Application Proof of

WellCell Holdings Co., Limited
經緯天地控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

This Application Proof is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its joint sponsors, overall coordinators, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with the offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) this Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, its joint sponsors, overall coordinators, advisers or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE. THE INFORMATION IN THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

WellCell Holdings Co., Limited
經緯天地控股有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [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])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED] (payable in full on application in Hong Kong dollars, subject to refund on final pricing, plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%)**
Nominal value	**:**	**HK$0.01 per Share**
Stock code	**:**	**[REDACTED]**

Joint Sponsors

Halcyon Capital Limited

Eddid Capital Limited

[REDACTED], [REDACTED] and [REDACTED]

[REDACTED]

[[REDACTED]] and [[REDACTED]]

[LOGO]

A copy of this document, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The [REDACTED] is expected to be fixed by agreement between [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on the [REDACTED]. The [REDACTED] is expected to be on or around [REDACTED] and, in any event, not later than [REDACTED], on [REDACTED]. The [REDACTED] will be no more than HK$[REDACTED] per [REDACTED] and is currently expected to be no less than HK$[REDACTED] per [REDACTED] unless otherwise announced. If, for any reason, the [REDACTED] is not agreed by [REDACTED] between [REDACTED] (for itself and on behalf of the [REDACTED]) and us, the [REDACTED] will not proceed and will lapse.

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with our Company's consent, reduce the number of [REDACTED] under the [REDACTED] and/or the [REDACTED] stated in this document at any time prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, a notice of reduction in the number of [REDACTED] and/or the [REDACTED] will be published on the website of the Stock Exchange at **www.hkexnews.hk** and website of our Company at [**www.wellcell.com.cn**] as soon as is practicable but in any event not later than the [REDACTED]. Details of the arrangement will then be announced by our Company as soon as practicable. Further details are set out in the sections "Structure and conditions of the [REDACTED]" and "How to apply for the [REDACTED]" in this document.

The [REDACTED] have not been and will not be registered under the U.S. Securities Act and may not be offered, sold, pledged or transferred, except pursuant to the exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable United States securities laws. The [REDACTED] are being offered and sold only outside the United States in offshore transactions in reliance on Regulations S.

Prior to making an investment decision, prospective investors should consider carefully all the information set out in this document, including risk factors set out in the section "Risk factors". Pursuant to the [REDACTED], [REDACTED] (for itself and on behalf of the [REDACTED]) has the right in certain circumstances to terminate the obligations of the [REDACTED] at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Further details of such circumstances are set out in the section "[REDACTED]".

[REDACTED]

[●], 2023

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document pursuant to the [REDACTED]. This document may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a [REDACTED] of the [REDACTED] in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document and the [REDACTED] of the [REDACTED] in other jurisdiction are subject to restrictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or any exemption therefrom.

You should rely only on the information contained in this document to make your investment decision. Our Company, the Joint Sponsors, the [REDACTED], [the [REDACTED], the [REDACTED] and the [REDACTED]] have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained in this document must not be relied on by you as having been authorised by us, the Joint Sponsors, the [REDACTED], [the [REDACTED], the [REDACTED], the [REDACTED],] any of our or their affiliates or any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED]. The information contained on our website at **www.wellcell.com.cn** does not form part of this document.

Page

CONTENTS

SUMMARY

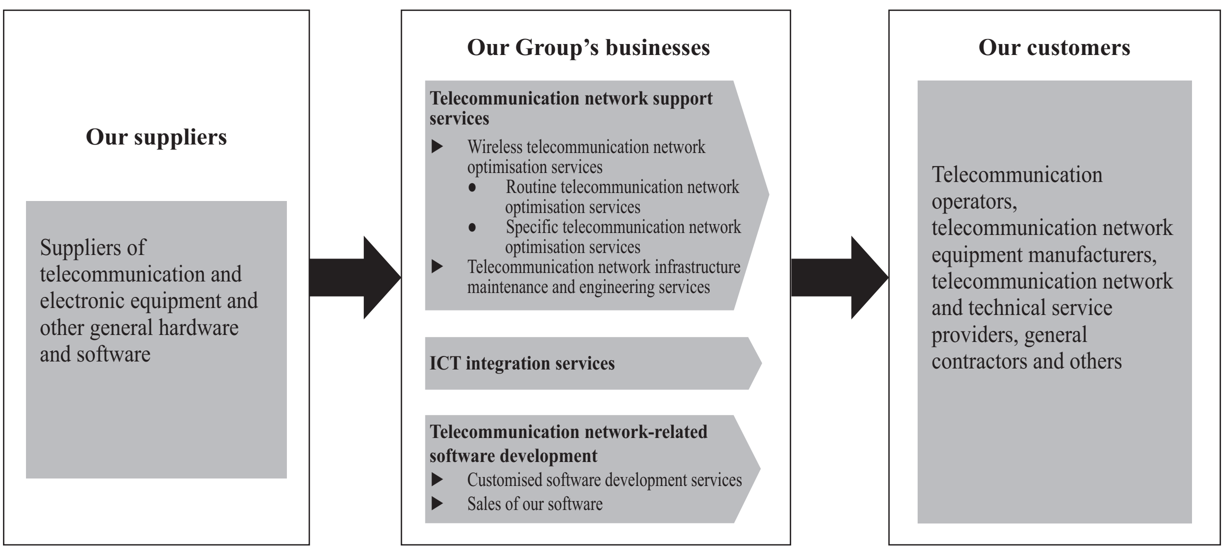
This summary aims to give you an overview of the information contained in this document. Since this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirely by, and should be need in conjunction with the full text of this document. You should read the whole document before you decide to invest in the [REDACTED]. There are risks associated with any investment in the [REDACTED]. Some of the particular risks in investing in the [REDACTED] are set out in the section "Risk Factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].

OVERVIEW

Our Group is a telecommunication network support and information and communication technology (ICT) integration services provider in the PRC. When we commenced business in 2003, we mainly engaged in the development of telecommunication network performance analysis software and we later expanded our business into provision of telecommunication network support services and ICT integration services. During the Track Record Period, we engaged in the provision of (i) telecommunication network support services, comprising wireless telecommunication network optimisation services and telecommunication network infrastructure maintenance and engineering services; (ii) ICT integration services; and (iii) telecommunication network-related software development services. Our revenue from wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services, ICT integration services, telecommunication network-related software development services in 2022 accounted for approximately 0.8%, 0.01%, 0.03% and 2.5%, respectively, of the market share of these industries in the PRC in terms of revenue in the same year.

OUR BUSINESS

Our business model. The following diagram sets out our business model and position in the service supply chain:



Our business lines. Our business can be categorised into the following business lines:

(I) *Telecommunication network support service.* Our telecommunication network support services include (i) wireless telecommunication network optimisation services which mainly comprise: (a) routine telecommunication network optimisation services involving optimisation works and network testing carried out to optimise or restore the connectivity, quality, coverage, etc. of a wireless network; and (b) specific telecommunication network optimisation services, which tackle specific network issues or achieve specific network improvement objectives by implementing optimisation solutions tailored to the needs of our customers; and (ii) telecommunication network infrastructure maintenance and engineering services which mainly comprise (a) maintenance services involving the inspection, maintenance and repair of base stations and related equipment; and (b) engineering services in the construction of telecommunication network infrastructure.

(II) *ICT integration service.* Our ICT integration services mainly involve: (i) designing communication network layout with the choice of equipment, hardware and software within a customer's budget; (ii) procuring equipment, hardware and software and engaging of third-party subcontractors; (iii) assembling equipment, hardware, software and other equipment to form a functional and inter-connected system according to the integration plan, which involves physical arrangement of the equipment, hardware, installation of software and ensuring the compatibility of both, together with other ancillary works to formulate a customised system for our customers' specific purposes; and (iv) providing follow-up services such as advising customers on operation and management of the integrated system.

