31, 2022	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share as of May 31, 2022
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	(HK\$ equivalent) (Note 4)

Based on an [REDACTED] of HK\$[REDACTED] per Share

[163,805] [REDACTED] [REDACTED] [REDACTED] [REDACTED]

Based on an [REDACTED] of HK\$[REDACTED] per Share

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

Notes:

1. The consolidated net tangible assets attributable to owners of the parent as of May 31, 2022 is arrived at after deducting other intangible assets of RMB[REDACTED], from consolidated equity attributable to owners of the parent of RMB[REDACTED] as of May 31, 2022, as shown in the Accountants' Report, the text of which is set out in Appendix I to this Document.
2. The estimated [REDACTED] from the [REDACTED] are based on estimated [REDACTED] of HK\$[REDACTED] or HK\$[REDACTED] per Share, being the low-end price and high-end price, after deduction of the [REDACTED] fees and other related expenses payable by our Company (excluding [REDACTED] of HK\$[REDACTED] which have been charged to profit or loss during the Track Record Period) and do not take into account any Shares which may be issued upon exercise of the [REDACTED].
3. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares are in issue assuming that the [REDACTED] and the [REDACTED] have been completed on May 31, 2022.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB[0.8487] to HK\$[1.00].
5. No adjustment has been made to reflect any trading results or open transactions of our Group entered into subsequent to May 31, 2022.

## FINANCIAL INFORMATION

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### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that other than as disclosed under the “Recent Developments and No Material Adverse Change” in the “Summary” section in this Document, (i) there had been no material adverse change in our business, the industry in which we operate, or market or regulatory environment to which we are subject, (ii) there had been no material adverse change in our financial or trading position or prospects since May 31, 2022, being the end date of our latest audited financial statements, and up to the Latest Practicable Date and (iii) there has been no event since May 31, 2022 and up to the date of this Document that would materially affect the information shown in the “Accountants’ Report” set out in Appendix I to this Document.

### DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [REDACTED] of the Shares on the [REDACTED].

## FUTURE PLANS AND [REDACTED]

### FUTURE PLANS

Please refer to the section headed “Business — Our Business Strategies” in this Document for a detailed description of future plans.

#### [REDACTED]

We estimate that we will receive [REDACTED] from the [REDACTED] of approximately HK\$[REDACTED] after deducting the [REDACTED] and expenses payable by us in the [REDACTED], assuming the [REDACTED] is not exercised and an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED] range of HK\$[REDACTED] per Share to HK\$[REDACTED] per share in this Document.

We intend to use the [REDACTED] we receive from the [REDACTED] as follows.

- (i) Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB\$[REDACTED]), is expected to be used for further research and development to improve our private 5G network solutions. In a typical private 5G network, 5G pRRU equipment receives signal in the front end and transmits the signal received to 5G BBU. To strengthen our competitiveness in the private 5G network solution market, we are required to upgrade our existing 5G pRRU equipment and launch new research to develop our proprietary 5G BBU equipment, which will require recruitment of more professionals, licensing of software and purchases of hardware. Specifically, we plan to use:
  - Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]), to recruit technology talents to expand our R&D team by recruiting new talents, based on the estimate of RMB[REDACTED] per headcount annually with reference to the current market standard. As the development of private 5G network solutions is a highly technical and complicated process that requires various skillsets, we plan to recruit talents in different specialty areas. In particular, we plan to recruit talents who hold bachelor’s degrees or above in electrical engineering or computer science with at least three years of experience in the relevant expertise divisions, including but not limited to the development of 5G pRRU, 5G BBU and supporting hardware and systems. The recruitment expenses are expected to include:
    - (a). Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]) on the recruitment of 22 R&D talents in total by the end of 2024 (11 in 2022, 5 in 2023 and 6 in 2024) for our 5G pRRU upgrade. We expect such R&D talents to (i) improve the data processing algorithm of our pRRU to reduce the error vector magnitude, deviation of the actual signal point from ideal signal point, (ii) optimize the

## FUTURE PLANS AND [REDACTED]

hardware design in the printed circuit board to reduce power consumption and (iii) support intellectual network resource management (INRM), a new functionality to improve adaptive parameter tuning in complex radio environment and facilitate synergy of heterogeneous networks at network connectivity layer;

- (b). Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] (equivalent to RMB[REDACTED]) on the recruitment of 25 R&D talents in total by the end of 2024 (10 in 2022, 10 in 2023 and 5 in 2024) for our 5G BBU development. We expect our new talents who focus on 5G BBU development to build a functional framework that will be the basis of our 5G BBU equipment, based on which we will develop advanced functionalities and efficiently integrate the testings of 5G BBU and 5G RRU. With new talents on board, we aim to accomplish the following goals: (i) by the end of 2022, we expect to complete the design of the hardware and software architecture for our 5G BBU (“**5G BBU architecture**”), based on which we will tailor-make a real-time platform and build a 5G protocol stack prototype; (ii) by the end of 2023, we expect to complete the development of baseband processing pool within the 5G BBU architecture, a mechanism of grouping multiple baseband processing units into a common resource pool shared by different task divisions in order to maximize resource efficiency, and then coordinate the software framework with the baseband processing pool to support advanced features, such as MIMO. With the 5G BBU architecture, baseband processing pool and the software framework, we can build and commercialize a scalable and robust 5G BBU by the end of the same year; (iii) in 2024, we expect to keep upgrading our 5G BBU architecture, adding more advanced features, such as positioning and sensing, to our 5G protocol stack and optimizing our 5G BBU products based on customer feedbacks. Compared to our existing 5G BBU equipment, we expected that our proprietary 5G BBU equipment will be able to support higher transmission speed, adapt to more application scenarios and manage intelligent network resources across different networks; and
- (c). Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) on the recruitment of seven R&D talents in total by the end of 2024 (2 in 2022, 4 in 2023 and 1 in 2024) for the research and development for a plug-and-play (PnP) and container-based hardware and software architecture that enhances the scalability and flexibility of our private 5G network.

## FUTURE PLANS AND [REDACTED]

For further details on the development plans for 5G BBU, 5G pRRU and hardware and system, see “Business — Our Business Strategies — Further upgrade and improve our IoT solutions at network connectivity layer.” We intend to recruit such talents mainly through recruiting websites, recruiters and internal referrals.

- Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), is expected to be used for software licensing such as FlexRAN, a software that can be used to build and deploy highly optimized 5G physical layer solution, and purchasing customized hardware equipment, such as 5G BBU hardware, O-RAN fronthaul, and FPGA semiconductor device. O-RAN fronthaul can provide multi-functional interface, while FPGA semiconductor device can be used to design application-specific integrated circuits.

In light of the industry trends that (i) private 5G networks are expected to be the preferred choices for enterprises and (ii) the penetration rate of 5G applications is expected to increase in the near future, we believe that continuous improvement of our private 5G network solutions is necessary for us to remain competitive in the industry and adapt to the evolving customer demands. Nevertheless, we currently have insufficient R&D personnel to support the continuous improvement of our private 5G network solution technology and accommodate more private 5G network solution projects, which requires us to hire new R&D talents as listed above. We believe that with the planned expansion of our talent pool and inventory of essential hardware and software, we can further improve the compatibility of our private 5G network equipment with different systems, which is the key driver to expand the applications of our private 5G network solutions to different industry sectors.

- (ii) Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), is expected to be used for research and development of industrial WLAN, a wireless communication technique that is adopted in IIoT applications but distinct from private 5G network. We intend to develop this technique to support ultra-speed data transmission, strict delay/jitter limits and high reliability. Different from the consumer-level WLAN, the industrial WLAN generally has higher requirements for speed, stability, security and robustness of data collection and transmission. For example, the peak throughput for industry-level WLAN should be around 15Gbps, but the consumer-level WLAN can rarely exceed 1Gbps. The consumer-level WLAN also cannot control jitter and is more susceptible to interference and disruption, which can potentially cause great loss in IIoT applications. According to Frost & Sullivan, there were only approximately 20 market participants in the industrial WLAN market in the PRC in 2021, while the market size of industrial WLAN in the PRC is expected to reach approximately RMB4.4 billion at a CAGR of 34.6% from 2021 to 2026. Considering that (a) the currently prevailing technologies and products originally designed for consumer-level WLAN cannot adequately serve industry usage, (b) few of our competitors have yet offered telecommunication products that



## FUTURE PLANS AND [REDACTED]

can completely meet the above industrial-use standards, and (c) the industrial WLAN market in the PRC is expected to grow rapidly in the next few years, we desire to be one of the earliest movers and leading players in the market that launch WLAN products for industrial use. We expect that our industrial WLAN will have the following features: (i) the peak throughput could reach up to 15Gbps, with user-perceived throughput of over 1Gbps; (ii) the latency could be controlled within one millisecond; (iii) jitter could be limited within 5%; (iv) the reliability could support 99.999% availability, which means no more than 0.01% downtime within a specific period; and (v) high flexibility of customization for the various application processes. In order to achieve these goals, we plan to use [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]) on recruiting 22 new R&D staff by the end of 2024 (11 in 2022, 6 in 2023 and 5 in 2024) with reference to the current market standard. We expect the candidates to hold bachelor’s degrees or above in electrical engineering or computer science with at least three years of experience in developing telecommunication products or similar IT products. We intend to recruit such talents mainly through recruiting websites, recruiters and internal referrals. For further details on the development plans for industrial WLAN, see “Business — Our Business Strategies — Further upgrade and improve our IoT solutions at network connectivity layer.” We will also use [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]) for software IP licensing to effectively accelerate development and shorten delivery lead time. Considering the suggestions by our existing and potential clients who indicated interests in our industrial WLAN, we believe that our further investment in this field to reduce latency and improve reliability, capacity and the security of our telecommunication equipment and solutions for IIoT can solve the pain points of operation for our clients, which in turn could assist us to better serve our clients in different industry sectors and capture the future growth opportunities in the IIoT market in the PRC;

- (iii) Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), is expected to be used for developing a common digitalization foundation to further upgrade our Universal IoT Platform. We are of the view that the upgraded platform with the common digitalization foundation incorporated could further solve information island issue and transform data collected from various end-sensors/equipment into reusable digitalized assets and support fast development and deployment of applications under different application scenarios. To achieve this goal, we plan to recruit 11 new R&D staff, divided into device management staff and data management staff, to build a common IIoT platform with (a) integrated management of data and device and (b) open API to facilitate free data flow among different IIoT applications. by the end of 2024. R&D staff for device management will be responsible for handling protocols of equipment under various network, while R&D staff for data management will be responsible for data processing, such as data cleaning and filtering. Meanwhile, the new R&D staff from both divisions will be responsible for re-arching the platform architecture based on container and micro-service concept, an approach to software development incorporating small independent components

## FUTURE PLANS AND [REDACTED]

that can reduce risks of delay and integrate new features to applications in an easier way, to support integrated development and deployment. The hiring expenses are expected to include (i) HK\$[REDACTED] (equivalent to RMB[REDACTED]) on the recruitment of around five staff members in total (3 in 2022 and 2 in 2023) for device management and (ii) HK\$[REDACTED] (equivalent to RMB[REDACTED]) on the recruitment of around six staff members in total (3 in 2022 and 3 in 2023) for data management;

- (iv) Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), is expected to be used for R&D infrastructure upgrades. The equipment that we have in stock is insufficient in terms of volume and functionality to support our future R&D endeavor mentioned above. As such, we plan to purchase new types of lab equipment and replace certain outdated equipment with updated functions by the end of 2024, including but not limited to four spectrum analyzers, four signal analyzers, five signal generators, two channel simulators, one shield box and consumables, which are estimated to cost approximately HK\$[REDACTED], HK\$[REDACTED], HK\$[REDACTED], HK\$[REDACTED] and HK\$[REDACTED], respectively. We also intend to obtain permanent licenses for EDA software, which is estimated to cost approximately HK\$2.4 million. We also plan to purchase computers and consumables for general R&D purposes, which we estimate to cost approximately HK\$1.5 million, collectively. Since the equipment that we plan to buy can (i) visualize the signal transmission process for us to test the performance of our products, (ii) simulate signal transmission under extraordinary circumstances, e.g. loud noise, signal strength fluctuations, and high speed, and (iii) shield interferences, we believe that further investment in R&D infrastructure could significantly expand our test scope, improve test result accuracy, strengthen our R&D capability, and in turn, improve the adaptability and reliability of our products and solutions;
- (v) Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]) is expected to be used for further strengthening our business development capabilities. In particular, we plan to recruit 25 business development staff by the end of 2024 (3 in 2022, 17 in 2023 and 5 in 2024) with an annual salary range between RMB0.1 million and RMB0.3 million to boost our sales team. We plan to divide such newly recruited business development staff evenly to five different teams responsible for sales in Southern China, Eastern China, Central to Southwestern China, Central to Northwestern and Northern to Northeastern China, respectively. We expect our business development staff to hold bachelor's degrees or above in electronic engineering, telecommunication or computer science and have relevant industry experience from top-tier companies in the telecommunication industry. For further details, see "Business — Our Business Strategies — Further strengthen our business development capabilities and broaden our customer base;" and
- (vi) Approximately [REDACTED]% of the [REDACTED] from the [REDACTED], or HK\$[REDACTED] (equivalent to RMB[REDACTED]), for additional working capital and other general corporate purpose.

## FUTURE PLANS AND [REDACTED]

The table below sets forth further discussions on the purpose and value-add of each research and development plan as discussed above, along with the respective implementation timelines:

	Implementation Timeline			Purpose	Value Add
	For the years ending December 31,				
	2022	2023	2024		
<i>(HKD in millions, except number of talents)</i>					
<b>I. Improving Private 5G Network Solutions</b>					
<b>A. Recruiting R&amp;D staff for upgrading 5G pRRU</b>					
- Number of talents	11	5	6	(i) Improve the data processing algorithm of our pRRU to reduce the error vector magnitude, deviation of the actual signal point from the ideal signal point in a transmission path;	<b>1. Enhanced performance and reduced power consumption</b>  Power consumption is a major operating cost for 5G service providers, while the RRU occupies a large proportion of total power consumption for private 5G network solutions. As a result, 5G service providers have a great demand for power-saving 5G device. More and more research indicated that algorithm improvement and hardware optimization, can effectively reduce 15%-20% RRU power consumption. Therefore, we believe that our effort on upgrading 5G pRRU could help us reduce the power consumption of our private 5G network solutions and in turn, attract more customers.
- Corresponding salary	[REDACTED] <sup>(1)</sup> [REDACTED]	[REDACTED]	[REDACTED]	(ii) Optimize the hardware design in the printed circuit board to reduce power consumption; and	
				(iii) Support intellectual network resource management (INRM), a new functionality to improve adaptive parameter tuning in complex radio environment and facilitate synergy of heterogeneous networks at network connectivity layer.	
<b>B. Recruiting R&amp;D staff for developing 5G BBU</b>					
- Number of talents	10	10	5	Build a functional framework for 5G BBU equipment, based on which we will develop advanced functionalities and efficiently integrate the testing of 5G BBU and 5G RRU.	<b>2. Adaptive parameter tuning and synergy of heterogeneous network</b>  Compared to previous generation networks, 5G network is more complex in structure, applicable to more scenarios and synergistic in heterogeneous networks, which requires the intellectual network resource management that can continuously improve parameter tuning, detect and avoid risks automatically and proactively adjust network resources based on prediction of end-users' intentions. As such, we believe that if we solve the particular needs of 5G network as discussed above, our products and solutions will be more popular in the market.
- Corresponding salary	[REDACTED] <sup>(1)</sup> [REDACTED]	[REDACTED]	[REDACTED]		
<b>C. Recruiting R&amp;D staff for developing hardware and system</b>					
- Number of talents	2	4	1	Research and develop a plug-and-play (PnP) and container-based hardware and software architecture that can enhance the scalability and flexibility of our private 5G network.	
- Corresponding salary	[REDACTED] <sup>(1)</sup> [REDACTED]	[REDACTED]	[REDACTED]		
<b>D. Licensing software and purchasing hardware</b>					
- FlexRAN (Software)	[REDACTED]	[REDACTED]	[REDACTED]	(i) FlexRAN: build and deploy highly optimized 5G physical layer solution;	
- O-RAN	[REDACTED]	[REDACTED]	[REDACTED]	(ii) O-RAN fronthaul: provide multi-functional interface; and	
- FPGA	[REDACTED]	[REDACTED]	[REDACTED]	(iii) FPGA semiconductor device: design application-specific integrated circuits;	
- 5G BBU hardware	[REDACTED]	[REDACTED]	[REDACTED]	Along with customized 5G BBU hardware, they can effectively accelerate development and shorten delivery lead time.	

**FUTURE PLANS AND [REDACTED]**

Implementation Timeline			Purpose	Value Add
For the years ending December 31,				
2022	2023	2024		
<i>(HKD in millions, except number of talents)</i>				
			<p><b>3. A comprehensive 5G-RAN portfolio (BBU+RRU) brings more revenue</b></p> <p>Our sales of 5G telecommunication equipment during the Track Record Period and up to the Latest Practicable Date did not cover any self-proprietary BBU, which had to be purchased from third-party BBU vendors. Considering that it would be more convenient for customers to purchase BBU and RRU from the same vendor, developing our own BBU products will make our products more appealing to customers and bring more revenue.</p>	
			<p><b>4. Self-developed BBU allows better customization</b></p> <p>Unlike public 5G networks, the private 5G network will have to meet more specific customer requirements. With self-developed BBU, we will be able to further enhance our customization capability and win a more advantageous position in the market.</p>	
			<p><b>5. Self-proprietary BBU and RRU can accelerate integrated testing and reduce trouble shooting time</b></p> <p>When BBU and RRU are provided by different vendors, it requires much more efforts to perform thorough integrated testing for BBU and RRU, which on average takes 1-3 months for trouble-shooting. However, the BBU and RRU of same vendor can complete the testing during development, which will significantly reduce delivery lead time to only 2-3 weeks for trouble-shooting. Moreover, it also facilitates the synergy between BBU and RRU through introducing the specific procedure (such as RRU ring deployment, backup and resume).</p>	

**FUTURE PLANS AND [REDACTED]**

	Implementation Timeline			Purpose	Value Add
	For the years ending December 31,				
	2022	2023	2024		
	<i>(HKD in millions, except number of talents)</i>				
<b>II. Developing industrial WLAN</b>					
<b>A. Recruiting new R&amp;D staff</b>					
- Number of talents	11	6	5	We are planning to recruit new R&D staff for developing industry WLAN in order to meet the industrial needs for such technology and grasp the further market opportunities. The proposed research projects to be conducted by such staff are aimed to realize the following breakthroughs:	Compared to private 5G network which is less susceptible to device mobility, covers larger areas but costs more, the industrial WLAN offers a robust and cost-effective solution to mesh network and low-mobility settings, such as a factory workshop. As the industrial WLAN is heterogeneous to our private 5G network solutions, the addition of the industrial WLAN will enrich its solution portfolio.
- Corresponding salary	[REDACTED] <sup>(1)</sup>	[REDACTED]	[REDACTED]		
				(i) The peak throughput could reach up to 15Gbps, with user-perceived throughput of over 1Gbps;	Given the features of industrial WLAN, we believe that industrial WLAN is the technology that can solve the pain points of our manufacturer customers, who indicated a great demand to replace cable to solve problems of low throughput, severe latency and frequent jitter. Therefore, we believe that our investment in industrial WLAN and the resulting effects will satisfy the needs of different customers, which in turn will diversify our revenue sources.
				(ii) The latency could be controlled within one millisecond;	
				(iii) Jitter could be limited within 5%;	
				(iv) Improved reliability could support 99.999% availability, which means no more than 0.01% downtime within a specific period; and	
				(v) High flexibility of customization for the various application processes.	
<b>B. Licensing software</b>	[REDACTED]	[REDACTED]	[REDACTED]	Effectively accelerate development and shorten delivery lead time	

**FUTURE PLANS AND [REDACTED]**

	Implementation Timeline			Purpose	Value Add	
	For the years ending December 31,					
	2022	2023	2024			
<b>III. Upgrading Universal IoT Platform</b>						
<b>A. Recruiting device management staff</b>						
- Number of talents	3	2	-	Handle protocols of equipment under various network and re-arch the platform architecture based on container and micro-service concept to support integrated development and deployment.	The upgraded Universal IoT Platform will allow free data flow among different applications and devices, which facilitated synergy along the whole production lifecycle. With the synergy of data, our customers (particularly manufacturer customers) can improve their productivity. The data mining and management function of our upgraded Universal IoT platform can also convert raw data into reusable and informative information for our customers, including but not limited to user preferences, device status and production procedure, which will be valuable reusable digital assets of our customers. Therefore, we believe our investment in upgrading our Universal IoT Platform could assist us to attract more customers and in turn bring more revenue.	
- Corresponding salary	[REDACTED] <sup>(1)</sup> [REDACTED]	[REDACTED]	[REDACTED]			
<b>B. Recruiting data management staff</b>						
- Number of talents	3	3	-	Process data, including data cleaning and filtering		
- Corresponding salary	[REDACTED] <sup>(1)</sup> [REDACTED]	[REDACTED]	[REDACTED]			

*Note:*

(1) Such expenses are calculated on the assumption that the R&D talents to be recruited in 2022 will only serve for one quarter of the year on average.