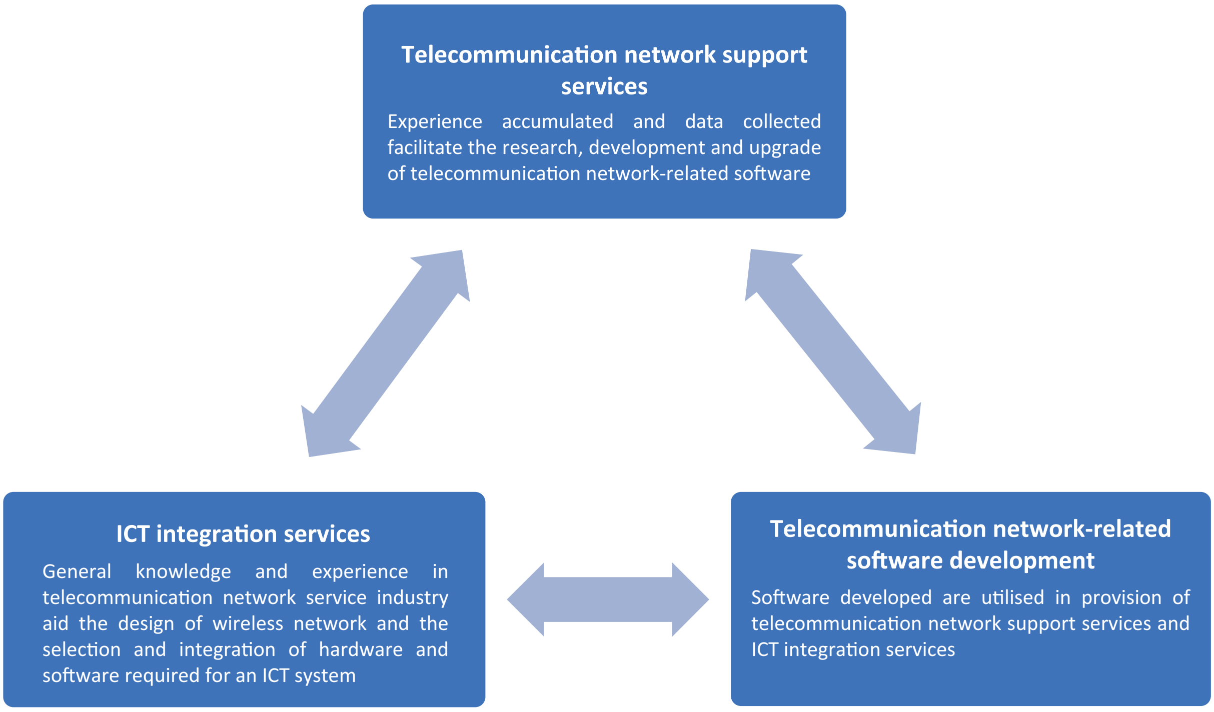
(III) *Telecommunication network-related software development*. We also engage in telecommunication network-related software sale and development which include (i) the sale of software developed by us for testing, evaluating, analysing, maintaining and optimising the performance of telecommunication networks; and (ii) the provision of software development services in which we develop customised software for our customers to cater to their specific needs on telecommunication network performance monitoring, optimisation, etc.

The major differences among our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services are set out in the table below:

	Wireless telecommunication network optimisation services	**Telecommunication network infrastructure maintenance and engineering services**	**ICT integration services**
Primary scope of work	• Routine examination and enhancement of the quality of a telecommunication network • Improving the quality of a telecommunication network from a more particular and in-depth perspective	*Maintenance services:* • Inspection, maintenance and repair of telecommunication network infrastructure *Engineering services:* • Construction works of telecommunication network infrastructure	• Designing and implementing solutions which digitalise and enhance efficiency of business, public or other specific operations
Focus of services and targets to be achieved	• Wireless telecommunication network testing, data collection, analysis and optimisation	*Maintenance services:* • Inspection, maintenance and repair of base stations and related facilities and equipment *Engineering services:* • Telecommunication network infrastructure construction	• Integration of communication network devices and software as an integral system

For a more detailed comparison among the above business lines, please refer to the paragraphs headed "Business — Our services" in this document.

The various kinds of services provided by us are complementary to one another to enhance synergistic effects, diversify our revenue streams and solidify our relationship with our customers by offering them complementary services.



This is evidenced by that fact that a number of our customers are inclined to acquire or procure more than one type of our services from us. During the Track Record Period, 28 of our customers engaged us for more than one of our services and/or both procured our service and purchased our software (either in the same year/period or across different years/period in the Track Record Period). Our revenue generated from these 28 customers amounted to approximately RMB138.5 million, RMB162.5 million, RMB173.0 million and RMB66.0 million for FY2020, FY2021, FY2022 and 6M2023, respectively. For details of the synergies among our services from the perspective of our business operations, please refer to the paragraphs headed "Business — Our services — Interactions, synergies and cannibalisation risk among our services" in this document.

Business identification. During the Track Record Period, we identified and obtained business through open tenders and non-tender methods (mainly by responding to customers' requests for private quotation). In relation to open tenders, we generally identified potential business for our services through browsing tender invitations of our existing customers or potential customers which were made publicly available on the internet. Alternatively, certain potential customers may directly request quotations from us, followed by private discussions and negotiation. For more details, please refer to the paragraphs headed "Business — Our business operational flow" in this document.

The following table sets out the number of tenders we had submitted and the number of successful tenders secured by us by business line during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
Wireless telecommunication network optimisation services				
Number of tenders submitted	68	67	73	17
Number of successful tenders	39	52	48	12
Success rate *(approximately) (%)*	57.4	77.6	65.8	70.6
Telecommunication network infrastructure maintenance and engineering services				
Number of tenders submitted	15	19	39	18
Number of successful tenders	10	13	21	15
Success rate *(approximately) (%)*	66.7	68.4	51.3	83.3
ICT integration services				
Number of tenders submitted	2	14	22	20
Number of successful tenders	1	10	15	12
Success rate *(approximately) (%)*	50	71.4	68.2	60.0
Software development services				
Number of tenders submitted	13	7	21	4
Number of successful tenders	10	2	17	3
Success rate *(approximately) (%)*	76.9	28.6	81.0	75.0

Note: Under our software development operation, the sale of our software normally does not involve open tender during the Track Record Period.

The following table sets out the number of quotations we had submitted and the number of successful quotations secured by us by business line during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
Wireless telecommunication network optimisation services				
Number of quotations submitted	44	36	28	9
Number of successful quotations	38	32	25	8
Success rate *(approximately) (%)*	86.4	88.9	89.3	88.9
Telecommunication network infrastructure maintenance and engineering services				
Number of quotations submitted	13	28	20	11
Number of successful quotations	11	21	16	8
Success rate *(approximately) (%)*	84.6	75.0	80.0	72.7
ICT integration services				
Number of quotations submitted	16	30	32	15
Number of successful quotations	14	26	24	13
Success rate *(approximately) (%)*	87.5	86.7	75.0	86.7
Telecommunication network-related software development				
Number of quotations submitted	27	32	22	12
Number of successful quotations	24	27	19	9
Success rate *(approximately) (%)*	88.9	84.4	86.4	75.0

Our revenue by service line, customer type and place of registration of our customers. The table below sets forth the breakdown of our Group's revenue by service line for the years/period indicated:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately) *(unaudited)*	%	RMB'000 (approximately)	%
Telecommunication network support services										
— Wireless telecommunication network optimisation services	93,673	47.9	100,085	49.2	102,136	45.1	39,413	38.2	42,404	37.3
— Telecommunication network infrastructure maintenance and engineering services	39,654	20.3	41,787	20.6	44,516	19.7	21,244	20.6	18,709	16.4
Sub-total	133,327	68.2	141,872	69.8	146,652	64.8	60,657	58.8	61,113	53.7
ICT integration services	38,515	19.7	42,505	20.9	54,592	24.1	34,756	33.6	35,550	31.2
Telecommunication network-related software development										
— Sales of software	11,522	5.9	9,672	4.8	3,524	1.6	2,195	2.1	4,508	4.0
— Software development services	12,206	6.2	9,287	4.5	21,745	9.5	5,629	5.5	12,667	11.1
Sub-total	23,728	12.1	18,959	9.3	25,269	11.1	7,824	7.6	17,175	15.1
Total	195,570	100	203,336	100	226,513	100	103,237	100	113,838	100

Note: figures may not add up due to rounding.

The following table sets forth the breakdown of our revenue by customer type and business line, and the respective percentage of our total revenue during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately) (*unaudited*)	%	RMB'000 (approximately)	%
Telecommunication operators(Note 1)										
— Telecommunication network support services	41,646	21.3	51,128	25.1	52,295	23.1	22,402	21.7	20,805	18.3
— ICT integration services	—	—	8,684	4.3	12,409	5.5	5,176	5.0	10,801	9.5
— Telecommunication network-related software development	5,238	2.7	5,358	2.6	8,050	3.6	4,583	4.4	2,623	2.3
Subtotal	46,884	24.0	65,170	32.0	72,754	32.1	32,161	31.1	34,229	30.1
Telecommunication network equipment manufacturers(Note 2)										
— Telecommunication network support services	8,028	4.1	9,035	4.4	8,364	3.7	2,239	2.2	5,425	4.8
— ICT integration services	—	—	—	—	249	0.1	—	—	—	—
— Telecommunication network-related software development	2,579	1.3	2,727	1.4	526	0.2	526	0.5	—	—
Subtotal	10,607	5.4	11,762	5.8	9,139	4.0	2,765	2.7	5,425	4.8
Telecommunication network and technical service providers and general contractors(Note 3)										
— Telecommunication network support services	82,040	41.9	77,185	38.0	83,370	36.8	35,834	34.7	31,648	27.8
— ICT integration services	32,819	16.8	29,462	14.5	40,380	17.8	28,467	27.6	21,016	18.5
— Telecommunication network-related software development	14,556	7.4	10,642	5.2	16,692	7.4	2,715	2.6	14,552	12.8
Subtotal	129,415	66.1	117,289	57.7	140,442	62.0	67,016	64.9	67,216	59.0
Others(Note 4)										
— Telecommunication network support services	1,613	0.9	4,524	2.2	2,623	1.2	183	0.2	3,235	2.8
— ICT integration services	5,696	2.9	4,359	2.2	1,555	0.7	1,113	1.1	3,733	3.3
— Telecommunication network-related software development	1,355	0.7	232	0.1	—	—	—	—	—	—
Subtotal	8,664	4.5	9,115	4.5	4,178	1.9	1,296	1.3	6,968	6.1
Total	195,570	100	203,336	100	226,513	100	103,237	100	113,838	100

Notes:

1. Telecommunication operators are companies which provide landline, mobile and Internet access services.

2. Telecommunication network equipment manufacturers are companies which mainly engage in the sale of hardware used for the purpose of telecommunication.

3. Telecommunication network and technical service providers and general contractors are companies which provide telecommunication network support and other technical services.

4. Other customers include PRC government departments, universities, research organisations, etc.

The table below sets out a breakdown of our Group's revenue by place of registration of our customers during the Track Record Period:

Province/municipal city	FY2020		FY2021		FY2022		6M2023	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%
Guangdong	133,786	68.4	129,278	63.6	143,967	63.5	66,882	58.7
Beijing and Hebei	18,730	9.6	16,153	7.9	12,671	5.6	10,676	9.4
Guangxi	4,529	2.3	12,382	6.1	9,710	4.3	6,438	5.7
Shanghai and Jiangsu	6,258	3.2	11,583	5.7	18,763	8.3	14,199	12.5
Qinghai	4,896	2.5	4,637	2.3	5,446	2.4	1,988	1.7
Others	27,371	14.0	29,303	14.4	35,956	15.9	13,655	12.0
Total	195,570	100	203,336	100	226,513	100	113,838	100

Note: Others include Guizhou province, Zhejiang province, Sichuan province, etc.

While our revenue derived from wireless telecommunication network optimisation services was relatively stable, our revenue from telecommunication network infrastructure maintenance and engineering services had increased during the Track Record Period, which was principally attributable to the contribution of two projects, namely CX Heilongjiang Telecom Maintenance Project and the GG Guangxi Comprehensive Maintenance Project. The considerable growth in our revenue derived from ICT integration services during the Track Record Period was consistent with the increase in the number of our ICT integration projects from 13 projects in FY2020 to 25 projects in FY2021 and to 35 projects in FY2022. During the Track Record Period, we had undertaken a number of projects which, in aggregate, contributed revenue of (i) over RMB5 million in aggregate during the Track Record Period; or (ii) over RMB3 million during any financial year over the Track Record Period (the "**Major Projects**"), and were related to our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services. Our revenue generated from these Major Projects accounted for approximately 53.9%, 55.5%, 55.8% and 44.9%, respectively, of our total revenue for FY2020, FY2021, FY2022 and 6M2023, respectively. For details, please refer to the paragraphs headed "Financial information — results of operation of our Group".

OUR CUSTOMERS

Our customers can be broadly categorised into: (i) telecommunication operators; (ii) telecommunication network equipment manufacturers; (iii) telecommunication network and technical service providers and general contractors; and (iv) others. During the Track Record Period, we mainly undertook our projects in the following manners: (i) we secured the whole project or part of the works in a project directly from end customers such as telecommunication operators; or (ii) after a general contractor secured a project from the project owner and divide it into various sub-projects or works, we may be assigned one or more of such sub-projects or works from the general contractor. During the Track Record Period, a relatively larger proportion of our revenue had been generated from customers who were end customers, but whether our Group conducted business as a contractor or subcontractor did not have a material implication on our operations or standard of services. For more details, please refer to the paragraphs headed "Business — Our customers" in this document.

During the Track Record Period, we had a total of 65, 81, 78 and 64 customers, respectively, all of which had their principal place of business in the PRC. The revenue generated from our five largest customers in each year/period during the Track Record Period in aggregate amounted to approximately RMB116.8 million, RMB123.9 million, RMB115.6 million and RMB53.3 million, representing approximately 59.6%, 61.0%, 51.0% and 46.8% of our total revenue, respectively, whereas revenue generated from our largest customer in each year/period during the Track Record Period accounted for approximately 21.2%, 24.0%, 23.8% and 22.6%, respectively, of our total revenue. Up to the Latest Practicable Date, we had established business relationship of two to 16 years with our five largest customers during the Track Record Period, all of whom are Independent Third Parties. For more details, please refer to the paragraphs headed "Business — Our customers" in this document.

In general, we have achieved a high customer retention rate, as evidenced by the fact that approximately 46.2%, 45.7%, 48.1% and 69.7% of our customers for FY2020, FY2021, FY2022 and 6M2023 respectively were repeat customers (being customers in a particular year/period during the Track Record Period who had engaged us for our service or purchased our software at least once in the three financial years immediately preceding that particular year) and they contributed revenue of approximately RMB163.0 million, RMB174.6 million, RMB198.3 million and RMB88.1 million, representing approximately 83.3%, 85.9%, 87.6% and 77.4%, respectively, of our total revenue during FY2020, FY2021, FY2022 and 6M2023.

OUR SUPPLIERS AND SUBCONTRACTORS

Suppliers of our Group mainly included (i) suppliers of telecommunication and electronic equipment (such as portable data terminals and signal acquisition devices) required for provision of our telecommunication network support services; and (ii) suppliers of other general hardware (such as servers, cables and optical fibers) and software (such as security software and operating system software) required for our ICT integration services. Purchases from our five largest suppliers in each year/period during the Track Record Period in aggregate amounted to approximately RMB17.5 million, RMB11.4 million, RMB23.7 million and RMB9.6 million, representing approximately 70.7%, 54.9%, 79.7% and 88.2%, respectively, of our total project supplies cost, while purchases from our largest supplier in each year/period during the Track Record Period accounted for approximately 21.8%, 14.6%, 61.4% and 47.5%, respectively, of our total project supplies cost.

We also engaged subcontractors for carrying out (i) certain technical services required in a particular project (for instance, supplying emergency power supply to base stations) and other works which require specific technical skills and knowledge, such as electrical works; and (ii) labour services for non-technical works such as installation of cabling and associated devices and certain relatively repetitive work in our ICT integration projects, wiring and installation of data collection devices. During the Track Record Period, subcontracting charges paid to our five largest subcontractors in each year/period during the Track Record Period in aggregate accounted for approximately 57.2%, 54.5%, 56.5% and 61.2%, respectively, of our total subcontracting charges, while subcontracting charges paid to our largest subcontractor in each year/period during the Track Record Period accounted for approximately 21.5%, 21.9%, 19.9% and 22.6%, respectively, of our total subcontracting charges.

OVERLAPPING CUSTOMERS AND SUPPLIERS OR SUBCONTRACTOR

Owing to the nature of our business, some of our customers are also our suppliers or subcontractors from which we procure various kinds of services and products. While none of our customers was also our suppliers or subcontractor for 6M2023 and none of our major suppliers or subcontractors was also our customer for 6M2023, three of our major customers were also our subcontractors and one of our major subcontractors was also our customer from FY2020 to FY2022. For more details, please refer to the paragraphs headed "Business — Customers — Entities which are our customers and also our suppliers or subcontractors" in this document.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth a summary of our consolidated financial information during the Track Record Period, which has been extracted from the Accountants' Report as set out in Appendix I to this document, including the notes thereto.