Our Directors confirm that our existing R&D employees have been fully utilized, and the current size of our R&D team is insufficient to support the aforementioned R&D endeavors that we would need to strengthen our position in this competitive market. Thus, we believe there is a need to hire more talents with relevant industry experience, ideally from top-tier firms in the industry.

Since the end of Track Record Period and up to the Latest Practicable Date, we have been actively screening candidate profiles and approaching potential candidates to expand our R&D team. We have had candidates of interest in our talent pool, and we expect to accelerate the hiring process and extend offers to such candidates once [REDACTED] from the [REDACTED] are in place.

If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the high-end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, we will receive additional [REDACTED] of approximately HK\$[REDACTED]. If the [REDACTED] is fixed at HK\$[REDACTED] per [REDACTED] (being the low-end of the [REDACTED] range stated in this document) and assuming the [REDACTED] is not exercised, the [REDACTED] we receive will be reduced by approximately HK\$[REDACTED]. The above allocation of the [REDACTED] will be adjusted on a pro rata basis in the event that the [REDACTED] is fixed at a higher or lower level compared to the mid-end of the estimated [REDACTED] range.

## FUTURE PLANS AND [REDACTED]

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The additional [REDACTED] that we would receive if the [REDACTED] were exercised in full would be (i) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the high-end of the [REDACTED] range stated in this document), (ii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-end of the [REDACTED] range stated in this document) and (iii) HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the low-end of the [REDACTED] range stated in this document). Additional [REDACTED] received due to the exercise of any [REDACTED] will be used for the above purposes accordingly on a pro rata basis in the event that the [REDACTED] is exercised.

To the extent permitted by applicable laws and regulations, the [REDACTED] which are not immediately applied to the above purposes will be only placed as short-term deposits in authorized financial institutions and licensed banks (as defined under the Securities and Futures Ordinance).



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**HOW TO APPLY FOR THE [REDACTED]**

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[REDACTED]

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

*The following is the text of a report received from the Company’s reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.*

*[To insert the firm’s letterhead]*

**ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HOWKINGTECH INTERNATIONAL HOLDING LIMITED AND PING AN OF CHINA CAPITAL (HONG KONG) COMPANY LIMITED**

**Introduction**

We report on the historical financial information of Howkingtech International Holding Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-69, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the five months ended 31 May 2022 (the “**Relevant Periods**”), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the statements of financial position of the Company as at 31 December 2021 and 31 May 2022 and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-69 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the “**Document**”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

**Directors’ responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 and the Company as at 31 December 2021 and 31 May 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

**Review of interim comparative financial information**

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the five months ended 31 May 2021 and other explanatory information (the “**Interim Comparative Financial Information**”). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

*Dividends*

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

*No historical financial statements for the Company*

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]

*Certified Public Accountants*

Hong Kong

*[Date]*



## I HISTORICAL FINANCIAL INFORMATION

### Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the “**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>	
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(Unaudited)</i>
<b>REVENUE</b>	5	80,885	127,425	189,552	53,095	82,947
Cost of sales		(44,487)	(76,044)	(110,753)	(35,807)	(53,973)
Gross profit		36,398	51,381	78,799	17,288	28,974
Other income and gains	5	3,528	5,405	4,066	1,373	774
Selling and distribution expenses		(2,474)	(1,688)	(2,140)	(534)	(1,183)
Administrative expenses		(14,012)	(15,127)	(28,258)	(7,856)	(16,496)
Impairment losses on financial and contract assets, net		(3,019)	(4,823)	(11,478)	(2,513)	(764)
Other expenses		(98)	(1,989)	(421)	(650)	–
Finance costs	7	(1,688)	(366)	(500)	(231)	(127)
<b>PROFIT BEFORE TAX</b>	6	18,635	32,793	40,068	6,877	11,178
Income tax expense	10	(1,284)	(4,240)	(5,688)	(560)	(651)
<b>PROFIT FOR THE YEAR/PERIOD</b>		<u>17,351</u>	<u>28,553</u>	<u>34,380</u>	<u>6,317</u>	<u>10,527</u>
Attributable to:						
Owners of the parent		<u>17,351</u>	<u>28,553</u>	<u>34,380</u>	<u>6,317</u>	<u>10,527</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>						
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		–	–	(486)	(385)	414
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD</b>		<u>–</u>	<u>–</u>	<u>(486)</u>	<u>(385)</u>	<u>414</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>		<u>17,351</u>	<u>28,553</u>	<u>33,894</u>	<u>5,932</u>	<u>10,941</u>

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD</b>		<u>17,351</u>	<u>28,553</u>	<u>33,894</u>	<u>5,932</u>	<u>10,941</u>
Attributable to:						
Owners of the parent		<u>17,351</u>	<u>28,553</u>	<u>33,894</u>	<u>5,932</u>	<u>10,941</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>						
Basic and diluted	12	<u>0.02</u>	<u>0.04</u>	<u>0.04</u>	<u>0.01</u>	<u>0.01</u>

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**ACCOUNTANTS’ REPORT**

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<i>Notes</i>	<b>As at 31 December</b>			<b>As at</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>31 May</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	13	3,330	3,768	4,251	3,771
Right-of-use assets	14(a)	1,972	496	3,162	2,536
Other intangible assets	15	73	58	167	170
Deferred tax assets	26	2,353	2,270	4,044	4,216
Trade and notes receivables	17	2,711	1,394	–	–
Contract assets	18	982	911	1,558	1,933
Deposits	19	166	–	170	170
Total non-current assets		11,587	8,897	13,352	12,796
<b>CURRENT ASSETS</b>					
Inventories	16	2,060	3,067	2,507	3,265
Trade and notes receivables	17	71,887	120,945	140,751	167,541
Contract assets	18	70	107	6,620	7,168
Prepayments, other receivables and other assets	19	610	1,435	102,897	8,235
Financial assets at fair value through profit or loss	21	26,060	1,344	–	5,038
Restricted deposits	22	233	233	233	–
Cash and cash equivalents	22	7,458	28,807	86,337	26,915
Total current assets		108,378	155,938	339,345	218,162
<b>CURRENT LIABILITIES</b>					
Trade payables	23	19,847	23,323	27,161	36,743
Other payables and accruals	24	13,738	11,328	161,847	20,956
Interest-bearing bank borrowings	25	2,352	7,231	3,000	5,000
Lease liabilities	14(b)	1,581	534	1,450	1,503
Tax payable		394	2,989	4,422	1,647
Government grants		143	101	–	–
Total current liabilities		38,055	45,506	197,880	65,849
<b>NET CURRENT ASSETS</b>		70,323	110,432	141,465	152,313
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		81,910	119,329	154,817	165,109

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	<i>Notes</i>	<b>As at 31 December</b>			<b>As at</b>
		<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>31 May</b>
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>TOTAL ASSETS LESS</b>					
<b>CURRENT LIABILITIES</b>		<u>81,910</u>	<u>119,329</u>	<u>154,817</u>	<u>165,109</u>
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	14(b)	534	–	1,783	1,134
Government grants		<u>134</u>	<u>34</u>	<u>–</u>	<u>–</u>
Total non-current liabilities		<u>668</u>	<u>34</u>	<u>1,783</u>	<u>1,134</u>
Net assets		<u>81,242</u>	<u>119,295</u>	<u>153,034</u>	<u>163,975</u>
<b>EQUITY</b>					
<b>Equity attributable to owners of the parent</b>					
Issued capital	27	–	–	64	64
Share premium	27	–	–	117,336	117,336
Reserves	28	<u>81,242</u>	<u>119,295</u>	<u>35,634</u>	<u>46,575</u>
Total equity		<u>81,242</u>	<u>119,295</u>	<u>153,034</u>	<u>163,975</u>

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ACCOUNTANTS' REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent			
	Issued capital	Capital reserve*	(Accumulated losses)/	Total equity
			retained profits*	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2019</b>				
At 1 January 2019	–	50,768	(30,377)	20,391
Profit for the year	–	–	17,351	17,351
Total comprehensive income for the year	–	–	17,351	17,351
Capital injection from shareholders (note a)	–	43,500	–	43,500
At 31 December 2019	–	94,268	(13,026)	81,242
<b>Year ended 31 December 2020</b>				
At 1 January 2020	–	94,268	(13,026)	81,242
Profit for the year	–	–	28,553	28,553
Total comprehensive income for the year	–	–	28,553	28,553
Capital injection from shareholders (note b)	–	9,500	–	9,500
At 31 December 2020	–	103,768	15,527	119,295

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	Attributable to owners of the parent					Total equity
	Issued capital	Share premium	Capital reserve*	Exchange fluctuation reserve*	Retained profits*	
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	
<b>Year ended 31 December 2021</b>						
At 1 January 2021	–	–	103,768	–	15,527	119,295
Profit for the year	–	–	–	–	34,380	34,380
Exchange differences on translation of foreign operations	–	–	–	(486)	–	(486)
Total comprehensive income for the year	–	–	–	(486)	34,380	33,894
Issue of shares (note 27)	64	117,336	–	–	–	117,400
Capital reduction (note c)	–	–	(66,934)	–	(41,466)	(108,400)
Acquisition of equity interest from the then shareholders	–	–	(9,155)	–	–	(9,155)
At 31 December 2021	<u>64</u>	<u>117,336</u>	<u>27,679</u>	<u>(486)</u>	<u>8,441</u>	<u>153,034</u>
<b>Period ended 31 May 2022</b>						
At 1 January 2022	64	117,336	27,679	(486)	8,441	153,034
Profit for the period	–	–	–	–	10,527	10,527
Exchange differences on translation of foreign operations	–	–	–	414	–	414
Total comprehensive income for the period	–	–	–	414	10,527	10,941
At 31 May 2022	<u>64</u>	<u>117,336</u>	<u>27,679</u>	<u>(72)</u>	<u>18,968</u>	<u>163,975</u>
<b>Period ended 31 May 2021</b>						
At 1 January 2021	–	–	103,768	–	15,527	119,295
Profit for the period (Unaudited)	–	–	–	–	6,317	6,317
Exchange differences on translation of foreign operations (Unaudited)	–	–	–	(385)	–	(385)
Total comprehensive income for the period (Unaudited)	–	–	–	(385)	6,317	5,932
At 31 May 2021 (Unaudited)	<u>–</u>	<u>–</u>	<u>103,768</u>	<u>(385)</u>	<u>21,844</u>	<u>125,227</u>

\* These reserve accounts comprise the consolidated reserves of RMB81,242,000, RMB119,295,000, RMB35,634,000 and RMB46,575,000 in the consolidated statements of financial position as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

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Notes:

- (a) In October and December 2019, Nanjing Howking Technology Co., Ltd. (南京濠暎通訊科技有限公司) (“**Nanjing Howking**”) increased its registered capital by RMB1,778,000 from RMB10,111,000 to RMB11,889,000. Ms. Wang Zheshi subscribed for RMB444,000 of the increased registered capital at a consideration of RMB444,000. Ms. Jin Yan subscribed for RMB556,000 of the increased registered capital at a consideration of RMB556,000. Haining Dongzheng Hande Investment Partnership (L.P.) (海寧東證漢德投資合夥企業(有限合夥)) subscribed for RMB315,000 of the increased registered capital at a consideration of RMB17,000,000. Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership (L.P.) (寧波梅山保稅港區東證夏德投資合夥企業(有限合夥)) subscribed for RMB296,000 of the increased registered capital at a consideration of RMB16,000,000. Shenzhen Huixin Qianhai Equity Investment (L.P.) (深圳匯信前海股權投資企業(有限合夥)) subscribed for RMB167,000 of the increased registered capital at a consideration of RMB9,500,000.
- (b) In January 2020, Nanjing Howking increased its registered capital by RMB185,000 from RMB11,889,000 to RMB12,074,000. Shenzhen Huixin Qianhai Equity Investment (L.P.) subscribed for the entire increased registered capital at a consideration of RMB9,500,000.
- (c) In December 2021, Nanjing Howking decreased its registered capital by RMB2,007,000 from RMB12,074,000 to RMB10,067,000. Li Zhangpeng decreased his entire registered capital at a consideration of RMB12,000,000. Zhangzhou Merchants Economic Development District HeZe Limited Partnership (漳州招商局經濟技術開發區合澤股權投資合夥企業(有限合夥)) decreased its entire registered capital at a consideration of RMB8,400,000. Ningbo Qipu Growth Ruiying Investment Management Partnership (limited partnership) (寧波啟浦成長睿贏投資管理合夥企業(有限合夥)) decreased its entire registered capital at a consideration of RMB6,000,000. Shenzhen Huixin Qianhai Equity Investment (L.P.) decreased its entire registered capital at a consideration of RMB39,000,000. Shenzhen Zhichen Wuqi Venture Investment Partnership (Limited Partnership) (深圳智宸五期創業投資合夥企業(有限合夥)) decreased its entire registered capital at a consideration of RMB10,000,000. Haining Dongzheng Hande Investment Partnership (L.P.) decreased its entire registered capital at a consideration of RMB17,000,000. Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership (L.P.) decreased its entire registered capital at a consideration of RMB16,000,000.



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ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
						(Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before tax		18,635	32,793	40,068	6,877	11,178
Adjustments for:						
Finance costs	7	1,688	366	500	231	127
Interest income arising from revenue contracts	5	(330)	(251)	(172)	(72)	(37)
Other interest income	5	(816)	(908)	(30)	(22)	(21)
Fair value gains	5	(60)	(44)	–	–	(38)
Foreign exchange differences, net		(128)	1,875	353	643	(149)
Loss on disposal of items of property, plant and equipment	6	–	–	59	1	–
Depreciation of property, plant and equipment	13	952	992	1,180	418	572
Depreciation of right-of-use assets	14(a)	1,172	1,476	1,476	615	626
Amortisation of government grants		(973)	(142)	(1,635)	(43)	–
Amortisation of other intangible assets	15	1	15	17	6	23
Impairment of trade and notes receivables	17	3,029	4,825	11,187	2,506	765
Impairment/(Reversal of impairment) of contract assets	18	(10)	(2)	291	7	(1)
Operating cash flows before movements in working capital		23,160	40,995	53,294	11,167	13,045
Decrease/(increase) in inventories		948	(1,007)	560	(4,963)	(758)
Increase in trade and notes receivables		(43,584)	(53,050)	(29,800)	(17,198)	(27,302)
Decrease/(increase) in prepayments, other receivables and other assets		857	(236)	(2,419)	(1,270)	(655)
Decrease/(increase) in contract assets		44	36	(7,451)	(135)	(922)
Decrease in restricted deposits		–	–	–	–	233
Increase in trade payables		12,663	3,476	3,838	19,035	9,582
Increase/(decrease) in other payables and accruals		3,082	(2,590)	3,447	(3,387)	5,531
Increase in government grants		250	–	1,500	–	–
Cash (used in)/generated in operations		(2,580)	(12,376)	22,969	3,249	(1,246)
Income tax paid		(1,166)	(1,562)	(6,029)	(3,536)	(3,598)
Net cash flows (used in)/from operating activities		(3,746)	(13,938)	16,940	(287)	(4,844)
Net cash flows (used in)/from operating activities		(3,746)	(13,938)	16,940	(287)	(4,844)

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	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
						(Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received		1,232	1,196	74	66	21
Purchases of items of property, plant and equipment inventory		(649)	(1,250)	(1,797)	(386)	(198)
Additions to other intangible assets	15	(74)	-	(126)	-	(26)
Proceeds from disposal of items of property, plant and equipment		-	-	1	-	-
Purchases of financial assets at fair value through profit or loss		(50,500)	(129,000)	(8,800)	(8,200)	(10,000)
Disposal of financial assets at fair value through profit or loss		25,540	153,700	10,100	9,500	5,000
Loans to a director	31(a)	(281)	(105)	(20,414)	(17,272)	-
Repayment of loans to directors		803	9	20,510	96	-
Loans to related parties	31(a)	(7,180)	-	(955)	-	-
Repayment of loans to related parties		19,635	-	-	-	955
Net cash flows (used in)/from investing activities		(11,474)	24,550	(1,407)	(16,196)	(4,248)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Proceeds from issue of shares		-	-	21,000	-	96,400
Capital injection from shareholders		43,500	9,500	-	-	-
Capital reduction		-	-	(12,000)	-	(96,400)
New bank loans		2,352	7,231	9,100	5,100	5,000
Repayment of bank loans		-	(2,352)	(13,331)	(4,231)	(3,000)
Loans from a related party	31(a)	5,740	-	-	-	-
Loans from a director	31(a)	-	-	40,880	-	-
Acquisition of equity interest from the then shareholders		-	-	-	-	(9,155)
Repayment of loans from related parties		(33,131)	(9)	-	-	-
Repayment of loans from a director		-	-	-	-	(40,880)
Interest paid		(4,173)	(290)	(377)	(184)	(66)
Lease payments		(1,251)	(1,648)	(1,575)	(671)	(655)
Payments for deferred [REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash flows from/(used in) financing activities		13,037	12,105	42,463	(92)	(50,677)

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ACCOUNTANTS’ REPORT

	<i>Notes</i>	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>						
Cash and cash equivalents		(2,183)	22,717	57,996	(16,575)	(59,769)
at beginning of year/period		9,581	7,458	28,807	28,807	86,337
Effect of foreign exchange rate changes, net		60	(1,368)	(466)	(162)	347
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD</b>		<u>7,458</u>	<u>28,807</u>	<u>86,337</u>	<u>12,070</u>	<u>26,915</u>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>						
Cash and bank balances	22	<u>7,458</u>	<u>28,807</u>	<u>86,337</u>	<u>12,070</u>	<u>26,915</u>
Cash and cash equivalents as stated in the consolidated statements of cash flows and consolidated statements of financial position		<u>7,458</u>	<u>28,807</u>	<u>86,337</u>	<u>12,070</u>	<u>26,915</u>