Selected information extracted from the consolidated statements of comprehensive income

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Revenue	195,570	203,336	226,513	103,237	113,838
Other income	3,053	3,092	3,434	1,799	1,224
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating profit	35,208	30,479	30,070	13,549	18,049
Profit before income tax	34,712	30,148	29,268	13,272	17,661
Profit for the year/period attributable to the equity holders of the Company	29,660	25,524	24,259	9,371	14,658

Our revenue. Our total revenue increased from approximately RMB195.6 million in FY2020 to approximately RMB203.3 million in FY2021, which was mainly due to the considerable growth in our revenue derived from our provision of ICT integration services and telecommunication network infrastructure maintenance and infrastructure engineering services during the Track Record Period. Our total revenue increased from approximately RMB203.3 million in FY2021 to approximately RMB226.5 million in FY2022, which was mainly attributable to the overall increase in all business lines. Our total revenue increased from approximately RMB103.2 million in 6M2022 to approximately RMB113.8 million in 6M2023, which was mainly attributable to the increase in revenue derived from our software related business of approximately RMB9.4 million.

Our operating profit and net profit margin. Our operating profit decreased by approximately 13.4% from approximately RMB35.2 million for FY2020 to approximately RMB30.5 million for FY2021, which was mainly attributable to the increase in subcontracting charges of approximately RMB17.4 million and increase in [REDACTED] expenses of approximately RMB[REDACTED], partially offset by the increase in revenue of approximately RMB7.8 million and the decrease in employee benefit expenses of approximately RMB9.2 million. Our operating profit decreased by approximately 1.3% from approximately RMB30.5 million in FY2021 to approximately RMB30.1 million in FY2022, which was mainly attributable to the increases in subcontracting costs, materials, supplies and other project costs, net impairment losses of contract assets and trade receivables and increase in [REDACTED] expenses, partially offset by increase in our revenue and decrease in staff costs. Our operating profit increased by 33.2% from approximately RMB13.5 million in 6M2022 to approximately RMB18.0 million in 6M2023, which was mainly attributable to the increase in our revenue coping with the reduction in Major Operating Costs Ratio.

After taking into account the [REDACTED] expenses and the tax expenses for the respective years/period, our profit and total comprehensive income for FY2020, FY2021, FY2022 and 6M2023 were approximately RMB29.7 million, RMB25.5 million, RMB24.3 million and RMB14.7 million, respectively. Our profit for the year decreased by approximately RMB4.2 million from approximately RMB29.7 million for FY2020 to approximately RMB25.5 million for FY2021, representing a decrease of approximately 13.9%. Such decrease was mainly due to (i) the increase in subcontracting charges and (ii) the increase in [REDACTED] expenses, which was partially offset by the decrease in employee benefit expenses. The net profit margin reduced from approximately 15.2% for FY2020 to approximately 12.6% for FY2021, which was mainly attributable to the increase in [REDACTED] expenses which represented approximately [REDACTED]% of revenue for FY2020 and [REDACTED]% of revenue for FY2021. Our profit decreased by approximately 5.0% from approximately RMB25.5 million for FY2021 to approximately RMB24.3 million for FY2022. Our net profit margin decreased from approximately 12.6% for FY2021 to approximately 10.7% for FY2022, which was principally attributable to the increase in net impairment losses of contract assets and trade receivables and [REDACTED] expenses. Our profit increased by approximately 56.4% from approximately RMB9.4 million for 6M2022 to approximately RMB14.7 million for 6M2023, which was mainly attributable to increase in revenue of approximately RMB10.6 million and decrease in material, supplies and other project costs of approximately RMB5.6 million, partially offset by increase in subcontracting charges of approximately RMB13.1 million. Our net profit margin increased from approximately 9.1% for 6M2022 to approximately 12.9% for 6M2023.

Our Major Operating Costs Ratio. Our overall Major Operating Costs Ratio was approximately 80.1%, 79.8%, 79.4% and 76.4% for FY2020, FY2021, FY2022 and 6M2023, respectively.

Set out below is the Major Operating Costs Ratio for our four business lines during the Track Record Period:

Business line	FY2020	FY2021	FY2022	6M2023
Wireless telecommunication network optimisation services	67.2%	70.9%	72.1%	73.9%
Telecommunication network infrastructure maintenance and infrastructure engineering services	79.2%	83.2%	71.1%	73.0%
ICT integration services	99.0%	91.3%	78.9%	77.5%
Software-related business	30.4%	28.5%	49.4%	44.8%

We generally recorded relatively higher Major Operating Costs Ratio for ICT integration services as such services usually involve hardware and/or software procurement which accounted for a major part of costs for the services. Meanwhile, we generally recorded a relatively lower Major Operating Costs Ratio for our wireless telecommunication network optimisation services as we are able to bargain for better margins since such services generally involve a higher level of knowledge input. On the other hand, our software-related business generally involved relatively lower amount of subcontracting charges and does not incur any materials, supplies and other project costs, and, therefore, our software-related business generally record a lower Major Operating Costs Ratio. During the Track Record Period, the fluctuation of Major Operating Costs Ratio of our software-related services was consistent with the fluctuation of its revenue contribution as we normally incurred much higher project costs in our software development services as compared to sales of software. For details of our financial condition and results of operations during the Track Record Period, please refer to the paragraphs headed "Financial information — Results of operations of our Group" in this document.

Selected information extracted from the consolidated statements of financial position

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	4,555	6,218	4,933	4,165
Current assets	122,126	143,644	158,248	161,934
Non-current liabilities	5,156	3,477	8,000	6,121
Current liabilities	56,009	75,299	74,439	78,910
Net current assets	66,117	68,345	83,809	83,024
Total assets less current liabilities	70,672	74,563	88,742	87,189
Net assets	65,516	71,086	80,742	81,068

We recorded an increase in net assets from approximately RMB65.5 million as at 31 December 2020 to approximately RMB71.1 million as at 31 December 2021, which was principally attributable to the profit recorded in FY2021 of approximately RMB25.5 million, partially offset by the dividend paid of approximately RMB20.0 million. Our net assets further increased to approximately RMB80.7 million as at 31 December 2022, which was principally attributable to our profit recorded for FY2022 of approximately RMB24.3 million, partially offset by the dividend declared and paid of approximately RMB14.6 million. We recorded a slight increase in our net assets to approximately RMB81.1 million as at 30 June 2023, which was principally attributable to the profit recorded for 6M2023 of approximately RMB14.7 million, partially offset by the declaration of dividend of approximately RMB14.3 million during 6M2023.

Further, taking into account the above, we recorded an increase in net current assets from approximately RMB66.1 million as at 31 December 2020 to approximately RMB68.3 million as at 31 December 2021 (mainly attributable to increase in contract assets of approximately RMB13.5 million, increase in trade receivables of approximately RMB5.0 million and increase in pledged bank deposits of approximately RMB4.1 million, partially offset by increase in trade and bills payable of approximately RMB9.9 million, increase in contract liabilities, other payables and accruals of approximately RMB4.3 million and increase in current bank borrowings of approximately RMB3.0 million). Our net current assets further increased to approximately RMB83.8 million as at 31 December 2022 (mainly attributable to increase in trade receivables of approximately RMB3.9 million, increase in cash and cash equivalents of approximately RMB20.7 million, decrease in trade and bills payables of approximately RMB12.0 million and decrease in contract liabilities, other payables and accruals of approximately RMB4.0 million, partially offset by decrease in contract assets of approximately RMB4.9 million, decrease in pledged bank deposits of approximately RMB4.1 million and increase in current bank borrowings of approximately RMB17.6 million). Our net current assets slightly decreased to approximately RMB83.0 million as at 30 June 2023 (mainly attributable to decrease in contract assets of approximately RMB6.4 million, decrease in cash and cash equivalents of approximately RMB10.7 million and increase in contract liabilities, other payables and accruals of approximately RMB4.9 million, partially offset by increase in trade receivables of approximately RMB14.1 million and increase in prepayment and deposits and other receivables of approximately RMB7.6 million).

Please refer to the paragraphs headed "Financial Information — Discussion of selected statements of financial position items" in the document.