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ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	<b>As at 31 December 2021</b>	<b>As at 31 May</b>
		<i>RMB’000</i>	<i>RMB’000</i>
<b>NON-CURRENT ASSETS</b>			
Investments in a subsidiary		–	117,379
Total non-current assets		–	117,379
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		–	3
Due from subsidiaries	<i>31(c)</i>	20,970	–
Other receivables		96,400	–
Total current assets		117,370	3
<b>CURRENT LIABILITIES</b>			
Due to a subsidiary	<i>31(c)</i>	–	1
Total current liabilities		–	1
<b>NET CURRENT ASSETS</b>		<b>117,370</b>	<b>2</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>117,370</b>	<b>117,381</b>
Net assets		117,370	117,381
<b>EQUITY</b>			
Issued capital	27	64	64
Share premium	27	117,336	117,336
Reserves	28	(30)	(19)
Total equity		117,370	117,381

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ACCOUNTANTS’ REPORT

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 August 2021. The registered office of the Company is located at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods and the five months ended 31 May 2021, the Company’s subsidiaries were principally involved in providing Internet of Thing (“IoT”) solutions and telecommunication equipment.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Howkingtech (BVI) Limited <i>(note (a))</i>	British Virgin Islands 3 September 2021	US\$1	100%	–	Investment holding
Parka Aragon Holding Limited <i>(note (a))</i>	British Virgin Islands 13 October 2021	US\$1	100%	–	Investment holding
HowKingTech Hong Kong Limited (“ <b>Howking Hong Kong</b> ”) <i>(note (b))</i>	Hong Kong 17 September 2021	HK\$1	–	100%	Investment holding
Parka Aragon Hong Kong Limited <i>(note (c))</i>	Hong Kong 27 October 2021	HK\$1	–	100%	Investment holding
Nanjing Howking* <i>(note (d))</i>	People’s Republic of China (“PRC”)/ Mainland China 29 September 2013	RMB127,466,667	–	100%	Research and development and sale of antenna system products, 5G equipment and other devices

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Name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Shenzhen M2Micro Electronics Co., Ltd. (“Shenzhen M2M”) (深圳市物聯微電子有限公司)* (note (e))	PRC/Mainland China 17 April 2012	RMB10,000,000	–	100%	Research and development and provision of IoT solutions and assembly of antenna products
HongKong HowKing Technology Limited (note (c))	Hong Kong 23 January 2020	HK\$31,192,800	–	100%	Import and export trade

Notes:

- (a) No audited financial statements have been prepared for these entities since their dates of incorporation/establishment.
- (b) The entity is a limited liability enterprises established under Hong Kong law. No audited financial statements have been prepared for these entities since their dates of incorporation/establishment. As at 31 May 2022, in the opinion of the directors, these balances due from Howking Hong Kong of RMB117,379,000 are unlikely to be repaid in the foreseeable future and considered as part of the Group’s net investments in the subsidiary.
- (c) These entities are limited liability enterprises established under Hong Kong law. No audited financial statements have been prepared for these entities since their dates of incorporation/establishment.
- (d) The entity is a wholly-foreign-owned enterprise established under PRC law. The financial statements of Nanjing Howking for the year ended 31 December 2019 prepared under PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by Jiangsu Guode Certified Public Accountants Co., Ltd. (江蘇國德會計師事務所有限公司), certified public accountants registered in the PRC. The financial statements of Nanjing Howking for the year ended 31 December 2020 prepared under PRC GAAP were audited by Jiangsu Zhongtian China Certified Public Accountants Co., Ltd. (江蘇中天華夏會計師事務所有限公司), certified public accountants registered in the PRC. The financial statements of Nanjing Howking for the year ended 31 December 2021 prepared under PRC GAAP were audited by Shandong Zhunze Certified Public Accountants (General Partnership) (山東準則會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (e) The entity is a limited liability enterprise established under PRC law. The financial statements of Shenzhen M2M for the year ended 31 December 2019 prepared under PRC GAAP were audited by Shenzhen Sunrise Certified Public Accountants (General Partnership) (深圳日成會計師事務所(普通合夥)), certified public accountants registered in the PRC. The financial statements of Shenzhen M2M for the year ended 31 December 2020 and 2021 prepared under PRC GAAP were audited by Shenzhen Sijie Accounting Firm (General Partnership) (深圳思傑會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- \* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

## APPENDIX I

## ACCOUNTANTS’ REPORT

### 2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document, the Company became the holding company of the companies now comprising the Group on 16 December 2021. As the Reorganisation only involved inserting new holding companies at the top of an existing company and has not resulted in any change of economic substances, the Historical Financial Information and the Interim Financial Information have been presented as a continuation of the existing Group using the pooling of interests method as if the group structure had been in place at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the five months ended 31 May 2021 are prepared as if the current group structure had been in existence throughout the Relevant Periods and the five months ended 31 May 2021. The consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 31 May 2022 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

All intra-group transactions and balances have been eliminated on consolidation.

### 2.2 BASIS OF PREPARATION

The Historical Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2022, together with the relevant transitional provisions, have been early adopted on a consistent basis by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the five months ended 31 May 2021.

The Historical Financial Information have been prepared under the historical cost convention, except for financial assets measured at fair value through profit or loss which have been measured at fair value.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1, 4</sup>
Amendment to HKFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information</i> <sup>1</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <sup>1, 3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>

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Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*<sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2023
- <sup>2</sup> No mandatory effective date yet determined but available for adoption
- <sup>3</sup> As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- <sup>4</sup> As a consequence of the amendment to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group’s financial performance and financial position.

### 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The results of subsidiaries are included in the Company’s profit or loss to the extent of dividends received and receivable.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.



If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### **Fair value measurement**

The Group measures unlisted investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

### **Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and non-current assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years/periods. A reversal of such an impairment loss is credited to the consolidated statements of profit or loss and other comprehensive income in the period in which it arises.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statements of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation of items of property, plant and equipment, other than mining infrastructure is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Machinery	10.0%~33.0%
Office equipment	20.0%~33.0%
Motor vehicles	25.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year/period end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statements of profit or loss and other comprehensive income in the year/period the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### **Intangible assets (other than goodwill)**

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year/period end.

### ***Software***

Software is stated at cost less any impairment losses and its amortised on the straight-line basis over its estimated useful lives of 2 to 5 years.

### ***Research and development costs***

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

### **Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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### *Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Plant and office premises	2-3years
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If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are presented separately in the statements of financial position.

(c) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of office premises and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

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### **Investments and other financial assets**

#### ***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables or notes receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables or notes receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### ***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

##### ***Financial assets at amortised cost (debt instruments)***

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statements of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

##### ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

### **Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### **Impairment of financial assets**

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### ***General approach***

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables, notes receivable and contract assets which apply the simplified approach as detailed below.

- Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

### *Simplified approach*

For trade receivables, notes receivable and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its peer group's expected credit loss, adjusted for factors specific to the debtors and the economic environment.

For trade receivables, notes receivable and contract assets that contain a significant financing component, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

### **Financial liabilities**

#### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, and interest-bearing bank borrowings.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

#### *Financial liabilities at amortised cost (loans and borrowings)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.



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### **Derecognition of financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### **Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

### **Provisions**

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

### **Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



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Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Where the Group receives grants of non-monetary assets, the grants are recorded at a nominal amount.

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### **Revenue recognition**

#### *Revenue from contracts with customers*

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### *Provision of IoT solutions*

Revenue from IoT solutions is recognised at the point in time when control of the assets or services is transferred to the customers and customer acceptance is acquired.

#### *Sales of telecommunication equipment*

Revenue from the sale of telecommunication equipment is recognised at the point in time when control of the assets is transferred to the customers, generally on delivery of the products.

#### *Others*

Revenue from consulting, maintenance and other services is generally recognised at the point in time when control of the assets or services is transferred to the customers and customer acceptance is acquired, or over the scheduled period on a straight-line basis or over time using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

#### *Other income*

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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### **Contract liabilities**

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### **Employee benefits**

#### *Pension schemes*

Contributions made to the government retirement benefit fund under defined contribution retirement plans are charged to profit or loss as incurred.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government and the central government, respectively. These subsidiaries are required to contribute a certain percentage of payroll costs to the central pension schemes. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension schemes.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### **Dividends**

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

### **Foreign currencies**

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency for the presentation of the Historical Financial Information and the Interim Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statements of profit or loss and other comprehensive income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period, are described below.

#### ***Provision for expected credit losses on trade receivables, notes receivable and contract assets***

The Group uses a provision matrix to calculate ECLs for trade receivables, notes receivable and contract assets. The provision matrix is initially based on the expected credit loss rates of peer group. The Group will calibrate the matrix to adjust the expected credit loss with factors that are specific to the debtors and the economic environment. For peer group’s assessment, the Group takes into consideration the ECLs accounting policy, business nature and revenue size. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

The assessment of ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The peer group’s expected credit loss may also not be representative of customers’ actual default in the future. The information about the ECLs on the Group’s trade receivables, notes receivable and contract assets is disclosed in note 17 and note 18 to the Historical Financial Information.

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*Leases – Estimating the incremental borrowing rate*

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

*Deferred tax assets*

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no carrying value of deferred tax assets relating to recognised tax losses at 31 December 2019, 2020 and 2021 and 31 May 2022. The amounts of unrecognised tax losses at 31 December 2019, 2020 and 2021 and 31 May 2022 were RMB6,285,000, RMB5,091,000, RMB2,667,000 and nil, respectively. Further details are contained in note 26 to the Historical Financial Information.

**4. OPERATING SEGMENT INFORMATION**

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

**Geographical information**

(a) Revenue from external customers

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Mainland China	60,435	103,818	149,725	32,761	76,357
Other countries	20,450	23,607	39,827	20,334	6,590
	<u>80,885</u>	<u>127,425</u>	<u>189,552</u>	<u>53,095</u>	<u>82,947</u>

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 31 December			As at 31 May
	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000
Mainland China	<u>5,375</u>	<u>4,322</u>	<u>7,580</u>	<u>6,477</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments, contract assets and deferred tax assets.

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Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group’s revenue during the Relevant Periods and the five months ended 31 May 2021 is set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Customer 1	13,220	13,178	24,312	10,669	N/A*
Customer 2	N/A	N/A	42,047	N/A	13,652
Customer 3	16,935	N/A*	19,493	N/A	10,765
Customer 4	13,596	N/A*	N/A*	N/A	N/A*
Customer 5	N/A	40,543	N/A*	N/A	N/A*
Customer 6	N/A	32,301	N/A*	N/A	N/A
Customer 7	N/A	N/A	22,024	22,024	N/A
Customer 8	N/A*	N/A*	N/A*	9,665	N/A*
Customer 9	N/A	N/A	N/A	N/A	44,235
Customer 10	N/A*	N/A*	N/A*	6,509	N/A

\* Less than 10%

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Revenue from contracts with customers	80,885	127,425	189,552	53,095	82,947

Revenue from contracts with customers

(i) Disaggregated revenue information

Types of goods or services	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Provision of IoT solutions	41,719	75,518	123,298	29,614	29,576
Sales of telecommunication equipment	31,252	41,931	59,969	23,481	52,690
Others	7,914	9,976	6,285	–	681
Total revenue from contracts with customers	80,885	127,425	189,552	53,095	82,947

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	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
<b>Timing of revenue recognition</b>					
Goods/services transferred at a point in time	77,201	127,425	186,290	53,095	82,281
Services transferred over time	3,684	–	3,262	–	666
Total revenue from contracts with customers	80,885	127,425	189,552	53,095	82,947

The following table shows the amounts of revenue recognised during the Relevant Periods and the five months ended 31 May 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and the five months ended 31 May 2021 and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				<i>(Unaudited)</i>	
Revenue recognised that was included in contract liabilities at the beginning of the year/period: Provision of IoT solutions	–	–	298	298	–

(ii) **Performance obligations**

Information about the Group’s performance obligations is summarised below:

*Provision of IoT solutions*

The performance obligation is satisfied at a point in time when customer acceptance is acquired, and payment is generally due between 3 to 300 days from the final acceptance, depending on the specific payment terms in each contract.

*Sales of telecommunication equipment*

The performance obligation is satisfied upon delivery of goods and payment is generally due within 6 months from delivery.

*Others*

Generally, the performance obligation is satisfied at a point in time when customer acceptance is acquired, and payment is generally due within 3 months from the final acceptance. For certain contracts, the performance obligation is satisfied over time as services are rendered and billed based on the time incurred.

As at the end of each of the Relevant Periods, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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An analysis of other income and gains is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
<b>Other income</b>					
Bank interest income	12	20	19	2	38
Interest income arising from revenue contracts	330	251	172	72	37
Other interest income from loans to related parties	771	–	–	–	–
Other interest income from financial assets at fair value through profit or loss	45	908	30	22	21
Government grants*	1,223	3,508	3,845	1,277	427
	<u>2,381</u>	<u>4,687</u>	<u>4,066</u>	<u>1,373</u>	<u>523</u>
<b>Gains</b>					
Gain on disposal of items of inventories	–	653	–	–	–
Fair value gains, net:					
Financial assets at fair value through profit or loss – mandatorily classified as such, including those held for trading	60	44	–	–	38
Gain on liquidation of subsidiaries	955	14	–	–	59
Foreign exchange gain	128	–	–	–	149
Others	4	7	–	–	5
	<u>1,147</u>	<u>718</u>	<u>–</u>	<u>–</u>	<u>251</u>
	<u><u>3,528</u></u>	<u><u>5,405</u></u>	<u><u>4,066</u></u>	<u><u>1,373</u></u>	<u><u>774</u></u>

\* The government grants mainly represent incentives awarded by the local governments to support the Group’s operation. The Group has some lease contracts with governments for office premises used in its operations, which are rent free as non-monetary grants. These non-monetary grants are recorded at a nominal amount and the fair value is RMB408,000, RMB422,000, RMB1,209,000, RMB451,000 and RMB535,000 respectively, for the years ended 31 December 2019, 2020 and 2021 and the five months ended 31 May 2021 and 2022.

The government grants received for which the related expenditure has not yet incurred are included in government grants in the statements of financial position. There were no unfulfilled conditions or contingencies relating to these grants.



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6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
						(Unaudited)
Cost of inventories sold		23,731	28,394	41,508	15,601	38,710
Cost of services provided		20,756	47,650	69,245	20,206	15,263
Depreciation of property, plant and equipment*	13	952	992	1,180	418	572
Depreciation of right-of-use assets*	14(a)	1,172	1,476	1,476	615	626
Amortisation of other intangible assets*	15	1	15	17	6	23
Research and development costs		7,672	7,042	9,791	3,902	5,284
Lease payments not included in the measurement of lease liabilities [REDACTED]	14(c)	35	43	17	14	7
Employee benefit expense (excluding directors’ and chief executive’s remuneration (note 8)):		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Wages and salaries		9,306	8,493	11,188	4,073	5,735
Pension scheme contributions**		869	94	410	157	513
Staff welfare expenses		1,366	827	926	245	563
		<u>11,541</u>	<u>9,414</u>	<u>12,524</u>	<u>4,475</u>	<u>6,811</u>
Foreign exchange differences, net		(128)	1,875	353	643	(149)
Impairment of trade and notes receivables, net	17	3,029	4,825	11,187	2,506	708
Impairment/(reversal of impairment) of contract assets, net	18	(10)	(2)	291	7	(1)
Fair value gains, net:						
Financial assets at fair value through profit or loss	5	(60)	(44)	–	–	(38)
Gain on liquidation of subsidiaries	5	(955)	(14)	–	–	59
Loss on disposal of items of property, plant and equipment		–	–	59	1	–
Bank interest income	5	(12)	(20)	(19)	(2)	(38)
Government grants	5	(1,223)	(3,508)	(3,845)	(1,277)	(427)
Gain on disposal of items of inventories	5	–	(653)	–	–	–

\* The depreciation of property, plant and equipment and right-of-use assets and the amortisation of other intangible assets are included in “Inventories” and, “Cost of sales”, “Selling and distribution expenses” and “Administrative expenses” in profit or loss.

\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

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**ACCOUNTANTS’ REPORT**

**7. FINANCE COSTS**

An analysis of finance costs is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Interest on loans from a related party	1,580	–	–	–	–
Interest on bank loans	6	299	368	185	68
Interest on lease liabilities	102	67	132	46	59
	<u>1,688</u>	<u>366</u>	<u>500</u>	<u>231</u>	<u>127</u>

**8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION**

The Company did not have any non-executive directors nor independent non-executive directors at any time during the Relevant Periods and the five months ended 31 May 2021.

Mr. Chen Ping, Ms. Wang Zheshi and Mr. Feng Yijing were appointed as executive directors of the Company in August 2021, while Mr. Chen Ping was appointed as the chief executive of the Company. Mr. Wang Jun was appointed as an executive director of the Company in December 2021. Directors received remuneration from subsidiaries now comprising the Group as directors of these subsidiaries. The remuneration of each of these directors for the Relevant Periods and the five months ended 31 May 2021 is set out below:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Other emoluments:					
Salaries, bonuses, allowances and benefits in kind	618	1,036	1,979	699	1,116
Pension scheme contributions	38	15	97	36	57
	<u>656</u>	<u>1,051</u>	<u>2,076</u>	<u>735</u>	<u>1,173</u>

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(a) Executive directors

	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Total remuneration</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Year ended 31 December 2019</b>			
Executive directors:			
Wang Zheshi	129	14	143
Feng Yijing	489	24	513
	<u>618</u>	<u>38</u>	<u>656</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Year ended 31 December 2020</b>			
Executive director and chief executive:			
Chen Ping	208	–	208
Executive directors:			
Wang Zheshi	129	12	141
Feng Yijing	699	3	702
	<u>828</u>	<u>15</u>	<u>843</u>
	<u>1,036</u>	<u>15</u>	<u>1,051</u>

There was no fees and other emoluments payable to the executive director and chief executive, Chen Ping, before October 2020.

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	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Total remuneration</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Year ended 31 December 2021</b>			
Executive director and chief executive:			
Chen Ping	846	38	884
Executive directors:			
Wang Zheshi	129	14	143
Feng Yijing	856	38	894
Wang Jun	148	7	155
	<u>1,133</u>	<u>59</u>	<u>1,192</u>
	<u>1,979</u>	<u>97</u>	<u>2,076</u>

	<b>Salaries, bonuses, allowances and benefits in kind</b>	<b>Pension scheme contributions</b>	<b>Total remuneration</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Five months ended 31 May 2021 (Unaudited)</b>			
Executive director and chief executive:			
Chen Ping	351	15	366
Executive directors:			
Wang Zheshi	51	6	57
Feng Yijing	297	15	312
Wang Jun	–	–	–
	<u>348</u>	<u>21</u>	<u>369</u>
	<u>699</u>	<u>36</u>	<u>735</u>

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	Salaries, bonuses, allowances and benefits in kind	Pension scheme contributions	Total remuneration
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
<b>Five months ended 31 May 2022</b>			
Executive director and chief executive:			
Chen Ping	354	17	371
Executive directors:			
Wang Zheshi	54	6	60
Feng Yijing	408	17	425
Wang Jun	300	17	317
	<u>762</u>	<u>40</u>	<u>802</u>
	<u>1,116</u>	<u>57</u>	<u>1,173</u>

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and the five months ended 31 May 2021.