Selected information extracted from the consolidated statements of cash flows

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Net cash generated from/(used in) operating activities	13,232	25,019	16,962	(3,432)	6,501
Net cash (used in)/generated from investing activities	(1,075)	(3,786)	(1,198)	(857)	77
Net cash (used in)/generated from financing activities	(12,130)	(22,821)	4,893	23,720	(17,270)
Net increase/(decrease) in cash and cash balances	27	(1,588)	20,657	19,431	(10,692)
Cash and bank balances at the end of the year/period	23,130	21,542	42,199	40,973	31,507

For 6M2022, our net cash used in operating activities of approximately RMB3.4 million was principally attributable to decrease in trade and bills payable of approximately RMB10.3 million, increase in contract assets and trade receivables of approximately RMB4.0 million, increase in prepayments, deposits and other receivables of approximately RMB2.4 million and decrease in other payables and accruals of approximately RMB2.2 million, partially offset by our operating cash inflows before changes in working capital of approximately RMB16.5 million.

For a breakdown of our net cash generated from operating activities during the Track Record Period, please refer to the paragraphs headed "Financial information — Liquidity and capital resources — Cash flows of our Group — Operating cash flows — Net cash generated from operating activities".

For further details, please refer to the paragraphs headed "Financial information — Liquidity and capital resources — Cash flows of our Group" in this document.

KEY FINANCIAL RATIOS

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current ratio[1]	2.2	1.9	2.1	2.1
Quick ratio[2]	2.2	1.9	2.1	2.1
Gearing ratio				
— Non-ordinary payables[3]	1.9%	5.6%	2.3%	3.2%
Interest coverage ratio[4]	7,098.4%	9,208.2%	3,749.4%	4,651.8%
Return on assets[5]	23.4%	17.0%	14.9%	8.8%
Return on equity[6]	45.3%	35.9%	30.0%	18.1%
Net profit margin[7]	15.2%	12.6%	10.7%	12.9%

Notes:

1. Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective dates.
2. Quick ratio is calculated as the current assets excluding inventories divided by the total current liabilities as the respective dates.
3. Gearing ratio — non-ordinary payables is calculated as the payables incurred not in the ordinary course of business divided by total equity as at the respective date and multiplied by 100%.
4. Interest coverage ratio is calculated based on the profit before interest and tax divided by net finance costs of the respective years/period and multiplied by 100%.
5. Return on assets is calculated as the net profit divided by the total assets as at the respective date and multiplied by 100%.
6. Return on equity is calculated as the net profit attributable to our equity holders divided by the equity attributable to our equity holders as at the respective date and multiplied by 100%.
7. Net profit margin is calculated as our net profit divided by revenue and multiplied by 100%.

For further details including the calculation basis, please refer to the paragraphs headed "Financial Information — Key financial ratios" in this document.

PREVIOUS LISTING OF WELLCELL TECHNOLOGY

To tap into the PRC capital market, WellCell Technology was listed on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (the "**NEEQ**") on 9 December 2016. However, owing to our Group's business development plans and intention to attain greater access to international investors and markets by seeking a listing on other eligible exchange, WellCell Technology was voluntarily delisted from the NEEQ in August 2018. Please refer to the paragraphs headed "History, Reorganisation and corporate structure — Establishment and development of our Company and our major subsidiaries" for details.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the exercise of the [REDACTED] or any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), WellCell Group will be interested in [REDACTED]% of the issued share capital of our Company and will accordingly be a Controlling Shareholder within the meaning of the Listing Rules. Furthermore, WellCell Group is owned as to 51.5%, 37.5%, 5%, 4% and 2% by Shine Dynasty, Cheer Partners, Golden Concord, Dazzling Power and Diamond Skyline, respectively, which are in turn wholly owned by Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, respectively. Shine Dynasty, Cheer Partners, Golden Concord, Dazzling Power and Diamond Skyline and their respective ultimate beneficial owners are regarded as a group of Controlling Shareholders of our Company together with WellCell Group under the Listing Rules. Please refer to the section headed "Relationship with our controlling shareholders" for further details.

DIVIDENDS

We had declared and paid dividends of approximately RMB20.0 million, RMB14.6 million and RMB14.3 million during FY2021, FY2022 and 6M2023, while we had not declared dividend for FY2020. The declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operation and financial performance, profitability, business development, prospects, capital requirements, economic outlook, and any applicable laws. The historical dividend payments may not be indicative of future dividend trends. As at the Latest Practicable Date, we did not have a dividend policy or pre-determined dividend payout ratio.

[REDACTED] STATISTICS

[REDACTED]	:	[REDACTED]% of the enlarged issued share capital of our Company
[REDACTED]	:	HK$[REDACTED] to HK$[REDACTED] per [REDACTED]
Number of [REDACTED]	:	[REDACTED] Shares (subject to the [REDACTED])
Number of [REDACTED]	:	[REDACTED] Shares (subject to [REDACTED])
Number of [REDACTED]	:	[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])

	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED] (low-end)	**Based on the [REDACTED] of HK$[REDACTED] per [REDACTED] (high-end)**
Market capitalisation of our Shares(1)	HK$[REDACTED]	HK$[REDACTED]
Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of our Company per Share(2)(3)	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of market capitalisation of the Shares is based on [REDACTED] Shares in issue immediately after completion of the Capitalisation Issue and the [REDACTED].

(2) See Appendix II to this document for details.

(3) All statistics in this table are based on the assumption that the [REDACTED] is not exercised and without taking into account Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

FUTURE PLAN AND [REDACTED]

Assuming the [REDACTED] of HK$[REDACTED] per [REDACTED], being the midpoint of the indicative [REDACTED] range of HK$[REDACTED] per [REDACTED] to HK$[REDACTED] per [REDACTED], we will receive [REDACTED] of approximately HK$[REDACTED]. The [REDACTED] from the [REDACTED] are estimated to be approximately HK$[REDACTED], after deducting the [REDACTED] commission and other estimated expenses payable by our Company in relation to the [REDACTED] and assuming the [REDACTED] is not exercised. We intend to apply such [REDACTED] from the [REDACTED] in the following manner in order to execute our business strategies:

	Approximate amount of [REDACTED]	Intended applications
1.	Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	Financing the initial funding needs for our future ICT integration projects
2.	Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	Pursuing new research and development undertakings
3.	Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	Expanding our manpower in project management to cater for the anticipated expansion plans and business growth
4.	Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	Financing our sales and marketing funding needs for expansion of manpower and marketing activities
5.	Approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED])	Repaying part of our bank borrowings
6.	Approximately [REDACTED]%, or [HK$[REDACTED]] (equivalent to approximately [RMB[REDACTED]])	General working capital

[REDACTED] EXPENSES

Based on an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] per [REDACTED] to HK$[REDACTED] per [REDACTED]), the [REDACTED] from the [REDACTED] are expected to be approximately RMB[REDACTED]. The estimated expenses in relation to the [REDACTED] represents approximately [REDACTED]% of the [REDACTED] from the [REDACTED]. Out of the total [REDACTED] expenses amounting to approximately RMB[REDACTED] (or equivalent to approximately HK$[REDACTED] in Hong Kong dollars), approximately RMB[REDACTED] is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately RMB[REDACTED] shall be charged to profit or loss and other comprehensive income, and approximately RMB[REDACTED], RMB[REDACTED], RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] have been charged prior to the Track Record Period and during FY2020, FY2021, FY2022 and 6M2023, respectively, while approximately RMB[REDACTED] is expected to be incurred in the remaining of FY2023. Expenses in relation to the [REDACTED] are non-recurring in nature. Our Group's financial performance and results of operations for FY2023 will be adversely affected by the estimated expenses in relation to the [REDACTED]. Out of the estimated total [REDACTED] expenses of approximately HK$[REDACTED], (i) approximately HK$[REDACTED] is attributable to [REDACTED] related expenses; and (ii) approximately HK$[REDACTED] is attributable to [REDACTED] expenses which include (a) estimated fees in the amount of approximately HK$[REDACTED] to legal advisers and reporting accountant and (b) other fees and expenses of approximately HK$[REDACTED].

NON-COMPLIANCES

According to our PRC Legal Advisers, save for our failure to make adequate social insurance contributions and housing provident fund contributions for certain employees of WellCell Technology as required by the relevant PRC laws and regulations (details of which are set out in the paragraphs headed "Business — Litigation and non-compliance" in this document) during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the relevant PRC laws and regulations in all material respects in our business operation, and our Group had obtained all material licences, approvals and permits issued by relevant regulatory authorities for our business operation.