**9. FIVE HIGHEST PAID EMPLOYEES**

The five highest paid employees during the Relevant Periods and the five months ended 31 May 2021 included one, one, two, three and two directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining four, four, three, two and three highest paid employees, respectively, who are neither a director nor chief executive of the Company for the Relevant Periods and the five months ended 31 May 2021 are as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Salaries, bonuses, allowances and benefits in kind	1,558	1,241	1,292	524	557
Pension scheme contributions	159	61	110	41	34
	<u>1,717</u>	<u>1,302</u>	<u>1,402</u>	<u>565</u>	<u>591</u>

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The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Nil to HK\$1,000,000	4	4	3	3	2

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on this subsidiary has been provided as there was no assessable profit arising in Hong Kong during the Relevant Periods and the five months ended 31 May 2021.

The provision for current income tax in Mainland China is based on the statutory rate of 25% of the assessable profits of certain PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, which was approved and became effective on 1 January 2008, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Nanjing Howking and Shenzhen M2M were recognised as a High and New Technology Enterprise and entitled to a preferential income tax rate of 15% from 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years. The renewal of such qualification for 2022 to 2024 is in process and expected to be obtained in November 2022.

Shenzhen Howking is entitled to a preferential income tax rate of 5% for the taxable income less than or equal to RMB1,000,000 during the year ended 31 December 2019, 2020 and 2021. Shenzhen Howking was deregistered in April 2022.

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(Unaudited)</i>	
Current	830	4,157	7,462	1,085	823
Deferred ( <i>note 26</i> )	454	83	(1,774)	(525)	(172)
Total tax charge for the year/period	1,284	4,240	5,688	560	651

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A reconciliation of the tax expense applicable to profit before tax at the statutory rates in Mainland China to the tax expense at the effective tax rates is as follows:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
				<i>(Unaudited)</i>	
Profit before tax	18,635	32,793	40,068	6,877	11,178
Tax at the statutory tax rate	4,659	8,198	10,043	1,720	2,795
Lower tax rate enacted by local authority	(1,775)	(3,252)	(4,038)	(679)	(1,167)
Expenses not deductible for tax	363	25	898	2	628
Additional deductible allowance for research and development costs	(721)	(745)	(1,228)	(487)	(725)
Tax losses/deductible temporary differences utilised from previous periods	(1,251)	–	–	–	(26)
Tax losses not recognised	9	14	13	4	–
Others	–	–	–	–	(854)
Tax charge/(credit) at the Group’s effective tax rate	1,284	4,240	5,688	560	651

**11. DIVIDENDS**

No dividends have been paid or declared by the Company since its incorporation.

**12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT**

The calculation of the basic earnings per share amounts is based on the earnings attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 772,789, 772,789, 785,854, 999,874 and 772,789 in issue during the Relevant Periods and the five months ended 31 May 2021, respectively, on the assumption that 772,789 ordinary shares were deemed to have been issued from 1 January 2019.

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**13. PROPERTY, PLANT AND EQUIPMENT**

	<u>Machinery</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
<b>31 December 2019</b>					
At 1 January 2019:					
Cost	5,638	294	230	6,162	
Accumulated depreciation	(2,145)	(230)	(154)	(2,529)	
Net carrying amount	<u>3,493</u>	<u>64</u>	<u>76</u>	<u>3,633</u>	
At 1 January 2019, net of accumulated depreciation					
Additions	323	326	–	649	
Depreciation provided during the year	(805)	(92)	(55)	(952)	
At 31 December 2019, net of accumulated depreciation	<u>3,011</u>	<u>298</u>	<u>21</u>	<u>3,330</u>	
At 31 December 2019:					
Cost	5,961	620	230	6,811	
Accumulated depreciation	(2,950)	(322)	(209)	(3,481)	
Net carrying amount	<u>3,011</u>	<u>298</u>	<u>21</u>	<u>3,330</u>	
	<u>Leasehold improvements</u>	<u>Machinery</u>	<u>Office equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2020</b>					
At 1 January 2020:					
Cost	–	5,961	620	230	6,811
Accumulated depreciation	–	(2,950)	(322)	(209)	(3,481)
Net carrying amount	<u>–</u>	<u>3,011</u>	<u>298</u>	<u>21</u>	<u>3,330</u>
At 1 January 2020, net of accumulated depreciation					
Additions	1,267	87	76	–	1,430
Depreciation provided during the year	(35)	(817)	(131)	(9)	(992)
At 31 December 2020, net of accumulated depreciation	<u>1,232</u>	<u>2,281</u>	<u>243</u>	<u>12</u>	<u>3,768</u>
At 31 December 2020:					
Cost	1,267	6,048	696	230	8,241
Accumulated depreciation	(35)	(3,767)	(453)	(218)	(4,473)
Net carrying amount	<u>1,232</u>	<u>2,281</u>	<u>243</u>	<u>12</u>	<u>3,768</u>



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	<b>Leasehold improvements</b>	<b>Machinery</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 December 2021</b>					
At 1 January 2021:					
Cost	1,267	6,048	696	230	8,241
Accumulated depreciation	(35)	(3,767)	(453)	(218)	(4,473)
Net carrying amount	<u>1,232</u>	<u>2,281</u>	<u>243</u>	<u>12</u>	<u>3,768</u>
At 1 January 2021,					
net of accumulated depreciation	1,232	2,281	243	12	3,768
Additions	29	1,127	227	340	1,723
Disposal	-	(46)	(2)	(12)	(60)
Depreciation provided during the year	(430)	(575)	(168)	(7)	(1,180)
At 31 December 2021, net of accumulated depreciation	<u>831</u>	<u>2,787</u>	<u>300</u>	<u>333</u>	<u>4,251</u>
At 31 December 2021:					
Cost	1,296	6,329	786	340	8,751
Accumulated depreciation	(465)	(3,542)	(486)	(7)	(4,500)
Net carrying amount	<u>831</u>	<u>2,787</u>	<u>300</u>	<u>333</u>	<u>4,251</u>
	<b>Leasehold improvements</b>	<b>Machinery</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>31 May 2022</b>					
At 1 January 2022:					
Cost	1,296	6,329	786	340	8,751
Accumulated depreciation	(465)	(3,542)	(486)	(7)	(4,500)
Net carrying amount	<u>831</u>	<u>2,787</u>	<u>300</u>	<u>333</u>	<u>4,251</u>
At 1 January 2022,					
net of accumulated depreciation	831	2,787	300	333	4,251
Additions	-	48	44	-	92
Depreciation provided during the period	(180)	(280)	(78)	(34)	(572)
At 31 May 2022, net of accumulated depreciation	<u>651</u>	<u>2,555</u>	<u>266</u>	<u>299</u>	<u>3,771</u>
At 31 May 2022:					
Cost	1,296	6,377	830	340	8,843
Accumulated depreciation	(645)	(3,822)	(564)	(41)	(5,072)
Net carrying amount	<u>651</u>	<u>2,555</u>	<u>266</u>	<u>299</u>	<u>3,771</u>

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14. LEASES

The Group as a lessee

The Group has lease contracts for plant and office premises used in its operations. Leases of plant and office premises generally have lease terms between 2 and 3 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

	<b>Plant and office premises</b>
	<u>RMB’000</u>
As at 1 January 2019	2,479
Additions	665
Depreciation charge ( <i>note 6</i> )	<u>(1,172)</u>
As at 31 December 2019 and 1 January 2020	1,972
Depreciation charge ( <i>note 6</i> )	<u>(1,476)</u>
As at 31 December 2020 and 1 January 2021	496
Additions	4,142
Depreciation charge ( <i>note 6</i> )	<u>(1,476)</u>
As at 31 December 2021 and 1 January 2022	3,162
Depreciation charge ( <i>note 6</i> )	<u>(626)</u>
As at 31 May 2022	<u><u>2,536</u></u>

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(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended 31 December			Five months ended
	2019	2020	2021	31 May
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Carrying amount at the beginning of the year/period	2,599	2,115	534	3,233
New leases	665	–	4,142	–
Accretion of interest recognised during the year/period	102	67	132	59
Payments	(1,251)	(1,648)	(1,575)	(655)
Carrying amount at the end of the year/period	<u>2,115</u>	<u>534</u>	<u>3,233</u>	<u>2,637</u>
Analysed into:				
Current portion	1,581	534	1,450	1,503
Non-current portion	<u>534</u>	<u>–</u>	<u>1,783</u>	<u>1,134</u>

The maturity analysis of lease liabilities is disclosed in note 34 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Five months ended	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
Interest on lease liabilities	102	67	132	46	59
Depreciation charge of right-of-use assets	1,172	1,476	1,476	615	626
Expenses relating to short term leases (included in administrative expenses)	<u>35</u>	<u>43</u>	<u>17</u>	<u>14</u>	<u>7</u>
Total amount recognised in profit or loss	<u>1,309</u>	<u>1,586</u>	<u>1,625</u>	<u>675</u>	<u>692</u>

(d) The total cash outflow for leases is disclosed in note 29(c).

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**15. OTHER INTANGIBLE ASSETS**

	<u>Software</u>
	<i>RMB’000</i>
<b>31 December 2019</b>	
At 1 January 2019:	
Cost	19
Accumulated amortisation	<u>(19)</u>
Net carrying amount	<u><u>–</u></u>
Cost at 1 January 2019, net of accumulated amortisation	–
Addition	74
Amortisation provided during the year	<u>(1)</u>
At 31 December 2019	<u><u>73</u></u>
At 31 December 2019:	
Cost	93
Accumulated amortisation	<u>(20)</u>
Net carrying amount	<u><u>73</u></u>
<b>31 December 2020</b>	
At 1 January 2020:	
Cost	93
Accumulated amortisation	<u>(20)</u>
Net carrying amount	<u><u>73</u></u>
Cost at 1 January 2020, net of accumulated amortisation	73
Amortisation provided during the year	<u>(15)</u>
At 31 December 2020	<u><u>58</u></u>
At 31 December 2020:	
Cost	93
Accumulated amortisation	<u>(35)</u>
Net carrying amount	<u><u>58</u></u>

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	<u>Software</u>
	<i>RMB'000</i>
<b>31 December 2021</b>	
At 1 January 2021:	
Cost	93
Accumulated amortisation	(35)
	<u>          </u>
Net carrying amount	<u>          58</u>
Cost at 1 January 2021, net of accumulated amortisation	58
Additions	126
Amortisation provided during the year	(17)
	<u>          </u>
At 31 December 2021	<u>          167</u>
At 31 December 2021:	
Cost	219
Accumulated amortisation	(52)
	<u>          </u>
Net carrying amount	<u>          167</u>
<b>31 May 2022</b>	
At 1 January 2022:	
Cost	219
Accumulated amortisation	(52)
	<u>          </u>
Net carrying amount	<u>          167</u>
Cost at 1 January 2022, net of accumulated amortisation	167
Additions	26
Amortisation provided during the period	(23)
	<u>          </u>
At 31 May 2022	<u>          170</u>
At 31 May 2022:	
Cost	226
Accumulated amortisation	(56)
	<u>          </u>
Net carrying amount	<u>          170</u>

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**16. INVENTORIES**

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>31 May</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2022</b>
				<i>RMB’000</i>
Raw materials	574	649	1,418	1,701
Work in progress	550	1,524	685	730
Finished goods	936	894	404	834
	<u>2,060</u>	<u>3,067</u>	<u>2,507</u>	<u>3,265</u>

**17. TRADE AND NOTES RECEIVABLES**

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>31 May</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<b>2022</b>
				<i>RMB’000</i>
Trade receivables	80,953	133,519	163,118	189,580
Notes receivables measure at amortised cost	–	–	–	1,036
Impairment	(6,355)	(11,180)	(22,367)	(23,075)
	<u>74,598</u>	<u>122,339</u>	<u>140,751</u>	<u>167,541</u>
Trade and notes receivables analysed into:				
Current	71,887	120,945	140,751	167,541
Non-current	2,711	1,394	–	–

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The Group’s trading terms with its customers are mainly on credit. The credit period is generally 3 to 300 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing except the trade receivables generated from a contract which contains a significant financing component with a five-year credit period.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of loss allowance, is as follows:

	As at 31 December			As at
	2019	2020	2021	31 May
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Within 1 year	52,205	84,019	68,857	98,703
1 to 2 years	22,278	29,557	47,387	49,705
2 to 3 years	115	8,763	19,859	14,238
3 to 4 years	–	–	4,648	2,563
4 to 5 years	–	–	–	1,296
	<u>74,598</u>	<u>122,339</u>	<u>140,751</u>	<u>166,505</u>

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December			As at
	2019	2020	2021	31 May
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
At beginning of year/period	3,326	6,355	11,180	22,367
Impairment losses, net ( <i>note 6</i> )	3,029	4,825	11,187	765
Amount written off as uncollectible	–	–	–	(57)
	<u>6,355</u>	<u>11,180</u>	<u>22,367</u>	<u>23,075</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The provision rates are based on its peer group’s expected credit loss rate and ageing for groupings of various customer with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

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Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**As at 31 December 2019**

	<b>Gross carrying amount</b>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Individually assessed:			
Credit risk increased significantly	2,037	100.00%	2,037
Collectively assessed:			
Less than 1 year	54,318	3.89%	2,113
1 to 2 years	24,444	8.86%	2,166
2 to 3 years	154	25.32%	39
	<u>80,953</u>		<u>6,355</u>

**As at 31 December 2020**

	<b>Gross carrying amount</b>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Individually assessed:			
Credit risk increased significantly	2,037	100.00%	2,037
Collectively assessed:			
Less than 1 year	87,575	4.06%	3,556
1 to 2 years	32,871	10.08%	3,314
2 to 3 years	11,036	20.60%	2,273
	<u>133,519</u>		<u>11,180</u>

**As at 31 December 2021**

	<b>Gross carrying amount</b>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b>
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
Individually assessed:			
Credit risk increased significantly	7,323	77.18%	5,652
Collectively assessed:			
Less than 1 year	71,673	3.93%	2,816
1 to 2 years	52,444	9.64%	5,057
2 to 3 years	25,687	25.43%	6,533
3 to 4 years	5,991	38.54%	2,309
	<u>163,118</u>		<u>22,367</u>



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As at 31 May 2022

	<b>Gross carrying amount</b>	<b>Expected credit loss rate</b>	<b>Expected credit loss</b>
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>
Individually assessed:			
Credit risk increased significantly	7,114	78.63%	5,594
Collectively assessed:			
Less than 1 year	102,283	3.50%	3,580
1 to 2 years	55,419	10.31%	5,714
2 to 3 years	19,278	29.02%	5,594
3 to 4 years	4,014	36.15%	1,451
4 to 5 years	1,472	77.58%	1,142
	<u>189,580</u>		<u>23,075</u>

The Group endorsed certain notes receivable (the “Endorsed Notes”) to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,036,000 (the “Endorsement”) at 31 May 2022. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the drawer of notes default (the “Continuing Involvement”).

The Group continued to recognise the full carrying amounts of the remaining Endorsed Notes and the associated trade payables settled with an amount of RMB1,036,000 at 31 May 2022, because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such remaining Endorsed Notes.

No gains or losses were recognised from the Continuing Involvement during the five months ended 31 May 2022. The Endorsement has been made evenly during the period.

The Group’s notes receivable were all aged within one year, for which there was no recent history of default and past due amounts. As at 31 May 2022, the loss allowance was assessed to be minimal.

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18. CONTRACT ASSETS

	As at 31 December			As at
	2019	2020	2021	31 May
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Contract assets arising from:				
Provision of IoT solutions	947	911	8,362	9,050
Sales of telecommunication equipment	148	148	148	382
	1,095	1,059	8,510	9,432
Impairment	(43)	(41)	(332)	(331)
	1,052	1,018	8,178	9,101
Analysed into:				
Current	70	107	6,620	7,168
Non-current	982	911	1,558	1,933

Contract assets are initially recognised for revenue earned from provision of IoT solutions, sales of telecommunication equipment and others as the receipt of consideration is conditional on successful completion of warranty periods. Included in contract assets are retention receivables. Upon completion of warranty periods, the amounts recognised as contract assets are reclassified to trade receivables. The Group’s trading terms and credit policy with customers are disclosed in note 17 to the Historical Financial Information.

The expected timing of recovery or settlement for contract assets as at the end of each of the Relevant Periods is as follows:

	As at 31 December			As at
	2019	2020	2021	31 May
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Within 1 year	70	107	6,620	7,168
After 1 year	982	911	1,558	1,933
	1,052	1,018	8,178	9,101

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The movements in the loss allowance for impairment of contract assets are as follows:

	As at 31 December			As at
	2019	2020	2021	31 May
	RMB’000	RMB’000	RMB’000	2022
At beginning of year/period	53	43	41	332
Impairment losses/(reversal of impairment losses), net ( <i>note 6</i> )	(10)	(2)	291	(1)
At end of year/period	43	41	332	331

An impairment analysis is performed at the end of each of the Relevant Periods to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

Set out below is the information about the credit risk exposure on the Group’s contract assets:

	As at 31 December			As at
	2019	2020	2021	31 May
				2022
Expected credit loss rate	3.93%	3.87%	3.90%	3.51%
Gross carrying amount (RMB’000)	1,095	1,059	8,510	9,432
Expected credit losses (RMB’000)	43	41	332	331

19. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at 31 December			As at
	2019	2020	2021	31 May
	RMB’000	RMB’000	RMB’000	2022
<i>Non-current:</i>				
Deposits	166	–	170	170
<i>Current:</i>				
Prepayments	410	482	2,743	3,175
Deferred [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Deductible input value-added tax	21	19	118	269
Due from a director ( <i>notes 20, 31(c)</i> )	–	96	–	–
Due from a related party ( <i>note 31(c)</i> )	–	–	955	–
Due from shareholders*	–	–	96,400	–
Deposits and other receivables	179	555	454	516
	610	1,435	102,897	8,235
	776	1,435	103,067	8,405

\* The amount was caused by the receivables from shareholders who had not fully performed their capital injection obligations to the Company, as part of the Reorganisation.

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An impairment analysis was performed at the end of each of the Relevant Periods. The Group has applied the general approach to provide expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate.

The financial assets included in the above balances are unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2019, 2020 and 2021 and 31 May 2022, the Group estimated that the expected loss rate for deposits and other receivables was minimal under the 12-month expected loss method.

### 20. LOANS TO DIRECTORS

Loans to directors, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	At	Maximum	At	Maximum	At	Maximum	At	Maximum	At	Security held
	31 May 2022	amount outstanding during the period	31 December 2021	amount outstanding during the year	31 December 2020	amount outstanding during the year	31 December 2019	amount outstanding during the year	1 January 2019	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Mr. Chen Ping	-	-	-	20,414	96	96	-	488	488	None
Ms. Wang Zhesi	-	-	-	-	-	-	-	34	34	None
	-	-	-	-	96	-	-	-	522	

The loans granted to directors were unsecured, interest-free, non-trade in nature and repayable on demand.

### 21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2019	2020	2021	31 May 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value	26,060	1,344	-	5,038

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

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**22. CASH AND CASH EQUIVALENTS**

	As at 31 December			As at
	2019	2020	2021	31 May
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Cash and bank balances	7,691	29,040	86,570	26,915
Less: restricted deposits	(233)	(233)	(233)	–
Cash and cash equivalents	7,458	28,807	86,337	26,915
Denominated in:				
RMB	4,837	5,535	20,257	15,918
United States dollar (“US\$”)	2,621	23,272	25,200	10,979
Hong Kong dollar (“HK\$”)	–	–	40,880	18
Total cash and cash equivalents	7,458	28,807	86,337	26,915

The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

**23. TRADE PAYABLES**

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2019	2020	2021	31 May
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within 1 year	18,720	15,444	16,748	27,623
1 to 2 years	969	6,752	3,866	2,848
2 to 3 years	1	969	5,420	5,301
Over 3 years	157	158	1,127	971
	19,847	23,323	27,161	36,743

The trade payables are non-interest-bearing and have no fixed terms of payment.

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24. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	As at 31 December			As at
		2019	2020	2021	31 May
		<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2022
					<i>RMB’000</i>
Other payables	(a)	5,677	610	101,393	5,344
Contract liabilities	(b)	–	298	–	2,582
Due to related parties	31(c)	319	–	5,086	–
Due to a director	31(d)	–	–	44,949	–
Other tax payables		2,896	5,245	3,828	6,531
Payroll and welfare payable		4,843	5,163	6,588	6,494
Interest payables		3	12	3	5
		<u>13,738</u>	<u>11,328</u>	<u>161,847</u>	<u>20,956</u>

*Notes:*

- (a) Other payables are non-interest-bearing and repayable on demand.
- (b) Details of contract liabilities are as follows:

	As at 31 December			As at
	2019	2020	2021	31 May
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	2022
				<i>RMB’000</i>
Short-term advances received from customers:				
Provision of IoT solutions	–	298	–	2,582

25. INTEREST – BEARING BANK BORROWINGS

31 December 2019

	<i>Notes</i>	Effective interest rate	Maturity	RMB’000
Bank loans – secured	(a)	5.22%	2020	<u>2,352</u>

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31 December 2020

		<u>Effective interest rate</u>	<u>Maturity</u>	<u>RMB’000</u>
Bank loans – secured	(b)	5.22%	2021	4,231
Bank loans – secured	(c)	3.85%	2021	3,000
				<u>7,231</u>

31 December 2021

		<u>Effective interest rate</u>	<u>Maturity</u>	<u>RMB’000</u>
Bank loans – secured	(d)	4.15%	2022	3,000

31 May 2022

		<u>Effective interest rate</u>	<u>Maturity</u>	<u>RMB’000</u>
Bank loans – secured	(d)	3.7%	2023	5,000

	<u>As at 31 December</u>			<u>As at 31 May</u>
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Analysed into:				
Within one year	<u>2,352</u>	<u>7,231</u>	<u>3,000</u>	<u>5,000</u>

Notes:

- (a) Mr. Chen Ping, Ms. Wang Zheshi and Ms. Jin Yan have jointly guaranteed the Group’s bank loans up to RMB7,000,000 as at 31 December 2019.
- (b) Mr. Chen Ping, Ms. Wang Zheshi and Ms. Jin Yan have jointly guaranteed the Group’s bank loans up to RMB10,000,000 as at 31 December 2020.
- (c) Mr. Chen Ping and Ms. Wang Zheshi have jointly guaranteed the Group’s bank loans up to RMB6,000,000 as at 31 December 2020.
- (d) Three patents of Nanjing Howking were pledged for the Group’s banking facilities of up to RMB10,000,000 as at 31 December 2021 and 31 May 2022.

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26. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year/period are as follows:

**Deferred tax liabilities**

	<b>Right-of-use assets</b>
	<u>RMB’000</u>
At 1 January 2019	372
Deferred tax credited to profit or loss during the year	<u>(76)</u>
Gross deferred tax liabilities at 31 December 2019 and 1 January 2020	296
Deferred tax credited to profit or loss during the year	<u>(222)</u>
Gross deferred tax liabilities at 31 December 2020 and 1 January 2021	74
Deferred tax charged to profit or loss during the year/period	<u>400</u>
Gross deferred tax liabilities at 31 December 2021 and 1 January 2022	474
Deferred tax credited to profit or loss during the period	<u>(94)</u>
Gross deferred tax liabilities at 31 May 2022	<u><u>380</u></u>

**Deferred tax assets**

	<b>Impairment of inventories</b>	<b>Impairment of financial assets</b>	<b>Unrealised gain</b>	<b>Unused tax loss</b>	<b>Accrued expenses</b>	<b>Government grants</b>	<b>Lease liabilities</b>	<b>Total</b>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
At 1 January 2019	632	497	193	1,036	281	150	390	3,179
Deferred tax credited/(charged) to profit or loss during the year	<u>-</u>	<u>453</u>	<u>-</u>	<u>(1,036)</u>	<u>234</u>	<u>(108)</u>	<u>(73)</u>	<u>(530)</u>
Gross deferred tax assets at 31 December 2019 and 1 January 2020	<u>632</u>	<u>950</u>	<u>193</u>	<u>-</u>	<u>515</u>	<u>42</u>	<u>317</u>	<u>2,649</u>



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	Impairment of inventories	Impairment of financial assets	Unrealised gain	Accrued expenses	Government grants	Lease liabilities	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Gross deferred tax assets at 31 December 2019 and 1 January 2020	632	950	193	515	42	317	2,649
Deferred tax credited/(charged) to profit or loss during the year	(632)	725	(193)	54	(22)	(237)	(305)
Gross deferred tax assets at 31 December 2020 and 1 January 2021	-	1,675	-	569	20	80	2,344
Deferred tax credited/(charged) to profit or loss during the year	-	1,721	-	68	(20)	405	2,174
Gross deferred tax assets at 31 December 2021 and 1 January 2022	-	3,396	-	637	-	485	4,518
Deferred tax credited/(charged) to profit or loss during the period	-	115	-	53	-	(90)	78
Gross deferred tax assets at 31 May 2022	-	3,511	-	690	-	395	4,596

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	As at 31 December			As at 31 May 2022
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statements of financial position	2,353	2,270	4,044	4,216

The Group has tax losses arising in Mainland China of RMB6,285,000, RMB5,091,000, RMB2,667,000 and nil as at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively, that will expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	As at 31 December			As at 31 May 2022
	2019	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Tax losses	6,285	5,091	2,667	-

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Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment subsidiaries established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

No deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group’s subsidiaries established in Mainland China. In the opinion of the directors, these subsidiaries’ fund will be retained in Mainland China for the expansion of these subsidiaries’ operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled RMB29,029,000, RMB47,346,000, RMB39,711,000 and RMB47,337,000 at 31 December 2019, 2020 and 2021 and 31 May 2022, respectively.

27. ISSUED CAPITAL

	As at 31 December			As at
	2019	2020	2021	31 May
	RMB’000	RMB’000	RMB’000	2022
				RMB’000
Authorised:				
5,000,000 ordinary shares of US\$0.01 each	–	–	324	324
Issued:				
999,874 ordinary shares of US\$0.01 each	–	–	64	64

A summary of movements in the Company’s share capital is as follows:

	Number of shares in issue	Share capital RMB’000	Share premium RMB’000
At 1 January 2019, 31 December 2019 and 31 December 2020	–	–	–
Allotment (note)	999,874	64	117,336
At 31 December 2021 and 31 May 2022	999,874	64	117,336

Note:

The Company was incorporated in the Cayman Islands on 25 August 2021 as an exempted company with authorised share capital of US\$50,000 with par value of US\$0.01 each.

On 16 November 2021, 772,789 ordinary shares were allotted and issued for cash at par to Howkingtech Holding Limited.

On 10 December 2021, Howkingtech Holding Limited transferred 131,999 ordinary shares, of which 49,438 ordinary shares were transferred to Chak Man Wu at a consideration of RMB30,000,000, 9,888 ordinary shares were transferred to Shenzhen Brightmin Management Consulting Partnership (Limited Partnership) (深圳市亮敏管理諮詢合夥企業(有限合夥)) at a consideration of RMB6,000,000, 39,550 ordinary shares were transferred to Jianzhong Huang at a consideration of RMB24,000,000 and 33,123 ordinary shares were transferred to Chin-shan Wu at a consideration of RMB20,100,000.

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On 10 December 2021, 75,201 ordinary shares were allotted and issued for cash at par to Shanghai Jinyuan Changfu Enterprise Management Partnership (Limited Partnership) (上海進源長富企業管理合夥企業(有限合夥)) at a consideration of RMB39,000,000, 32,780 ordinary shares were allotted and issued for cash at par to Haining Dongzheng Hande Investment Partnership (L. P.) at a consideration of RMB17,000,000, 30,852 ordinary shares were allotted and issued for cash at par to Ningbo Meishan Bonded Port Area Dongzheng Xiade Investment Partnership (L. P.) at a consideration of RMB16,000,000, 23,139 ordinary shares were allotted and issued for cash at par to Shenzhen Tim Win Investment Partnership (L. P.) (深圳市添運投資合夥企業(有限合夥)) at a consideration of RMB12,000,000, 19,282 ordinary shares were allotted and issued for cash at par to Shenzhen Zhichen Wuqi Venture Investment Partnership (Limited Partnership) at a consideration of RMB10,000,000, 16,197 ordinary shares were allotted and issued for cash at par to Zhangzhou Merchants Economic Development District HeZe Limited Partnership at a consideration of RMB8,400,000, 11,569 ordinary shares were allotted and issued for cash at par to Ningbo Qipu Growth Ruiying Investment Management Partnership (limited partnership) at a consideration of RMB6,000,000, and 11,124 ordinary shares were allotted and issued for cash at par to Zibo Puhao Equity Investment Partnership (Limited Partnership) (淄博浦濠股權投資合夥企業(有限合夥)) at a consideration of RMB9,000,000. 6,941 ordinary shares were allotted and issued at par to Chak Man Wu in exchange of the entire issued share capital of Parka Aragon Holding Limited.

28. RESERVES

The amounts of the Group’s reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

**Capital reserve**

The capital reserve of the Group represents the paid-up capital of the companies comprising the Group, details of the movements in the capital reserve are set out in the consolidated statements of changes in equity.

**Exchange fluctuation reserve**

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities whose the functional currencies are not RMB.

The movement of the Company’s reserves is as follows:

	<b>Issued capital</b>	<b>Share premium</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
At 1 January 2021	–	–	–	–
Loss for the year	–	–	(30)	(30)
Total comprehensive income for the year	–	–	(30)	(30)
Issue of shares	64	117,336	–	117,400
At 31 December 2021 and 1 January 2022	64	117,336	(30)	117,370
Loss for the period	–	–	11	11
Total comprehensive income for the period	–	–	11	11
At 31 May 2022	64	117,336	(19)	117,381

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29. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Period, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB665,000, nil, RMB4,142,000 and nil, respectively, in respect of lease arrangements for plant and office premises.

(b) Changes in liabilities arising from financing activities

	Due to a director	Due to related parties	Interest- bearing bank borrowings	Interest payable	Lease liabilities
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2019	–	30,169	–	–	2,599
Changes from financing cash flows	–	(31,561)	2,352	(3)	(1,251)
Payment on behalf of the Group	–	131	–	–	–
New leases	–	–	–	–	665
Interest expense	–	1,580	–	6	102
	<u>–</u>	<u>–</u>	<u>–</u>	<u>3</u>	<u>67</u>
At 31 December 2019 and 1 January 2020	–	319	2,352	3	2,115
Changes from financing cash flows	–	(9)	4,879	(290)	(1,648)
Reimbursement of payment on behalf of the Group	–	(310)	–	–	–
Interest expense	–	–	–	299	67
	<u>–</u>	<u>–</u>	<u>–</u>	<u>299</u>	<u>67</u>
At 31 December 2020 and 1 January 2021	–	–	7,231	12	534
Changes from financing cash flows	40,880	–	(4,231)	(377)	(1,575)
The payable as part of the Reorganisation	4,069	5,086	–	–	–
New leases	–	–	–	–	4,142
Interest expense	–	–	–	368	132
	<u>–</u>	<u>–</u>	<u>–</u>	<u>368</u>	<u>132</u>
At 31 December 2021 and 1 January 2022	44,949	5,086	3,000	3	3,233
Changes from financing cash flows	(44,949)	(5,086)	2,000	(66)	(655)
Interest expense	–	–	–	68	59
	<u>–</u>	<u>–</u>	<u>–</u>	<u>68</u>	<u>59</u>
At 31 May 2022	<u>–</u>	<u>–</u>	<u>5,000</u>	<u>5</u>	<u>2,637</u>

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(c) **Total cash outflow for leases**

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	<b>Year ended 31 December</b>			<b>Five months ended 31 May</b>	
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Within operating activities	35	43	17	14	7
Within financing activities	1,251	1,648	1,575	671	655
	<u>1,286</u>	<u>1,691</u>	<u>1,592</u>	<u>685</u>	<u>662</u>

**30. COMMITMENTS**

At the end of each of the Relevant Periods, the Group did not have any significant commitments.

**31. RELATED PARTY TRANSACTIONS**

<b>Name</b>	<b>Relationship</b>
Mr. Chen Ping	Executive director and chief executive
Ms. Wang Zheshi	An ultimate shareholder and director
Ms. Jin Yan	An ultimate shareholder
Huizhou M2Micro Electronics Co., Ltd. (“ <b>Huizhou Wulian</b> ”)	Fellow subsidiary
Nanjing ETIC Communication Technology Co., Ltd. (“ <b>Nanjing Yitaike</b> ”)	Fellow subsidiary

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- (a) In addition to the transactions detailed in note 8 to the Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods and the five months ended 31 May 2021:

	Note	Year ended 31 December			Five months ended 31 May	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<i>(Unaudited)</i>						
Fellow subsidiaries:						
Loans to	(i)	7,180	–	955	–	–
Interest income	(i)	771	–	–	–	–
Loans from	(i)	5,740	–	–	–	–
Interest expense	(i)	1,580	–	–	–	–
Directors:						
Loans to		281	105	20,414	17,272	–
Loans from		–	–	40,880	–	–
Acquisition of equity interest in relation to the Reorganisation from		–	–	4,069	–	–
An ultimate shareholder:						
Acquisition of equity interest in relation to the Reorganisation from		–	–	5,086	–	–

*Note:*

- (i) The loans granted to and received from related parties are unsecured, bear interest at an interest rate of 5% per annum and are repayable on demand.
- (b) Other transactions with related parties:
- (i) Mr. Chen Ping, Ms. Wang Zheshi and Ms. Jin Yan have jointly guaranteed the Group’s bank loans up to RMB7,000,000 and RMB10,000,000 as at 31 December 2019 and 2020, respectively, as described in note 25 to the Historical Financial Information. The bank loans guarantees were released in May and December 2021, respectively.
- (ii) Mr. Chen Ping and Ms. Wang Zheshi have jointly guaranteed the Group’s bank loans up to RMB6,000,000 as at 31 December 2020, as described in note 25 to the Historical Financial Information. The bank loans guarantees were released in November 2021.

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(c) Outstanding balances with related parties:

**The Group**

*Due from a related party:*

	<i>Note</i>	As at 31 December			As at
		2019	2020	2021	31 May 2022
		RMB’000	RMB’000	RMB’000	RMB’000
Nanjing Yitaike	(i)	–	–	955	–

*Due to related parties:*

	<i>Notes</i>	As at 31 December			As at
		2019	2020	2021	31 May 2022
		RMB’000	RMB’000	RMB’000	RMB’000
Huizhou Wulian	(i)	319	–	–	–
Ms. Jin Yan	(ii)	–	–	5,086	–
		319	–	5,086	–

**The Company**

*Due from subsidiaries:*

	<i>Note</i>	As at 31 December 2021	As at 31 May 2022
		RMB’000	RMB’000
Howking Hong Kong	(iii)	11,970	–
Nanjing Howking	(iii)	9,000	–
		20,970	–

*Due to a subsidiary:*

	<i>Note</i>	As at 31 May 2022
		RMB’000
Howking Hong Kong	(iii)	1

*Notes:*

- (i) The balances were non-trade in nature, unsecured, repayable on demand and part of those bore interest at an interest rate of 5% per annum.
- (ii) The balance was non-trade in nature and caused by the payable to Ms. Jin Yan as part of the Reorganisation.
- (iii) The balances were non-trade in nature, unsecured, non-interest-bearing and were repayable on demand.

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(d) Outstanding balances with directors:

*Due from a director:*

	<i>Note</i>	As at 31 December			As at
		2019	2020	2021	31 May
		RMB’000	RMB’000	RMB’000	2022
Mr. Chen Ping	(i)	–	96	–	–

*Due to a director:*

	<i>Note</i>	As at 31 December			As at
		2019	2020	2021	31 May
		RMB’000	RMB’000	RMB’000	2022
Ms. Wang Zheshi	(i)	–	–	44,949	–

*Note:*

(i) The balances were non-trade in nature, unsecured, interest free and repayable on demand.

(e) Compensation of key management personnel of the Group:

	Year ended 31 December			Five months ended 31 May	
	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Salaries, allowances and benefits in kind	1,039	1,782	3,165	1,073	1,881
Pension scheme contributions	85	58	200	70	115
Total compensation paid to key management personnel	1,124	1,840	3,365	1,143	1,996

Further details of directors’ and the chief executive’s emoluments are included in note 8 to the Historical Financial Information.



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32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

**Financial assets**

*As at 31 December 2019*

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes receivables	–	74,598	74,598
Financial assets included in prepayments, other receivables and other assets	–	345	345
Financial assets at fair value through profit or loss	26,060	–	26,060
Restricted deposits	–	233	233
Cash and cash equivalents	–	7,458	7,458
	<u>26,060</u>	<u>82,634</u>	<u>108,694</u>

*As at 31 December 2020*

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade and notes receivables	–	122,339	122,339
Financial assets included in prepayments, other receivables and other assets	–	651	651
Financial assets at fair value through profit or loss	1,344	–	1,344
Restricted deposits	–	233	233
Cash and cash equivalents	–	28,807	28,807
	<u>1,344</u>	<u>152,030</u>	<u>153,374</u>

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*As at 31 December 2021*

	<b>Financial assets at amortised cost</b>
	<i>RMB’000</i>
Trade and notes receivables	140,751
Financial assets included in prepayments, other receivables and other assets	97,979
Restricted deposits	233
Cash and cash equivalents	86,337
	<u>325,300</u>

*As at 31 May 2022*

	<b>Financial assets at fair value through profit or loss</b>	<b>Financial assets at amortised cost</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade and notes receivables	–	167,541	167,541
Financial assets included in prepayments, other receivables and other assets	–	686	686
Financial assets at fair value through profit or loss	5,038	–	5,038
Cash and cash equivalents	–	26,915	26,915
	<u>5,038</u>	<u>195,142</u>	<u>200,180</u>

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follow:

**Financial assets**

*Financial liabilities at amortised cost*

	<b>As at 31 December</b>			<b>As at 31 May 2022</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	19,847	23,323	27,161	36,743
Lease liabilities	2,115	534	3,233	2,637
Financial liabilities included in other payables and accruals	5,999	622	151,431	5,349
Interest-bearing bank borrowings	2,352	7,231	3,000	5,000
	<u>30,313</u>	<u>31,710</u>	<u>184,825</u>	<u>49,729</u>

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of trade and notes receivables, financial assets included in prepayments, other receivables and other assets, trade payables, financial liabilities included in other payables and accruals, interest-bearing bank borrowings and the current portion of lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group’s finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At the end of each of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of lease liabilities and trade and notes receivables containing significant financing components have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group’s own non-performance risk for lease liabilities as at the end of each of the Relevant Periods were assessed to be insignificant.