COMPETITIVE LANDSCAPE

According to the CIC Report, each of the wireless telecommunication network optimisation service market, telecommunication network infrastructure maintenance and engineering service market, ICT integration service market and telecommunication network-related software development service industry is relatively fragmented in the PRC and the market size by revenue is expected to reach RMB15.5 billion, RMB598.7 billion, RMB254.0 billion and RMB1,620.3 million in 2027, with a CAGR of approximately 4.9%, 8.3%, 8.5% and 9.5%, respectively, from 2022 to 2027. The respective top five, top five, top three and top three market players in the said market/industry accounted for approximately 24.3%, 24.9%, 13.3% and 38.3% of the market share in terms of revenue in 2022, respectively. Our revenue from these market/industry in 2022 accounted for approximately 0.8%, 0.01%, 0.03% and 2.5% of the market share in terms of revenue in the same year, respectively.

OUR COMPETITIVE STRENGTHS

Our Directors believe that the following competitive strengths enable us to maintain our position in the industry in the PRC in which we operate: (i) we are a comprehensive telecommunication network support and ICT integration service provider; (ii) we maintain relationships with our customers which include some renowned state-owned, listed and private enterprises; (iii) our research and development capabilities allow us to better serve our customers' needs and adapt to the fast-changing industry landscape; and (iv) we have an experienced management team leading our Group's workforce. Please refer to the paragraphs headed "Business — Competitive strengths" for further details.

RISK FACTORS

There are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to our operations in the PRC; (iv) risks relating to the [REDACTED] and our Shares; and (v) risks relating to the statements in this document.

We believe that the following are some of the major risks in our business and operations: (i) our inability to manage cash flow mismatch arising from the incurring of material initial project costs for projects/work performed before these are recoverable/recovered may damage our financial position and prospects and give rise to liquidity or insolvency risk; (ii) we may record net operating cash outflows from time to time; (iii) we may not be able to bill and receive settlement of our contract assets in a timely manner or at all due to reasons beyond our control; (iv) we mainly derive our revenue from non-recurrent projects, services and purchase orders of a non-recurrent nature, and there is no guarantee that our customers will engage us for our services on their new undertakings or that we will secure new contracts or new purchase orders from them; (v) we derive a significant portion of our revenue from our major customers and the loss of any of such customers could materially and adversely affect our business and financial position; (vi) we rely on our major suppliers to supply necessary equipment, hardware and software for the provision of our services, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation; (vii) we rely on third-party subcontractors for certain technical services and labour services and we may not have full control over their performance and quality of work; (viii) we may not be able to successfully collect our trade receivables, and as a result, we may incur losses of trade receivables and our financial condition, in particular our liquidity, may be materially and adversely affected; and (ix) we may encounter cost overruns or delay in the provision of our telecommunication network support services, ICT integration services and/or software development services, services, and as a result, our business, financial position and results of operation may be adversely affected.

Please refer to the section headed "Risk factors" for further details. Prospective investors should read the entire section before deciding to invest in the [REDACTED].

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, (i) we had submitted 48 tenders and 11 quotations (for contracts under existing and new projects); and (ii) we had been awarded 21 new projects through tenders and quotation with an aggregate contract sum (excluding tax) estimated to be more than approximately RMB35.4 million. The salient contract terms for the new projects are generally consistent with other agreements which we had entered into during for our various services during the Track Record Period, hence our business operations and business model have not experienced any material changes. Based on our unaudited consolidated management account, our revenue recognised for the [seven] months ended [31 July 2023] amounted to approximately RMB[124.8] million. Based on our projects completed or on hand as at the Latest Practicable Date, we expect that revenue to be generated for the [five] months ending 31 December 2023 will be over RMB[110.7] million.

The [REDACTED] expenses expected to be incurred by us in FY2023 is expected to record an increase compared to FY2022 and have a material adverse impact on our net profit for FY2023 and therefore our Group is expected to record a decrease in net profit in FY2023 as compared with FY2022. Save for the aforesaid, our Directors confirmed that after the Track Record Period and up to the date of this document, (i) there had been no material adverse change in the market conditions or the industry and environment in which our Group operates; (ii) there had been no material adverse change in the trading and financial position or prospect of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this document.

[Our revenue for the [●] months ended [●] 2023 disclosed above are derived from our unaudited interim financial statements for the [●] months ended [●] 2023, which have been prepared in accordance with the Hong Kong Accounting Standard 34, "Interim Financial Reporting". Our unaudited interim financial statements for the [●] months ended [●] 2023 have been reviewed by our Reporting Accountant in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."]

Recent Regulatory Development

On 17 February 2023, the China Securities Regulatory Commission (the "**CSRC**") promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") which became effective on 31 March 2023. According to the Overseas Listing Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. For details, please refer to the paragraphs headed "Regulatory overview — Regulations related to overseas listing".

The Overseas Listing Trial Measures also provide that if an issuer meets both of the following criteria, the overseas securities offering and listing conducted by the issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as recorded in its audited consolidated financial statements for the most recent financial year is being accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the Mainland China, its principal place(s) of business are located in the Mainland China, or the senior management in charge of its business operation and management are mostly Chinese citizens or domiciled in the Mainland China. Given that we have met both of the aforementioned criteria, our PRC Legal Advisers are of the opinion that we are required to complete the filing procedures with the CSRC and report relevant information with respect to the [REDACTED] pursuant to the Overseas Listing Trial Measures. Our PRC Legal Advisers also confirmed that we have submitted the necessary documents for the CSRC filing within three business days after our resubmission of the application for [REDACTED] to the Stock Exchange, and our Group will comply with the filing requirements under the Overseas Listing Trial Measures.

Impact on our Group due to the COVID-19 pandemic

Our Directors consider that the COVID-19 pandemic did not have any material adverse impact on our business and financial performance during the Track Record Period and up to the Latest Practicable Date as there was no material delay in procurement of hardware, software and equipment from our suppliers and subcontractors or discharging our obligations under any projects or orders from our customers and we had not been subject to any late charges or penalties imposed on us by our customers during the COVID-19 pandemic in the PRC. Neither had the outbreak of COVID-19 affected our collection of trade and bills receivable from our customers during the Track Record Period. Our Directors believe that our business and financial performance could maintain a stable development during the Track Record Period and up to the Latest Practicable Date despite the prevalence of COVID-19 because of the nature of our business as part of our service offerings can generally be delivered remotely; and our customers' demands for our various kinds of telecommunication network-related services is essential to their business and operation. Given that the PRC government has substantially lifted its COVID-19 prevention and control restrictions since December 2022, our Directors are of the view that it is unlikely that the COVID-19 pandemic will have a material effect on our business going forward.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings. Certain other terms are explained in the section headed "Glossary" in this document.

"6M2022"	the six months ended 30 June 2022
"6M2023"	the six months ended 30 June 2023
"Accountant's Report"	the accountant's report set out in Appendix I to this document
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company adopted on [●] and which shall become effective on the [REDACTED] (as may be amended from time to time) and a summary of which is set out in Appendix III to this document
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Capitalisation Issue"	the issue and allotment of [REDACTED] Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraphs headed "A. Further information about our Group — 3. Written resolutions of our sole Shareholder passed on [●]" in Appendix IV to this document
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant(s)"	a person permitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant(s)"	a person admitted to participate in CCASS as a custodian participant

"Cheer Partners"	Cheer Partners Limited, a company incorporated in the BVI as a BVI business company on 18 July 2018 with liability limited, which is wholly owned by Mr. Lin and a Controlling Shareholder
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this document, Hong Kong, Macao Special Administrative Region of the People's Republic of China and Taiwan
"China Comservice"	China Comservice Construction Co., Ltd* (中通服建設有限公司), a company established under the laws of the PRC and an indirect wholly-owned subsidiary of China Communications Services Corporation Limited (中國通信服務股份有限公司) (established under the laws of the PRC and listed on the Stock Exchange (stock code: 552))
"CIC"	China Insights Industry Consultancy Limited, a market research and consulting company and an Independent Third Party
"CIC Report"	a market research report commissioned by us and independently prepared by CIC in relation to the industry in which our Group operates
"Companies Act" or "Cayman Companies Act"	the Companies Act (as revised) of the Cayman Islands
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, 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, supplemented or otherwise modified from time to time
"Company", "our Company"	WellCell Holdings Co., Limited (經緯天地控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 September 2021