The Group invests in wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

*Assets measured at fair value:*

*As at 31 December 2019*

	Fair value measurement using			Total
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at fair value through profit or loss	–	26,060	–	26,060

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*As at 31 December 2020*

	<b>Fair value measurement using</b>			<b>Total</b>
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss	–	1,344	–	1,344

*As at 31 May 2022*

	<b>Fair value measurement using</b>			<b>Total</b>
	<b>Quoted prices in active markets (Level 1)</b>	<b>Significant observable inputs (Level 2)</b>	<b>Significant unobservable inputs (Level 3)</b>	
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit or loss	–	5,038	–	5,038

The Group did not have any financial liabilities measured at fair value as at the end of each of the Relevant Periods.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group’s principal financial instruments comprise cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, interest-bearing bank borrowings, and financial liabilities included in other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade and notes receivables and trade payables, which arise directly from its operations.

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The main risks arising from the Group’s financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect the Group’s financial condition and results of operations. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group’s profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group’s equity (due to exchange differences resulting from translation of the financial statements of certain overseas subsidiaries).

	<b>Increase/ (decrease) in rate of foreign currency</b>	<b>Increase/ (decrease) in profit before tax</b>	<b>Increase/ (decrease) in equity*</b>
	%	RMB’000	RMB’000
<i>31 December 2019</i>			
If the RMB weakens against the US\$	5	396	–
If the RMB strengthens against the US\$	(5)	(396)	–
<i>31 December 2020</i>			
If the RMB weakens against the US\$	5	1,480	–
If the RMB strengthens against the US\$	(5)	(1,480)	–
<i>31 December 2021</i>			
If the RMB weakens against the US\$	5	(194)	(2,485)
If the RMB strengthens against the US\$	(5)	194	2,485
If the RMB weakens against the HK\$	5	2,044	–
If the RMB strengthens against the HK\$	(5)	(2,044)	–
<i>31 May 2022</i>			
If the RMB weakens against the US\$	5	841	(5,459)
If the RMB strengthens against the US\$	(5)	(841)	5,459

\* Excluding retained profits

### Credit risk

The Group trades mainly with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

### Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

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As at 31 December 2019

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	
Trade and notes receivables	–	–	–	80,953	80,953
Contract assets	–	–	–	1,095	1,095
Financial assets included in prepayments, other receivables and other assets					
– Normal*	345	–	–	–	345
Restricted deposits					
– Not yet past due	233	–	–	–	233
Cash and cash equivalents					
– Not yet past due	7,458	–	–	–	7,458
	<u>8,036</u>	<u>–</u>	<u>–</u>	<u>82,048</u>	<u>90,084</u>

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	
Trade and notes receivables	–	–	–	133,519	133,519
Contract assets	–	–	–	1,059	1,059
Financial assets included in prepayments, other receivables and other assets					
– Normal*	651	–	–	–	651
Restricted deposits					
– Not yet past due	233	–	–	–	233
Cash and cash equivalents					
– Not yet past due	28,807	–	–	–	28,807
	<u>29,691</u>	<u>–</u>	<u>–</u>	<u>134,578</u>	<u>164,269</u>

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As at 31 December 2021

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	
Trade and notes receivables	–	–	–	163,118	163,118
Contract assets	–	–	–	8,510	8,510
Financial assets included in prepayments, other receivables and other assets					
– Normal*	97,979	–	–	–	97,979
Restricted deposits					
– Not yet past due	233	–	–	–	233
Cash and cash equivalents					
– Not yet past due	86,337	–	–	–	86,337
	<u>184,549</u>	<u>–</u>	<u>–</u>	<u>171,628</u>	<u>356,177</u>

As at 31 May 2022

	12-month ECLs	Lifetime ECLs			Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RMB’000	RMB’000	RMB’000	RMB’000	
Trade and notes receivables	–	–	–	190,616	190,616
Contract assets	–	–	–	9,432	9,432
Financial assets included in prepayments, other receivables and other assets					
– Normal*	686	–	–	–	686
Cash and cash equivalents					
– Not yet past due	26,915	–	–	–	26,915
	<u>27,601</u>	<u>–</u>	<u>–</u>	<u>200,048</u>	<u>227,649</u>

\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

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ACCOUNTANTS’ REPORT

**Liquidity risk**

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group’s financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	<b>As at 31 December 2019</b>					
	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	19,847	–	–	–	–	19,847
Lease liabilities	–	399	1,249	543	–	2,191
Financial liabilities included in other payables and accruals	5,999	–	–	–	–	5,999
Interest-bearing bank borrowings	–	31	2,440	–	–	2,471
	<u>25,846</u>	<u>430</u>	<u>3,689</u>	<u>543</u>	<u>–</u>	<u>30,508</u>

	<b>As at 31 December 2020</b>					
	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	23,323	–	–	–	–	23,323
Lease liabilities	–	307	235	–	–	542
Financial liabilities included in other payables and accruals	622	–	–	–	–	622
Interest-bearing bank borrowings	–	1,194	6,195	–	–	7,389
	<u>23,945</u>	<u>1,501</u>	<u>6,430</u>	<u>–</u>	<u>–</u>	<u>31,876</u>



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As at 31 December 2021

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	27,161	–	–	–	–	27,161
Lease liabilities	–	393	1,179	1,835	–	3,407
Financial liabilities included in other payables and accruals	151,431	–	–	–	–	151,431
Interest-bearing bank borrowings	–	31	3,091	–	–	3,122
	<u>178,592</u>	<u>424</u>	<u>4,270</u>	<u>1,835</u>	<u>–</u>	<u>185,121</u>

As at 31 May 2022

	<b>On demand</b>	<b>Less than 3 months</b>	<b>3 to less than 12 months</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Trade payables	36,743	–	–	–	–	36,743
Lease liabilities	–	393	1,203	1,154	–	2,750
Financial liabilities included in other payables and accruals	5,349	–	–	–	–	5,349
Interest-bearing bank borrowings	–	46	5,246	–	–	5,292
	<u>42,092</u>	<u>439</u>	<u>6,449</u>	<u>1,154</u>	<u>–</u>	<u>50,134</u>

**Capital management**

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods and the five months ended 31 May 2021.

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The Group monitors capital using a gearing ratio, which is total debt divided by total equity. Total debt includes interest-bearing bank borrowings and lease liabilities. The gearing ratios as at the end of each of the Relevant Periods were as follows:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>31 May</b>
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Interest-bearing bank borrowings	2,352	7,231	3,000	5,000
Lease liabilities	2,115	534	3,233	2,637
<b>Total debt</b>	<b>4,467</b>	<b>7,765</b>	<b>6,233</b>	<b>7,637</b>
<b>Total equity</b>	<b>81,242</b>	<b>119,295</b>	<b>153,034</b>	<b>163,975</b>
<b>Gearing ratio</b>	<b>5.5%</b>	<b>6.5%</b>	<b>4.1%</b>	<b>4.7%</b>

**35. EVENTS AFTER THE RELEVANT PERIODS**

No significant events that require additional disclosure or adjustments occurred after the Relevant Periods.

**36. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 May 2022 and up to the date of this report.

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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[REDACTED]

**APPENDIX III**

**SUMMARY OF THE CONSTITUTION OF  
OUR COMPANY AND CAYMAN COMPANIES ACT**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Companies Act.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 25 August 2021 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

**1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

**2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on [Date] with effect from the [REDACTED] Date. The following is a summary of certain provisions of the Articles:

**(a) Shares**

*(i) Classes of shares*

The share capital of our Company consists of ordinary shares.

*(ii) Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such



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separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or in the case of a being a corporation, by its duly authorized representative) or representing by proxy holding not less than one-third of the issued shares of that class and at any adjourned meeting two holders present in person (or in the case of a being a corporation, by its duly authorized representative) or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

***(iii) Alteration of capital***

Our Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; or
- (viii) reduce its share premium account in any manner authorized, and subject to any conditions prescribed by law.

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Our Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

*(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Stock Exchange or in such other form as the Board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are [REDACTED] on the Stock Exchange, titles to such [REDACTED] shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares. The register of members in respect of its [REDACTED] shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Cayman Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such [REDACTED] shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The Board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The Board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in

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accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by members by ordinary resolution.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of our Company.

***(v) Power of our Company to purchase its own shares***

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

***(vi) Power of any subsidiary of our Company to own shares in our Company***

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

***(vii) Calls on shares and forfeiture of shares***

The Board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

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If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares, together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the Board determines.

**(b) Directors**

**(i) *Appointment, retirement and removal***

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office only until the first annual general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold

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office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's shareholders before the expiration of his term of office (including a managing or executive Director, but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and members of our Company may by ordinary resolution appoint another in his place. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or
- (bb) he dies or is declared to be of unsound mind and the Board resolves that his office be vacated; or
- (cc) without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated; or
- (dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law; or
- (ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (ff) he resigns; or
- (gg) he is removed from office by an Ordinary Resolution of the Company or otherwise pursuant to the Articles; or
- (hh) he is removed from office by notice in writing served on him signed by not less than three-fourth in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

The Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or

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revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

***(ii) Power to allot and issue shares and warrants***

Subject to the provisions of the Cayman Companies Act, the Listing Rules and the Memorandum and Articles and without prejudice to any special rights or restrictions conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

***(iii) Power to dispose of the assets of our Company or any of its subsidiaries***

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

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*(iv) Borrowing powers*

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by our Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An Executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The Board may establish or concur or join with other companies (being subsidiary companies of our Company or companies with which it is associated in business) in establishing and making contributions out of our Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and ex-employees of our Company and their dependants or any class or classes of such persons.



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The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

***(vi) Compensation or payments for loss of office***

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by our Company in general meeting.

***(vii) Loans and provision of security for loans to Directors***

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

***(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries***

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any



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office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

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(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and our Company's name**

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

**(e) Meetings of members**

**(i) *Special and ordinary resolutions***

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

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*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may pursuant to the Listing Rules, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.

Any corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any general meeting of the Company or at any meeting of any class of members.

The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member and such corporation shall for the purposes of the Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat.

If a recognised clearing house (or its nominee(s)) is a member of our Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

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Shareholders must have the right to: (a) speak at general meetings of our Company: and (b) vote at a general meeting except whether a shareholder is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and extraordinary general meeting*

Other than the year of our Company's adoption of the Articles, in each year during the the period commencing from the [REDACTED] Date and including the date immediately before the [REDACTED] Date our Company shall hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notice calling it. Such annual general meeting shall be held within six months after the end of relevant financial year.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company, and the foregoing shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

Notwithstanding any provisions in the Articles, any general meeting or any class meeting may be held by means of such telephone, electronic or other communication facilities as to permit all persons participating in the meeting to communicate with each other, and participation in such a meeting shall constitute presence at such meeting.

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*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice in writing of not less than twenty-one (21) days. All other general meetings must be called by notice of at least fourteen (14) days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

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The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(vi) Proxies**

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of the Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. On a poll or a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(f) Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by our Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of our Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

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A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before our Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, our Company may send to such persons summarised financial statements derived from our Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete printed copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by a majority of our Company's shareholders in the annual meeting or by other body that is independent of the Board.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

**(g) Dividends and other methods of distribution**

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.



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Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.



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All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members maintained in Hong Kong shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the Board, at the registered office or such other place at which the register is kept in accordance with the Cayman Companies Act or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the Board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

**(j) Procedures on liquidation**

Unless otherwise provided by the Companies Act, our Company may at any time and from time to time be wound up voluntarily by a special resolution. If our Company shall be wound up the liquidator shall apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

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- (ii) if our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANIES ACT**

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Islands company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar. For the avoidance of doubt, special resolution used in the summary below shall have the meaning as set out in the Cayman Companies Act.

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**(a) Company operations**

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Cayman Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Cayman Companies Act provides that the share premium account may be applied by a company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Cayman Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Cayman Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and

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acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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**(e) Dividends and distributions**

The Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of a company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of a company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by a company's memorandum and articles of association.

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**(g) Disposal of assets**

The Cayman Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to the Tax Concessions Act of the Cayman Islands, our Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company.

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The undertaking for our Company is for a period of twenty years from 13 December 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of a company have no general right under the Cayman Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's Articles.

**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Cayman Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it



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upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

**(o) Register of Directors and Officers**

A company is required to maintain at its registered office a register of directors and officers which is not available on display. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Stock Exchange, the company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in



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general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by (i) a majority in number representing seventy-five per cent. (75%) in value of creditors, or (ii) seventy-five per cent. (75%) in value of shareholders or class of shareholders, as the case may be, as are present and voting either in person or by proxy at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

The Companies Act also contains statutory provisions which provide that a company may present a petition to the Court for the appointment of a restructuring officer on the grounds that the company (a) is or is likely to become unable to pay its debts within the meaning of section 93 of the Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring. The petition may be presented by a company acting by its directors, without a resolution of its shareholders or an express power in its articles of association. On hearing such a petition, the Court may, among other things, make an order appointing a restructuring officer or make any other order as the Court thinks fit.

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**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available for inspection as referred to in "Documents delivered to the Registrar of Companies in Hong Kong and available on display — Documents available on display" in Appendix V to this Document. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**

**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on August 25, 2020. Our Company has established its principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 13, 2022. Our Company has appointed Ms. Zhang Xiao (張瀟) of 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the Cayman Companies Act and to our constitution comprising the Memorandum and the Articles of Association. A summary of various provisions of our Company's constitution and certain relevant aspects of the Cayman Companies Act is set out in Appendix III to this Document.

**2. Changes in Share Capital of our Company**

As of the date of incorporation of our Company on August 25, 2020, our authorized share capital was US\$50,000 divided into 5,000,000 Shares with par value of US\$0.01 each. The following sets out the changes in our Company's issued share capital since the date of our incorporation:

- (i) Upon its incorporation, one Share was allotted and issued to its initial subscriber fully paid at par, which was then transferred to Howking Tech Holding on the same day.
- (ii) On November 17, 2021, our Company allotted and issued 772,788 Shares at par to Howking Tech Holding. Upon completion of the aforesaid allotment and issue, our Company was wholly owned by Howking Tech Holding.
- (iii) On December 10, 2021, (i) our Company allotted and issued 75,201, 32,780, 30,852, 23,139, 19,282, 16,197 and 11,569 Shares for cash to Shanghai Jinyuan, Dongzheng Hande, Dongzheng Xiade, Shenzhen Tim Win, Shenzhen Zhichen, Zhangzhou Heze and Ningbo Qipu, respectively; (ii) our Company acquired the entire issued share capital of Parka Aragon BVI from Mr. Wu by allotting and issuing 6,941 Shares of our Company to Mr. Wu as the consideration; (iii) our Company allotted and issued 11,124 Shares to Zibo Puhao and (iv) Howking Tech Holding transferred an aggregate of 131,999 Shares, of which 49,438 Shares, 9,888 Shares, 39,550 Shares and 33,123 Shares to Mr. Wu, Shenzhen Brightmin, Mr. Huang and Ms. Wu, respectively. Upon completion of the aforesaid transfer, allotment and issue, our Company was held as to 64.0871%, 7.5210%, 3.2784%, 3.0856%, 2.3142%, 1.9284%,

1.6199%, 1.1570%, 5.6386%, 0.9889%, 3.9555%, 3.3127% and 1.1125% by Howking Tech Holding, Shanghai Jinyuan, Dongzhen Hande, Dongzhen Xiade, Shenzhen Tim Win, Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu, Mr. Wu, Shenzhen Brightmin, Mr. Huang, Ms. Wu and Zibo Puhao, respectively.

- (iv) On [●] 2022, our Company increased its authorized share capital from US\$50,000 divided into 5,000,000 Shares of US\$0.01 each to US\$3,000,000 divided into 300,000,000 Shares of US\$0.01 each by creation of an additional 295,000,000 Shares (ranking *pari passu* in all respects with the then existing issued Shares).

Assuming that the [REDACTED] becomes unconditional and the issue of the Shares pursuant to the [REDACTED] and the [REDACTED] mentioned herein are made, but not taking into account of any Shares which may be issued upon the exercise of the [REDACTED] and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be US\$[REDACTED] divided into [REDACTED] Shares fully paid or credited as fully paid.

Other than pursuant to any options which may be granted under the Share Option Scheme, the exercise of the [REDACTED] or the exercise of the general mandate to issue shares referred to in “— A. Further Information About Our Company And Its Subsidiaries — 3. Written Resolutions of all the Shareholders passed on [●]” in this section below, there is no present intention to issue any part of the authorized but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed herein and in “— A. Further Information About Our Company and its Subsidiaries — 4. Corporate Reorganization” in this section below, there has been no alteration in the share capital of our Company since its incorporation.

### 3. Written Resolutions of all the Shareholders passed on [●]

On [●], written resolutions of all the Shareholders were passed pursuant to which, among others:

- (a) the Memorandum be and was thereby approved and adopted with immediate effect and the Articles be and were thereby conditionally approved and adopted which will come into effect on the [REDACTED] Date, the terms of which are summarized in Appendix III to this Document;
- (b) the authorized share capital of the Company be increased from US\$50,000 divided into 5,000,000 Shares with a par value of US\$0.01 each to US\$3,000,000 divided into 300,000,000 Shares with a par value of US\$0.01 each by the creation of an additional 295,000,000 Shares ranking *pari passu* with the existing Shares with immediate effect;

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- (c) conditional on (A) the [REDACTED] of the Stock Exchange granting the [REDACTED] of, and permission to [REDACTED], the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the [REDACTED], the [REDACTED], the [REDACTED] and the Share Option Scheme); and (B) the entering into of the agreement on the [REDACTED] between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and our Company; and (C) the obligations of the [REDACTED] under the [REDACTED] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the [REDACTED], on behalf of the [REDACTED]) and not being terminated in accordance with the terms of such agreement or otherwise, in each case on or before the date determined in accordance with the terms of the [REDACTED]:
- (i) the [REDACTED] was approved and the Directors were authorized to effect the same and to allot and issue the [REDACTED] pursuant to the [REDACTED];
  - (ii) the [REDACTED] was approved and the Directors were authorized to allot and issue any Shares which may be required to be issued if the [REDACTED] is exercised;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “— D. Share Option Scheme” below, were approved and adopted and the Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares under the Share Option Scheme and to allot, issue and deal with Shares issued thereunder and to take all such steps as they consider necessary, desirable or expedient to implement and give effect to the Share Option Scheme; and
  - (iv) conditional upon the share premium amount of the Company being credited as a result of the [REDACTED], the Directors were authorized to capitalize the amount of US\$[REDACTED] from the amount standing to the credit of the share premium account of the Company to pay up in full at par [REDACTED] Shares for allotment and issue to the person(s) whose name(s) appears on the register of members of the Company as of the date of the passing of the resolution in proportion to (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) their then existing shareholdings in the Company;

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- (d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of the Company to allot, issue and deal in (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of rights issue or an issue of shares upon the exercise of the [REDACTED] or any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of our Company and/or any of its subsidiaries or any other person of share or rights to acquire Shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or a specific authority granted by the Shareholders in general meeting, any unissued Shares not exceeding 20% of the aggregate of the total number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued upon exercise of the [REDACTED] or pursuant to the exercise of any options which may be granted under the Share Option Scheme) and to make or grant offers, agreements and options (including but not limited to warrants, bonds and debentures convertible into Shares) which might require the exercise of such power to issue Shares either during or after the end of the Relevant Period (as defined below), such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or
  - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (e) a general unconditional mandate was given to the Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the Shares may be listed, and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares not exceeding 10% of the total number of the Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued upon exercise of the [REDACTED] or pursuant to the exercise of any options which



may be granted under the Share Option Scheme), such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the date by which the next annual general meeting of our Company is required by the Articles of Association or applicable laws of the Cayman Islands to be held; or
  - (iii) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the number of the Shares which may be allotted or agreed conditionally or unconditionally to be allotted by the Directors pursuant to such general mandate of an amount representing the number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding any Shares that may be issued upon exercise of the [REDACTED] or pursuant to the exercise of any options which may be granted under the Share Option Scheme).

#### **4. Corporate Reorganization**

In preparation for the [REDACTED], the companies comprising our Group underwent the Reorganization to rationalize the corporate structure of our Group. For further details, see "History, Reorganization and Corporate Structure — Reorganization" in this Document.

#### **5. Changes in Share Capital of Subsidiaries**

Save as disclosed in "History, Reorganization and Corporate Structure" in this Document, there has been no alteration in the share capital of any of our subsidiaries within the two years preceding the date of this Document.

#### **6. Particulars of Our Subsidiaries**

Particulars of our subsidiaries are set forth in the Accountants' Report, the text of which is set forth in Appendix I to this Document.

#### **7. Repurchase of Our Own Securities**

This paragraph includes the information required by the Stock Exchange to be included in this Document concerning the repurchase by our Company of its own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

*Note:* Pursuant to the written resolution of all the Shareholders passed on [●], a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorizing any repurchase by our Company of Shares as described above in "A. Further Information about our Company and its Subsidiaries — 3. Written Resolutions of all the Shareholders passed on [●]" in this section.

(ii) *Source of Funds*

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

(b) *Funding of Purchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilized in this connection, including profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital of our Company. Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.



*(c) Reasons for Repurchases*

Repurchases of Shares will only be made when our Directors believe that such repurchase will benefit our Company and the Shareholders as a whole. Such repurchase may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

*(d) Status of the Repurchased Shares*

The listing of all repurchased Shares (whether offered on the Stock Exchange or otherwise) on Main Board will automatically be cancelled and the certificates for those Shares shall be cancelled and destroyed.

*(e) Trading restrictions*

The total number of shares which a listed company may repurchase on Main Board is the number of shares representing up to a maximum of 10% of the aggregate number of shares of that company in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or higher than the average closing market price for the five preceding trading days on which its shares were traded on Main Board. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

*(f) Suspension of repurchase*

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed

company's results for any year, half-year or quarter-year under the Listing Rules, or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on Main Board if a listed company has breached the Listing Rules.

**(g) Reporting requirements**

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

**(h) Exercise of the Repurchase Mandate**

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Listing Rules), has any present intention, if the Repurchase Mandate is approved by the Shareholders, to sell any Shares to our Company or its subsidiaries.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in this Document) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum, the Articles of Association and all the applicable laws and regulations of the Cayman Islands.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interest of the Shareholder(s), could obtain or consolidate control of our Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a

repurchase of Shares made after the [REDACTED]. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the [REDACTED].

No connected person (as defined in the Listing Rules) of our Company has notified us that he has a present intention to sell any Shares to our Company or has undertaken not to do so, if the Repurchase Mandate is exercised.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by members of our Group within the two years preceding the date of this Document and are or may be material:

- (1) the equity transfer agreement dated December 6, 2021 between Ms. Ding and Parka Aragon, pursuant to which Ms. Ding transferred 0.6623% equity interest in Nanjing Howking to Parka Aragon at the consideration of RMB298,035;
- (2) the share transfer agreement dated October 15, 2021 among Mr. Wu, Howking Tech Holding and our Company, pursuant to which Howking Tech Holding transferred 49,438 Shares to Mr. Wu at the consideration of RMB30,000,000;
- (3) the share transfer agreement dated October 15, 2021 among Ms. Sun, Shenzhen Brightmin, Howking Tech Holding and our Company, pursuant to which Howking Tech Holding transferred 9,888 Shares to Shenzhen Brightmin at the consideration of RMB6,000,000;
- (4) the share transfer agreement dated October 15, 2021 among Mr. Huang, Howking Tech Holding and our Company, pursuant to which Howking Tech Holding transferred 39,550 Shares to Mr. Huang at the consideration of RMB24,000,000;
- (5) the share transfer agreement dated October 15, 2021 among Ms. Wu, Howking Tech Holding and our Company, pursuant to which Howking Tech Holding transferred 33,123 Shares to Ms. Wu at the consideration of RMB20,100,000;
- (6) the investment agreement dated October 15, 2021 among Zibo Puhao, Ms. Wang, Ms. Jin, Dr. Chen and our Company, pursuant to which Zibo Puhao subscribed for 11,124 Shares allotted and issued by our Company at the consideration of RMB9,000,000;
- (7) the reorganization agreement dated October 8, 2021 among Ms. Wang, Ms. Jin, Huixin Qianhai, Dongzheng Hande, Dongzheng Xiade, Mr. Li, Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu, Ms. Ding Di, Nanjing Howking and our Company in relation to the Reorganization;

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- (8) the termination agreement dated December 16, 2021 among Nanjing Howking, Ms. Jin, Ms. Wang, Huixin Qianhai, Dongzheng Hande, Dongzheng Xiade, Mr. Li, Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu and Ms. Ding, pursuant to which the parties thereto agreed to terminate a shareholders agreement of Nanjing Howking dated December 8, 2019 entered into among the same parties;
- (9) the shareholders agreement of our Company dated December 16, 2021 among our Company, Howking Tech BVI, Howking Tech HK, Nanjing Howking, Ms. Jin, Ms. Wang, Howking Tech Holding, Shanghai Jinyuan, Dongzheng Hande, Dongzheng Xiade, Shenzhen Tim Win, Shenzhen Zhichen, Zhangzhou Heze, Ningbo Qipu, Mr. Wu, Zibo Puhao, Shenzhen Brightmin and Mr. Huang, pursuant to which the shareholders rights of the parties thereto were agreed among them;
- (10) the equity transfer agreement dated January 14, 2022 between Ms. Jin and Howking Tech HK, pursuant to which Ms. Jin transferred 4.3585% equity interest of Nanjing Howking to Howking Tech HK at the consideration of RMB5,086,338;
- (11) the equity transfer agreement dated January 14, 2022 between Ms. Wang and Howking Tech HK, pursuant to which Ms. Wang transferred 3.4867% equity interest of Nanjing Howking to Howking Tech HK at the consideration of RMB4,068,997;
- (12) the deed of non-competition dated [●] executed by our Controlling Shareholders in favor of the Company as detailed in “Relationship with our Controlling Shareholders — Deed of Non-competition” in this Document;
- (13) the deed of indemnity dated [●] executed by our Controlling Shareholders in favor of the Company (for itself and as trustee for its subsidiaries) containing the indemnities referred to in “— E. Other Information — 1. Estate Duty, Tax and Other Indemnity” in this appendix; and
- (14) the [REDACTED].

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2. Intellectual Property of our Group

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Registration No.	Place of Registration	Trademark Owner	Class	Effective Date	Expiry Date
1.	 濠景科技	51398389	PRC	Nanjing Howking	42	July 21, 2021	July 20, 2031
2.		26186380	PRC	Nanjing Howking	42	November 7, 2018	November 6, 2028
3.	<b>M2Micro</b>	11334683	PRC	Shenzhen Wulian	9	January 14, 2014	January 13, 2024

(b) Domain Name

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

No.	Registrant	Domain Name	Date of Registration	Expiry Date
1.	Nanjing Howking	howkingtech.com	May 25, 2010	May 25, 2025
2.	Shenzhen Wulian	m2micro.com	September 13, 2010	September 13, 2025

(c) Patents

As of the Latest Practicable Date, we have registered the following patents which we believe are material to our business:

No.	Patent	Patentee	Date of Registration	Patent Number	Application Date	Expiry Date
1.	A DPD device and method suitable for 5G broadband MIMO system (一種適用於5G寬帶MIMO系統的DPD裝置及方法)	Nanjing Howking	March 15, 2022	202110098364.8	January 25, 2021	January 24, 2041

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No.	Patent	Patentee	Date of Registration	Patent Number	Application Date	Expiry Date
2.	A novel MIMO millimeter wave circularly polarized antenna for 5G (一種用於5G新型MIMO毫米波斜極化天線)	Nanjing Howking	July 16, 2021	202120005869.0	January 4, 2021	January 3, 2031
3.	A multi-probe testing device of multi-degree-of-freedom millimeter wave MU-MIMO system (一種多自由度毫米波MU-MIMO系統多探頭測試裝置)	Nanjing Howking	September 21, 2021	202120005861.4	January 4, 2021	January 3, 2031
4.	A millimeter wave communication system (一種毫米波通信系統)	Nanjing Howking	June 22, 2021	202023044978.8	December 15, 2020	December 14, 2030
5.	A SIW filter for front end of Q-band transceiver (一種用於Q波段收發前端的SIW濾波器)	Nanjing Howking	January 8, 2021	202022157061.2	September 27, 2020	September 26, 2030
6.	A wireless control system for 5G communication (一種用於5G通訊的無線控制系統)	Nanjing Howking	December 25, 2020	202021183458.2	June 23, 2020	June 22, 2030
7.	A 5G onboard double 2x2 MIMO wireless control system (一種5G板載雙2x2 MIMO無線控制系統)	Nanjing Howking	March 23, 2021	201910307172.6	April 17, 2019	April 16, 2039
8.	An antenna module for 5th generation of mobile communication MIMO system (一種用於第五代移動通信MIMO系統的天線模塊)	Nanjing Howking	February 5, 2019	201821369476.2	August 24, 2018	August 23, 2028
9.	An active integrated antenna module of high integration for 5th generation of mobile communication (一種用於第五代移動通信的高集成度有源一體化天線模塊)	Nanjing Howking	April 2, 2019	201821181092.8	July 25, 2018	July 24, 2028
10.	A high-gain low-profile microstrip patch antenna (一種高增益低剖面微帶貼片天線)	Nanjing Howking	November 20, 2018	201820666701.2	May 7, 2018	May 6, 2028

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No.	Patent	Patentee	Date of Registration	Patent Number	Application Date	Expiry Date
11.	A miniaturized antenna for 5G mobile communication (一種用於5G移動通信的小型化天線)	Nanjing Howking	May 17, 2017	201621226009.5	November 15, 2016	November 14, 2026
12.	A band-stop filter capable of eliminating interference between different service providers (一種適用於不同運營商間干擾消除的帶阻濾波器)	Nanjing Howking	January 14, 2020	201610474114.9	June 26, 2016	June 25, 2036
13.	A miniaturized antenna in broadband for 5G mobile communication (一種用於5G移動通信的寬帶小型化天線)	Nanjing Howking	November 23, 2016	201620619384.X	June 21, 2016	June 20, 2026
14.	LDS antenna support and LDS antenna forming method based on fixed laser head (LDS天線支架及基於固定激光頭的LDS天線成型方法)	Nanjing Howking	December 25, 2018	201510019926.X	January 15, 2015	January 14, 2035
15.	A WiFi antenna applied to metal frame mobile phone (一種用於金屬邊框手機的WiFi天線)	Nanjing Howking	November 10, 2017	201410747594.2	December 9, 2014	December 8, 2034
16.	Matrix circuit and scan method (矩陣電路及掃描方法)	Nanjing Howking	November 11, 2016	201310557817.4	November 11, 2013	November 10, 2033
17.	Device and method for realizing wide-range multi-frequency band frequency division and frequency selection (實現寬範圍多頻帶分類和選頻的裝置和方法)	Nanjing Howking	January 7, 2015	201210077065.7	March 22, 2012	March 21, 2032
18.	A frequency modulation reception device capable of automatic interference elimination and method (一種自動去干擾調頻接收裝置和方法)	Nanjing Howking	July 2, 2014	201110346377.9	November 4, 2011	November 3, 2031



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As of the Latest Practicable Date, our Group has made an application to register the following patents which are material to our business:

No.	Patent	Applicant	Application Number	Application Date
1.	A novel MIMO millimeter wave circular polarization patch antenna applied to 5G communication (一種應用於5G新型MIMO毫米波圓極化貼片天線)	Nanjing Howking	202110666947.6	June 16, 2021
2.	A base station antenna anti-shake pull rod supporting device (一種基站天線防抖拉桿支撐裝置)	Nanjing Howking	202110649415.1	June 10, 2021
3.	An interconnection structure for millimeter wave transceiver front-end (一種用於毫米波收發前端的互聯結構)	Nanjing Howking	202110346148.0	March 31, 2021
4.	A method and device for detecting movement of small cellular base station (一種檢測小型蜂窩基站移動的方法及裝置)	Nanjing Howking	202110338570.1	March 30, 2021
5.	Rapid punching device for base station antenna pull rod (基站天線拉桿快速打孔裝置)	Nanjing Howking	202110235631.1	March 3, 2021
6.	A novel MIMO millimeter wave circularly polarized antenna for 5G (一種用於5G新型MIMO毫米波斜極化天線)	Nanjing Howking	202110003134.9	January 4, 2021
7.	A multi-probe testing device of multi-degree-of-freedom millimeter wave MU-MIMO system (一種多自由度毫米波MU-MIMO系統多探頭測試裝置)	Nanjing Howking	202110003867.2	January 4, 2021
8.	A millimeter wave communication system (一種毫米波通信系統)	Nanjing Howking	202011480739.9	December 15, 2020
9.	A microstrip line filter (一種微帶線濾波器)	Nanjing Howking	202011279368.8	November 16, 2020
10.	A SIW filter for front end of Q-band transceiver (一種用於Q波段收發前端的SIW濾波器)	Nanjing Howking	202011035581.4	September 27, 2020
11.	An antenna module for 5th generation of mobile communication MIMO system (一種用於第五代移動通信MIMO系統的天線模塊)	Nanjing Howking	201810970423.4	August 24, 2018
12.	An active integrated antenna module of high integration for 5th generation of mobile communication (一種用於第五代移動通信的高集成度有源一體化天線模塊)	Nanjing Howking	201810824016.2	July 25, 2018
13.	A high-gain low-profile microstrip patch antenna (一種高增益低剖面微帶貼片天線)	Nanjing Howking	201810425199.0	May 7, 2018
14.	A 5G broadband millimeter wave dual-polarized packaged antenna and array antenna (一種應用於5G寬帶毫米波雙極化封裝天線及陣列天線)	Nanjing Howking	202210411002.4	April 19, 2022
15.	An interface system and method for an adaptive fronthaul protocol (一種自適應前傳協議的接口系統及方法)	Nanjing Howking	202210561963.3	May 23, 2022
16.	A radome with a painted antenna and a 5G small base station (一種帶有塗刷天線的天線罩及5G小基站)	Nanjing Howking	202221865908.5	July 19, 2022
17.	A 5G millimeter wave broadband microstrip array antenna (一種5G毫米波寬頻段微帶陣列天線)	Nanjing Howking	202210822727.2	July 12, 2022
18.	A method to improve the performance of Polar decoding LLR algorithm (一種提升Polar解碼LLR運算性能的方法)	Nanjing Howking	202210943888.7	August 4, 2022
19.	An integrated underground communication and positioning system based on 5G+ (一種基於5G+的井下通信與定位一體化系統)	Nanjing Howking	202210974414.9	August 15, 2022
20.	A surface mounted millimeter wave high-gain dual-polarized array antenna device (一種表貼式毫米波高增益雙極化陣列天線裝置)	Nanjing Howking	202222138474.5	August 15, 2022
21.	A method for realizing ORAN synchronization plane based on Ethernet multi-layer information (一種基於以太網多層信息的ORAN同步面實現方法)	Nanjing Howking	202211256264.4	14 October, 2022



**(d) Software Copyrights**

As of the Latest Practicable Date, our Group has obtained the following software copyrights which are material to our business:

No.	Software	Copyright Owner	Registration Number	First Publication Date
1.	Application Service Platform (with Server Cluster) V1.0 (應用服務平台(含服務器集群)V1.0)	Nanjing Howking	2020SR1568585	October 10, 2020
2.	Trunked Dispatch System V1.0 (集群調度系統V1.0)	Nanjing Howking	2020SR1504861	September 11, 2020
3.	Core Network System V1.0 (核心網系統V1.0)	Nanjing Howking	2020SR1504860	September 15, 2020
4.	Network Management System V1.0 (網管系統V1.0)	Nanjing Howking	2020SR1504822	September 17, 2020
5.	Network Management System V1.0 (網絡管理系統V1.0)	Nanjing Howking	2020SR1504821	September 10, 2020
6.	Mobile Command and Dispatch System V1.0 (移動調度指揮系統V1.0)	Nanjing Howking	2020SR1504857	September 12, 2020
7.	Recording System V1.0 (錄音系統V1.0)	Nanjing Howking	2020SR1504875	September 16, 2020
8.	Millimeter Wave Uart Configuration Application [abbreviation: MmwUartConfigApp] V1.0 (毫米波串口配置軟件[簡稱: MmwUartConfigApp]V1.0)	Nanjing Howking	2020SR1062226	Unpublished
9.	High and Low Temperature Shock Test and Analysis System V1.0 (高低溫衝擊測試分析系統V1.0)	Nanjing Howking	2020SR1033677	August 23, 2020
10.	Equipment Performance Monitoring System Software V1.0 (設備性能監測系統軟件V1.0)	Nanjing Howking	2020SR1033629	August 21, 2020
11.	4/5G Signal Coverage Terminal Unit with Interface Software V1.0 (4/5G信號覆蓋終端單元含接口軟件V1.0)	Nanjing Howking	2020SR1033147	August 24, 2020
12.	4/5G Signal Coverage Host Unit Interface Software V1.0 (4/5G信號覆蓋主機單元接口軟件V1.0)	Nanjing Howking	2020SR1033420	August 22, 2020
13.	Industrial Automation Test System V1.0 (工業自動化測試系統V1.0)	Nanjing Howking	2020SR1033412	August 25, 2020
14.	Industrial DSP Automatic Programming Software (工業DSP自動燒錄軟件V1.0)	Nanjing Howking	2020SR1033460	August 24, 2020
15.	4/5G Signal Coverage for Controlling Unit and Monitoring Software V1.0 (4/5G信號覆蓋監控單元監控軟件V1.0)	Nanjing Howking	2020SR1033877	August 24, 2020
16.	16 Onboard Platform Monitoring Center System Software of 5G Base Station Antenna Array [abbreviation: MBMC_5GBS] V1.0 (5G基站天線陣列之16板載平台監控中心系統軟件[簡稱: MBMC_5GBS]V1.0)	Nanjing Howking	2019SR0871759	Unpublished

**C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS**

**1. Interests and Short Positions of Directors in the Share Capital of the Company**

*Interests in the Company*

Immediately following completion of the [REDACTED] and the [REDACTED] (taking no account of Shares which may be issued pursuant to the exercise of the [REDACTED] and options which may be granted under the Share Option Scheme), the interests or short positions of each of the Directors and the chief executives in the share capital, underlying shares and debentures of our Company which, once the Shares are [REDACTED], will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are [REDACTED], will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

<b>Name of Director</b>	<b>Capacity/ Nature of Interest</b>	<b>Number and Class of Securities<sup>(1)</sup></b>	<b>Approximate percentage of shareholding<sup>(2)</sup></b>
Dr. Chen <sup>(3)</sup>	Interest of spouse	[REDACTED](L)	[REDACTED]%
Ms. Wang <sup>(3) (4)</sup>	Interest in controlled corporation	[REDACTED](L)	[REDACTED]%

*Notes:*

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) The calculation is based on the total number of [REDACTED] Shares in issue after completion of the [REDACTED] and the [REDACTED].
- (3) Dr. Chen, our executive Director, is the spouse of Ms. Wang. Therefore, Dr. Chen is deemed to be interested in the Shares held by Ms. Wang by virtue of the SFO.
- (4) Ms. Wang is interested in 56.7980% of Howking Tech Holding. Therefore, by virtue of the SFO, Ms. Wang is deemed to be interested in the Shares in which Howking Tech Holding is interested.