"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, unless the context otherwise requires the case of our Company, means Wellcell Group, Shine Dynasty, Cheer Partners, Golden Concord, Dazzling Power, Diamond Skyline, Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, each a "Controlling Shareholder"
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"COVID-19"	coronavirus disease 2019
"Dazzling Power"	Dazzling Power Limited, a company incorporated in the BVI as a BVI business company on 8 August 2018 with liability limited, which is wholly owned by Mr. Cong and a Controlling Shareholder
"Diamond Skyline"	Diamond Skyline Limited, a company incorporated in the BVI as a BVI business company on 12 June 2018 with liability limited, which is wholly owned by Ms. Chen and a Controlling Shareholder
"Director(s)"	the director(s) of our Company
"Deed of Indemnity"	the deed of indemnity dated [●] executed by our Controlling Shareholders, as indemnifiers, in favour of our Company (for itself and as trustee for each of its subsidiaries) regarding certain indemnities, particulars of which are set out under paragraph headed "1. Tax and other indemnities" under the section headed "Statutory and general information — E. Other information" in Appendix IV of this document
"Deed of Non-competition"	the deed of non-competition dated [●] given by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) regarding certain non-compliance undertakings, particulars of which are set out in the section headed "Relationship with Controlling Shareholders — Non-competition undertakings" of this document
[REDACTED]	[REDACTED]

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ended 31 December 2020
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ended 31 December 2022
"FY2023"	the financial year ending 31 December 2023
"FY2024"	the financial year ending 31 December 2024
"FY2025"	the financial year ending 31 December 2025
"FY2026"	the financial year ending 31 December 2026
"FY2027"	the financial year ending 31 December 2027
"General Rules of CCASS"	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and, where the context so permits, shall include the CCASS Operational Procedures
"Golden Concord"	Golden Concord Holding Limited, a company incorporated in the BVI as a BVI business company on 8 January 2019 with liability limited, which is wholly owned by Mr. Fung and a Controlling Shareholder
[REDACTED]	[REDACTED]

DEFINITIONS

"Group", "our Group", "we", "our" or "us"	our Company and our subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case may be) our predecessors, and "we", "our" or "us" shall be construed accordingly
"HK$" or "Hong Kong dollars"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKFRS"	Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and Interpretations promulgated by the Hong Kong Accounting Standards Board
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
[REDACTED]	[REDACTED]
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
[REDACTED]	[REDACTED]
"HKSCC Participant"	a person or company admitted for the time being by HKSCC as a participant
"Hong Kong" or "HKSAR" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	[REDACTED]

"Hong Kong Government"	the Government of the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of our Company or any of its subsidiaries or any of their respective associates
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Joint Sponsors"	together (i) Halcyon Capital Limited, a corporation licensed by the SFC to carry on type 6 (advising on corporate finance) regulated activity under the SFO; and (ii) Eddid Capital Limited, a corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Latest Practicable Date"	1 November 2023, being the latest practicable date 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, as amended, modified and supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with GEM of the Stock Exchange

"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company (as amended from time to time), conditionally adopted on [●], which will become effective on the [REDACTED]', a summary of which is set out in Appendix III to this document
"Ms. Chen"	Ms. Chen Shenmao (陳申茂), vice general manager and financial controller of WellCell Technology and one of our Controlling Shareholders
"Mr. Cong"	Mr. Cong Bin (叢斌), our executive Director and one of our Controlling Shareholders
"Mr. Fung"	Mr. Fung Man Hon (馮文瀚), one of our Controlling Shareholders
"Mr. Jia"	Mr. Jia Zhengyi (賈正屹), our executive Director and one of our Controlling Shareholders
"Mr. Lin"	Mr. Lin Qihao (林啟豪), our non-executive Director and one of our Controlling Shareholders
"Ms. Liu	Ms. Liu Ping (劉萍), our executive Director
"Nominee Committee"	the nomination committee of an Board
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

DEFINITIONS

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

DEFINITIONS

"PRC government"	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"PRC Legal Advisers"	Beijing DHH (Shanghai) Law Firm, the legal advisers to our Company as to PRC law
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]

"Remuneration Committee"	the remuneration committee of the Board
"Reorganisation"	the corporate reorganisation undertaken by our Group in preparation of the [REDACTED], details of which are set out in the paragraphs headed "History, Reorganisation and corporate structure — Reorganisation" in this document
"Reorganisation Agreement"	the reorganisation agreement dated 27 April 2023 entered into between our Company, WellCell Group, Shine Dynasty, Cheer Partners, Golden Concord, Dazzling Power, Diamond Skyline, Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, pursuant to which our Company acquired the entire issued share capital of WellCell International from WellCell Group
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with par value of HK$0.01 each in the share capital of our Company
"Shareholder(s)"	the holder(s) of the Share(s), from time to time
[REDACTED]	[REDACTED]
"Share Option Scheme"	the share option scheme approved and conditionally adopted by our Company on [●] the principal terms of which are summarised in the paragraph headed "Statutory and General Information — D. Share option scheme" in Appendix IV to this document
"Shine Dynasty"	Shine Dynasty Limited, a company incorporated in the BVI as a BVI business company on 5 July 2018 with liability limited, which is wholly owned by Mr. Jia and a Controlling Shareholder

[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Track Record Period"	the financial period comprising the three financial years of the Group ended 31 December 2022 and six months ended 30 June 2023 (i.e. FY2020, FY2021, FY2022 and 6M2023)
[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]
"US$" or "United States dollars"	United States dollar(s), the lawful currency of the United States of America
"WellCell Group"	WellCell Group Co., Limited (經緯天地集團有限公司), a company incorporated under the laws of the BVI on 8 February 2019 with limited liability, and one of our Controlling Shareholders
"WellCell HK"	WellCell Hong Kong Limited (經緯天地香港有限公司), a company established under the laws of Hong Kong on 19 February 2019 with limited liability, and an indirect wholly-owned subsidiary of our Company
"WellCell Intelligent"	Guangdong WellCell Intelligent Technology Company Limited* (廣東經緯天地智能科技有限公司), a company established under the laws of the PRC on 3 July 2019 with limited liability, and an indirect wholly-owned subsidiary of our Company

"WellCell International"	WellCell International Co., Limited (經緯天地國際有限公司), a company incorporated under the laws of the BVI on 11 August 2021 with limited liability, and a direct wholly-owned subsidiary of our Company
"WellCell Technology"	Guangdong WellCell Technology Company Limited* (廣東經緯天地科技有限公司), a company established under the laws of the PRC on 20 March 2003 with limited liability, formerly known as Guangdong WellCell Technology Company Limited* (廣東經緯天地科技股份有限公司), Zhuhai WellCell Communications Technology Company Limited* (珠海市經緯天地通訊技術有限公司) and Zhuhai WellCell Communications Technology Company Limited* (珠海市緯地通訊科技有限公司), and an indirect wholly-owned subsidiary of our Company
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, in this document:

- *all times refer to Hong Kong time and references to years in this document are to calendar years;*
- *the terms "associate(s)", "close associate(s)", "connected person(s)", "core connected person(s)", "connected transaction(s)", "continuing connected transaction(s)", "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings ascribed to such terms in the Listing Rules;*
- *certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and*
- *unless otherwise specified, all references to any shareholding in the Company in this document assumes no allotment of issue of any Shares which may be issued or allotted pursuant to the exercise of any of the [REDACTED] or any exercise of options under the Share Option Scheme.*

The English names of the PRC laws, rules, regulations, nationals, entities, governmental authorities, institutions, facilities, certificates and titles etc. mentioned in this document, including those marked with "", are translations from their Chinese names and are for identification purpose only. If there is any inconsistency between the Chinese names and their English translations, the Chinese names shall prevail.*

This glossary of technical terms contains explanations and definitions of certain terms used in this document in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"1G"	the first generation broadband technology
"2G"	the second generation broadband technology
"3G"	the third generation broadband technology
"4G"	the fourth generation broadband technology
"5G"	the fifth generation broadband technology
"6G"	the sixth generation broadband technology
"antenna"	a rod, wire, or other device used to transmit or receive radio or television signals
"bandwidth"	the transmission capacity of a computer network or other telecommunication system, which determines the rate at which information can be transmitted across a medium, often measured in terms of Mbps, Gbps or other relevant units
"base station"	a base transceiver station for performing and managing communications between a wireless communications network and users, which is a basic unit of a cell in the wireless communications network
"broadband"	Mass market high-speed internet connection that is always on and faster than dial-up access
"CAGR"	compound annual growth rate, the year-on-year growth rate over a specified period of time
"CDMA"	Code Division Multiple Access, a channel access method used by various radio communication technologies which enables a number of transmitters can send information over a single communication channel
"cloud-based"	applications, services or resources made available to users on demand via the Internet from a cloud computing provider's server with access to shared pools of configurable resources