**2. Interests and Short Positions of Substantial Shareholders in the Share Capital of Our Company**

*Interests in our Company*

Save as disclosed in “Substantial Shareholders” in this Document, our Directors are not aware of any other person who will, immediately following the [REDACTED] (without taking into account the exercise of the [REDACTED]), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of any class of share capital carrying the rights to vote in all circumstances at the general meetings of our Company.

**3. Directors’ Service Contracts and Remuneration**

*(a) Directors’ Service Contracts*

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from the date thereof, which may be terminated by not less than three months’ notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the [REDACTED] Date, which may be terminated by not less than three months’ notice in writing served by either party on the other.

*(b) Directors’ remuneration*

For the years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022, the aggregate amount paid to our Directors as remuneration (including salaries, allowances, benefits in kind, contributions to pension schemes and discretionary performance related bonuses) were RMB656,000, RMB1,051,000, RMB2,076,000 and RMB1,173,000, respectively.

For the year ending December 31, 2022, the estimated total compensation payable to the Directors amounts to RMB2.8 million (excluding any discretionary bonus), respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this Document.

#### 4. Disclaimers

In this Document:

- (a) none of the Directors nor any of the persons whose names are listed in “— E. Other Information — 7. Consents of Experts” in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (b) none of the Directors nor any of the persons whose names are listed in “— E. Other Information — 7. Consents of Experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group;
- (c) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors or their close associates (as defined in the Listing Rules) or existing Shareholders (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers of our Company; and
- (e) none of the Directors or their close associates (as defined in the Listing Rules) or our existing Shareholders (who, to the knowledge of the Directors, owns more than 5% of our issued share capital) has any interest in any or the five largest suppliers of our Company.

#### D. SHARE OPTION SCHEME

##### Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by the written resolutions of all Shareholders of our Company passed on [●]. Our Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

##### (a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to Eligible Persons (as defined in paragraph (b) below) for their contribution to, and

continuing efforts to promote the interests of, our Group and for such other purposes as the Board may approve from time to time.

*(b) Who may join*

The Board may, at its absolute discretion, offer eligible persons (being any director or employee (whether full time or part time), consultant or advisor of our Group who in the sole discretion of the Board has contributed to and/or will contribute to our Group) (the "**Eligible Persons**") to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

*(c) Maximum number of Shares*

- (i) The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.
- (ii) Subject to paragraphs (c)(i), (iv) and (v), at the time of adoption by our Company of the Share Option Scheme or any new share option scheme (the "**New Scheme**"), the aggregate number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, the New Scheme and all schemes existing at such time (the "**Existing Schemes**") of our Company must not in aggregate exceed 10% of the total number of the Shares in issue as of the [REDACTED] Date (the "**Scheme Mandate Limit**").
- (iii) For the purposes of calculating the Scheme Mandate Limit under paragraph (c)(ii), Shares which are the subject matter of any options that have already lapsed in accordance with the terms of the relevant Existing Scheme(s) shall not be counted.
- (iv) The Scheme Mandate Limit may be refreshed by ordinary resolution of the Shareholders in general meeting, provided that:
  - the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of issued Shares as of the date of Shareholders' approval of the refreshment of the Scheme Mandate Limit;
  - options previously granted under any Existing Schemes (including options outstanding, cancelled, or lapsed in

accordance with the relevant scheme rules or exercised options) shall not be counted for the purpose of calculating the limit as refreshed; and

- a circular regarding the proposed refreshment of the Scheme Mandate Limit has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules.
- (v) Our Company may seek separate approval from the Shareholders in the general meeting for granting options which will result in the Scheme Mandate Limit being exceeded, provided that:
- the grant is to Eligible Persons specifically identified by our Company before the approval is sought; and
  - a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules and other applicable laws and rules,

in accordance with the terms of the Share Option Scheme.

*(d) Maximum number of options to any one individual*

No option shall be granted to any Eligible Person (the “**Relevant Eligible Person**”) if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all Options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time, unless:

- such grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by ordinary resolution of the Shareholders in general meeting, at which the Relevant Eligible Person and his associates abstained from voting;
- a circular regarding the grant has been dispatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules; and
- the number and terms (including the Subscription Price) of such options are fixed before the general meeting of our Company at which the same are approved.

*(e) Price of Shares*

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be a price solely determined by the Board and notified to all Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of offer to grant option, which must be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of offer to grant option (the “**Offer Date**”) (provided that the new [REDACTED] shall be used as the [REDACTED] for any business day falling within the period before the [REDACTED] Shares where our Company has been [REDACTED] for less than five business days as of the Offer Date); and (iii) the nominal value of the Share. A consideration of RMB1 is payable on acceptance of the offer of an option or options.

*(f) Granting options to connected persons*

Any grant of options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the options). If our Company proposes to grant options to a Substantial Shareholder or an independent non-executive Director or their respective associates which will result in the number and value of Shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant in aggregate exceeding: (i) 0.1% of the Shares in issue at the relevant time of grant; and (ii) HK\$5 million, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange at the date of each grant, such grant shall not be valid unless: (A) a circular containing the details of the grant has been dispatched to the Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules (including in particular, a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee) to the independent Shareholders as to voting); and (B) the grant has been approved by the Shareholders in general meeting (taken on a poll), at which all Connected Persons abstained from voting in favour at such meeting.

*(g) Restrictions on the time of grant of options*

No offer to grant option shall be made after a price-sensitive event has occurred or a price-sensitive matter has been the subject of a decision until such price-sensitive information has been announced pursuant to the requirements of the



Listing Rules. In particular, no options may be offered to be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified by our Company to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement. The period which no option may be granted will cover any period of delay in the publication of results announcement.

***(h) Rights are personal to grantee***

An option is personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any option.

***(i) Time of exercise of option***

Subject to the provisions of the Listing Rules and other applicable laws and regulations, the Board may in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer Letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised.

The date of grant of any particular option is the date on which the offer relating to such option is duly accepted by the grantee in accordance with the Share Option Scheme. An option may be exercised according to the terms of the Share Option Scheme and the offer in whole or in part by the grantee (or his personal representatives) before its expiry by giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is



exercised provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof. Such notice must be accompanied by a remittance for the full amount of the subscription price for the Shares in respect of which the notice is given. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

**(j) *Performance target***

The Board may from time to time require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised. There are no specific performance targets stipulated under the terms of the Share Option Scheme and the Board is currently unable to determine such restriction on the exercise of the options granted under the Share Option Scheme.

**(k) *Rights on ceasing to be an Eligible Person***

In the event of the grantee ceasing to be an Eligible Person for any reason other than ceasing (1) by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty or (2) by death or permanent disability the option may be exercised within one month after the date of such cessation, which date shall be (i) if he is an employee or director of our Company or any subsidiary, his last actual working day with our Company or any subsidiary whether salary is paid in lieu of notice or not; or (ii) if he is not an employee of our Company or any subsidiary, the date on which the relationship constituting him an Eligible Person ceases.

**(l) *Rights on death or permanent disability***

In the event that the grantee of an outstanding option dies or becomes permanently disabled before exercising the option in full or at all, the option may be exercised up to the entitlement of such grantee or, if appropriate, in the circumstances described in paragraphs (n), (o) and (q), an election made by his personal representatives within twelve months after the date of his death or permanent disability.

***(m) Lapse of option on misconduct, bankruptcy or dismissal etc.***

If a grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty, the right to exercise the option (to the extent not already exercised) shall terminate immediately.

***(n) Rights on a general offer by way of a take-over***

If a general offer by way of a take-over is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional, our Company shall forthwith notify all the grantees and any grantee (or his personal representatives) may by notice in writing to our Company within 21 days after such offer becoming or being declared unconditional exercise the option to its full extent or to the extent specified in such notice.

***(o) Rights on a general offer by way of a scheme of arrangement***

If a general offer by way of a scheme of arrangement is made to all the Shareholders and the scheme has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith notify the grantees and any grantee (or his personal representatives) may thereafter (but before such time as shall be notified by our Company) by notice in writing to our Company exercise the option to its full extent or to the extent specified in such notice.

***(p) Rights on a compromise or arrangement***

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to the grantee (together with a notice of the existence of the provisions of this paragraph) on the same date or soon after it dispatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the grantee (or his personal representatives) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of 2 months thereafter and the date on which such compromise or arrangement is

sanctioned by the court of competent jurisdiction, exercise any of his options whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Upon such compromise or arrangement become effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the grantee (or his personal representatives) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

**(q) *Rights on winding-up***

In the event a notice is given by our Company to its Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company other than for the purpose of a reconstruction, amalgamation or scheme of arrangement, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or his personal representatives) shall be entitled to exercise all or any of his options at any time not later than four business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than one business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

**(r) *Lapse of the options***

The right to exercise an option (to the extent not already exercised) shall terminate immediately upon the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the periods referred to in paragraph (k), (l) or (n);
- (iii) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (o);
- (iv) subject to the compromise or arrangement referred to in paragraph (p);

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

- (v) the date on which the grantee ceases to be an Eligible Person by reason of summary dismissal for misconduct or other breach of the terms of his employment or other contract constituting him an Eligible Person, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has become insolvent or has made any arrangements or composition with his creditors generally or on which he has been convicted of any criminal offence involving his integrity or honesty;
- (vi) subject to paragraph (q), the date of the commencement of the voluntary winding-up of our Company;
- (vii) the date on which the grantee commits a breach of paragraph (h);
- (viii) the date on which the option is cancelled by the Board as provided in paragraph (v); or
- (ix) the non-fulfillment of any condition referred to in paragraph (x) on or before the date specified therein.

Our Company shall owe no liability to any grantee for the lapse of any option under this paragraph (r).

**(s) *Ranking of Shares***

The Shares to be allotted and issued upon the exercise of an option shall be subject to our Company's Memorandum and Articles of Association and the laws of the Cayman Island for the time being in force and shall rank pari passu in all respects with the fully-paid Shares in issue of our Company as of the date of allotment and will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be on or before the date of allotment and issue.

**(t) *Effect of alterations to share capital***

In the event of any alteration to the capital structure of our Company arising from capitalization of profits or reserves, rights issue, consolidation, redenomination, subdivision or reduction of the share capital of our Company in accordance with the legal requirements or requirements of the Stock Exchange other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party. Adjustment (if any) shall be made to (a) the number or nominal amount of Shares

subject to the option so far as unexercised; and/or (b) the subscription price for the Shares subject to the option so far as unexercised; and/or (c) the Shares to which the option relates; or any combination thereof as the Auditors or the independent financial advisors to our Company (acting as expert not arbitrator) shall at the request of our Company certify in writing to the Board either generally or as regards any particular grantee that the adjustments are in compliance with Rule 17.03(13) of the Listing Rules and the notes thereto. Any such adjustments must give a grantee the same proportion of the equity capital of our Company as to which that grantee was previously entitled, and any adjustments so made shall be in compliance with the Listing Rules and such applicable guidance and/ or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the "Supplemental Guidance on Main Board Listing Rule 17.03(13) and the Notice immediately after the Rule" attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option scheme) and any future guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (but no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. The capacity of the Auditors or the independent financial advisors to our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the grantees. The costs of the Auditors or the independent financial advisors to our Company shall be borne by our Company. Notice of such adjustment shall be given to the Grantees by our Company.

*(u) Alteration of Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme as to:

- (i) the definitions of "Eligible Person" and "grantee" in the Share Option Scheme; and
- (ii) the provisions relating to the matters set out in Rule 17.03 of the Listing Rules

which shall not be altered to the advantage of grantees or prospective grantees except with the prior approval of the Shareholders in general meeting (with participants and their respective associates abstained from voting). No such alterations shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alterations except with the consent or sanction in writing of such majority of the grantees as would be required of the Shareholders under the bye-laws for the time being of our Company for a variation of the rights attached to the Shares. Any change to the authority of the Board in relation to any alterations to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting. Any alterations to the provisions of the Share

Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing provisions of the Share Option Scheme. Any amended terms of the Scheme or the options must comply with Chapter 17 of the Listing Rules.

*(v) Cancellation of options*

The Board may cancel an option granted but not exercised with the approval of the grantee of such option. No options may be granted to an Eligible Person in place of his cancelled options unless there are available unissued options (excluding the cancelled options) within the limit set out in paragraph (c) above from time to time.

*(w) Termination of the Share Option Scheme*

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(x) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Listing Committee granting approval of the [REDACTED] of, and permission to [REDACTED], any Shares which may fall to be allotted and issued pursuant to the exercise of any such options;
- (ii) the passing of the resolutions by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant Options under the Share Option Scheme and to allot and issue Shares pursuant to the exercise of any options; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

*(y) Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

**E. OTHER INFORMATION**

**1. Estate Duty, Tax and Other Indemnity**

*Indemnity on estate duty and taxation*

The Controlling Shareholders (the “**Indemnifiers**”) have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of the Company (for itself and as trustee as its subsidiaries) in connection with, among others, (i) any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received; and (ii) any adverse impact imposed on the operations of our Group resulted from issues which might cast doubt on the ability or suitability of the Controlling Shareholders to perform his/her duties as a Director, on or before the date on which the [REDACTED] becomes unconditional (the “**Effective Date**”).

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation where:

- (a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the audited accounts of our Company for the Track Record Period as set out in Appendix I to this Document (the “**Accounts**”);
- (b) to the extent that such taxation liabilities or claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the [REDACTED] Date would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement or acquiescence of the Indemnifiers, other than any such act, omission or transaction:
  - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the [REDACTED] Date, or
  - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the [REDACTED] Date or pursuant to any statement of intention made in this Document; or



- (c) to the extent of any provision, reserve or allowance made for such taxation liabilities in the Accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case the Indemnifiers' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce the Indemnifiers' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess; or
- (d) to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, the taxation authority of the PRC, the United States, or any other relevant authority (whether in Hong Kong, the BVI, the Cayman Islands, the United States, the PRC or any other part of the world) coming into force after the Effective Date or to the extent such taxation liabilities or claims arise or are increased by an increase in rates of such taxation liabilities after the Effective Date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of the Cayman Islands, the BVI, the United States, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

***Other indemnity***

Under the Deed of Indemnity, the Indemnifiers have also given indemnities on a joint and several basis in favour of the Company (for itself and as trustee as its subsidiaries) for any monetary fines, penalties, settlements payments and any associated costs, expenses and damages which would be incurred or suffered by our Group and/or cast doubt on the ability or suitability of the Controlling Shareholders to perform his/her duties as a Director in connection with any non-compliance with the applicable laws, rules or regulations, by himself/herself, our Company and/or any members of our Group in any relevant jurisdiction as deemed relevant to them by the relevant authorities, including but not limited to, their respective place of incorporation or operation which has occurred at any time on or before the Effective



Date as set forth in “Business — Legal Proceedings and Compliance”, in particular, including but not limited to, the payment of unpaid social insurance and housing provident fund contributions or any penalty imposed payment of the outstanding amount or shortfall of the contribution to the social insurance and/or housing provident fund.

## **2. Litigation**

As of the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to our Directors to be pending or threatened against any member of our Group that would have a material adverse effect on our results of operations or financial conditions.

## **3. Sole Sponsor**

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for [REDACTED] of, and permission to [REDACTED], the Shares in issue and Shares to be issued as mentioned herein (including any Shares falling to be issued pursuant to the exercise of the [REDACTED] and pursuant to the exercise of any options which may be granted under the Share Option Scheme).

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The total amount of fees payable to the Sole Sponsor by our Company for sponsoring the [REDACTED] of the Shares on the [REDACTED] is HK\$[REDACTED].

## **4. Preliminary Expenses**

Our preliminary expenses are estimated to be approximately RMB1.0 million and were fully paid by our Company.

## **5. Promoter**

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed above, within the two years immediately preceding the date of this Document, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the [REDACTED] or the related transactions described in this Document.

## 6. Qualifications of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Document:

<b>Name</b>	<b>Qualification</b>
Ping An of China Capital (Hong Kong) Company Limited	Licensed for Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified public accountants under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Jingtian & Gongcheng	PRC legal advisors to the Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Ogier	Cayman Islands legal advisors to the Company
Hogan Lovells	International sanctions legal advisors
Winston & Strawn LLP	U.S. and Russian legal advisors as to import and export law

## 7. Consents of Experts

Each of the experts named in paragraph 6 above has given and has not withdrawn its consent to the issue of this Document with the inclusion of its report and/or letter and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named in paragraph 6 above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

**8. Binding Effect**

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

**9. Agency fees or [REDACTED] received**

The [REDACTED] will receive an [REDACTED], and the Sole Sponsor will receive a sponsorship fee, as referred to under “[REDACTED] — [REDACTED] Arrangements and Expenses — The [REDACTED] — [REDACTED] and Expenses” in this Document.

**10. Miscellaneous**

- (a) Save as disclosed in “History, Reorganization and Corporate Structure” in this Document, within the two years immediately preceding the date of this Document:
1. no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
  2. no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  3. no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
  4. no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued; and
  5. no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of its subsidiaries.
- (b) Since May 31, 2022, being the date of our latest audited consolidated financial results as set out in the Accountants’ Report in Appendix I to this Document, there has been no material adverse change in the financial or trading position or prospects of our Group.

- (c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this Document.
- (d) Subject to the provisions of the Cayman Companies Act, the register of members of the Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of the Company will be maintained in Hong Kong by [REDACTED]. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [REDACTED] in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into [REDACTED] for clearing and settlement.
- (e) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (f) There are no arrangements in existence under which future dividends are to be or agreed to be waived.

#### **11. Bilingual Document**

The English language and Chinese language versions of this Document are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES IN HONG KONG  
AND AVAILABLE ON DISPLAY**

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were copies of the [REDACTED], the written consents referred to in “Statutory and General Information — E. Other Information — 7. Consents of Experts” in Appendix IV to this Document, and copies of the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this Document.

**DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.howkingtech.com](http://www.howkingtech.com) during a period of 14 days from the date of this Document.

1. the Memorandum of Association and Articles of Association of the Company;
2. the Accountants’ Report prepared by Ernst & Young, the text of which is set out in Appendix I to this Document;
3. the report prepared by Ernst & Young in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this Document;
4. the audited consolidated financial statements of our Group for the three years ended December 31, 2019, 2020 and 2021 and the five months ended May 31, 2022;
5. the PRC legal opinions issued by Jingtian & Gongcheng, our PRC legal advisors, in respect of the business operations and the property interests of our Group;
6. the letter of advice prepared by Ogier, our Cayman Islands legal advisors, summarizing certain aspects of the Cayman Companies Act as referred to in Appendix III to this Document;
7. the industry report prepared by Frost & Sullivan;
8. the U.S. and Russian legal memoranda issued by Winston & Strawn LLP, our U.S. and Russian legal advisors as to certain aspects of U.S. and Russian import and export law;
9. the legal memorandum issued by Hogan Lovells, our legal advisors as to international sanctions law;

**APPENDIX V**

**DOCUMENTS DELIVERED TO THE REGISTRAR  
OF COMPANIES IN HONG KONG  
AND AVAILABLE ON DISPLAY**

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10. the material contracts referred to in “Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts” in Appendix IV to this Document;
11. the written consents referred to in “Statutory and General Information — E. Other Information — 7. Consents of Experts” in Appendix IV to this Document;
12. the rules of the Share Option Scheme;
13. the service contracts referred to in “Statutory and General Information — C. Further Information about our Directors, Management and Substantial Shareholders — 3. Directors’ Service Contracts and Remuneration” in Appendix IV to this Document; and
14. the Cayman Companies Act.