GLOSSARY OF TECHNICAL TERMS

"CMMI"	Capability Maturity Model Integration certification, a process level improvement training and appraisal program administered by the CMMI Institute (a subsidiary of the Information Systems Audit and Control Association)
"cloud technology"	on-demand access, via the internet, to computing resources such as applications, servers (physical servers and virtual servers), data storage, development tools, networking capabilities, etc., which are hosted at a remote data center managed by a cloud services provider
"core network"	a telecommunication network's core part, which offers numerous services to the customers who are interconnected by the access network
"data mining"	a computational process of using specific algorithms to capture implicit information from a large size of data
"drive test tool"	a method of measuring and assessing the coverage, capacity and quality of service of a telecommunication network
"fibre optic cable"	a high-speed data transmission medium capable of transmitting digital data through the cable at the speed of light
"GB"	the GB standards (中華人民共和國國家標準) which are the PRC national standards issued by the Standardization Administration of China (中國國家標準化管理委員會). GB stands for Guobiao (國標), which means "national standard". Mandatory standards are prefixed "GB". Recommended standards are prefixed "GB/T" (T stands for tuijian (推薦), which means "recommended"). The GB standards set forth specific requirements for various types of products and services
"GB/T 19001–2016"	recommended national standards for general requirements for quality management (質量管理體系要求)
"GB/T 28001–2011"	recommended national standards for general requirements for occupational health and safety management systems (職業健康安全管理體系要求)
"GB/T 24001–2016"	recommended national standards for general requirements for environmental management systems (環境管理體系要求)

GLOSSARY OF TECHNICAL TERMS

"GB/T 22080–2016"	recommended national standards for general requirements for information technology, security techniques and information security management systems (信息技術 安全技術 信息安全管理體系要求)
"GSM"	Global System for Mobile Communications, a standard to describe protocols for 2G digital cellular networks used by mobile phones
"ICT integration"	information and communications technology, which refers to system design, equipment and material procurement, installation and implementation, system commissioning, etc., and aims to provide business entities and government entities with solutions that help to digitalise daily operation and increase operation efficiency, covering applications in communication network, computer network, video surveillance, video conferences, IoT services, and software
"initial project costs"	the accumulated cash outflow of a service provider in its provision of services to its customer in a project before it receives the first payment of any fee or contract price from the customer, which typically includes, in the contact of an ICT integration project as an example, payments to supplies and subcontractors for procurement of hardware, software and subcontracted service
"IoT"	Internet of Things, referring generally to physical objects connected to a communication network so as to allow them to transmit and receive data through sensors, software, etc., often to enable remote access, control and management
"ISO"	International Organisation for Standardisation, an international standard development organisation which develops and publishes standardisation in technical and non-technical fields
"ISO 9001"	a quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
"ISO/IEC 27001"	Information Security Management System, an international standard on management of information security published by ISO and the International Electrotechnical Commission
"LTE"	Long Term Evolution, a standard for wireless broadband communication for mobile devices and data terminals

GLOSSARY OF TECHNICAL TERMS

"Major Operating Costs"	the aggregate of (i) employee benefit expenses; (ii) sub-contracting charges; and (iii) materials, supplies and other project costs
"Major Operating Costs Ratio"	a ratio calculated by dividing Major Operating Costs by revenue
"OHSAS"	Occupational Health and Safety Assessment Specification, an international standard for occupational health and safety management systems
"OHSAS 18001"	the requirements for occupational health and safety management systems developed for managing health and safety risks associated with a business
"private quotation"	a document that a supplier submits privately to a potential customer containing proposed terms pursuant to which the proposed product(s) or service(s) are to be provided, typically in response to requirements and conditions stipulated by the customer
"R&D"	research and development
"telecommunication network coverage"	achieving the uniformly distribution of wireless telecommunications signal transmission within certain geographic area
"telecommunications"	the transmission of information by various types of technologies over wire, radio, optical, or other electromagnetic systems
"tender"	as invitation to bid for a contract concerning a project or provision of services with is typically accompanied with prescribed procedures and/or stipulated requirements of the customer. A tender may be a public tender (which is generally open to any interested parties in the public domain and/or is advertised) or a private tender (which is generally made by invitation only to selected vendors or suppliers of service and is not advertised)
"total contract sum"	the total contract sum of our project(s) since their commencement up to 30 June 2023, including contract sum in relation to period before the Track Record Period
"tower" or "telecommunications tower"	a high-erected steel structure or a pole for hosting antennas or other equipment

GLOSSARY OF TECHNICAL TERMS

"WAN"	Wide area network, a telecommunication network that extends over a large geographical area for the primary purpose of computer networking
"WLAN"	Wireless local area network, a wireless system used in a local area network to connect computer users
"wireless communications"	conducting information exchange or telecommunications through wireless communications networks by both parties or at least one party

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and [REDACTED]" in this document. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this document, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our business strategies and plans to achieve these strategies;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- general economic, political and business conditions in the industry and markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we conduct or may conduct our business;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations relating to any aspect of our business or operations;
- general economic, market and business conditions, including the sustainability of the economic growth;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue; and
- the risk factors discussed in this document as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section "Risk Factors" in this document.

In preparation for the [REDACTED], we have sought the following waiver from strict compliance with Rule 8.12 of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we, as a company [REDACTED] on the Stock Exchange following the [REDACTED], must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

For the purpose of the proposed [REDACTED], our Company has established a principal place of business in Hong Kong and was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance before the [REDACTED]. However, the principal business operations, offices and facilities of our Group are primarily located, managed and conducted in the PRC, and all the executive Directors are not ordinarily residents in Hong Kong. We do not thereto have sufficient management presence in Hong Kong for the purpose of Rule 8.12 of the Listing Rules.

We believe it would be more effective and efficient for our executive Directors and our senior management to remain based in the PRC where our operation are based. We also believe that it would not be in the best interests of our Group and our Shareholders as a whole to additionally appoint two executive Directors who are ordinarily resident in Hong Kong but do not fully understand or are not familiar with our business operations, activities and development for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules.

Accordingly, we [have applied] for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. Such waiver [has been granted] on the basis that there will be an effective channel of communication between us and the Stock Exchange by may of the following arrangements:

1. pursuant to Rule 3.05 of the Listing Rules, our Company has appointed and will continue to maintain two authorised representatives, who shall act at all times as our principal channel of communication with the Stock Exchange. Our Company has appointed Mr. Yiu Chun Wing (formerly known as Yiu Ka Wai), the company secretary of our Company, who is ordinarily resident in Hong Kong, and Mr. Jia, as the two authorised representatives of our Company (the "**Authorised Representatives**"). The Authorised Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by their respective mobile phone number, office phone number, email address and facsimile number (if available) to deal promptly with enquiries from the Stock Exchange. Each of the Authorised Representatives has been duly authorised to communicate on our behalf with the Stock Exchange. We will keep the Stock Exchange informed in respect of any change to such details;

2. each Director will provide their contact information (including mobile phone number, office phone number, fax number (if available) and email address) to the Stock Exchange and the Authorised Representatives, and ensure that they may be reached by effective

means of communication when travelling. This will ensure that the Stock Exchange and the Authorised Representatives should have means for contracting all Directors promptly at all times and when required;

3. meetings of the Board can be convened and held on short notice to discuss and address any enquires or issues which the Stock Exchange may raise in a timely manner;

4. our Company has retained the services of a compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules who will act as an additional channel of communication with the Stock Exchange for a period commencing on the [REDACTED] and ending on the date on which our Company distributes our annual report for the first full financial year after the [REDACTED] (the "**Engagement Period**") in accordance with Rule 13.46 of the Listing Rules.

   We will ensure that during the Engagement Period, the Compliance Adviser will have prompt access at all reasonable times to the Authorised Representatives, Directors and other senior management members of our Company who will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may reasonably require in connection with its performance of duties as the Compliance Adviser;

5. we will promptly inform the Stock Exchange of any changes to the Authorised Representatives and/or the Compliance Adviser in accordance with the requirements of the Listing Rules;

6. we may appoint other professional advisers (including legal advisers in Hong Kong) from time to time, as and when necessary, 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; and

7. meetings between the Stock Exchange and the Directors can be arranged through the Authorised Representations or the Compliance Adviser, or directly with the Directors, within a reasonable time frame. In particular, each Director who is not ordinarily resident in Hong Kong possesses or is able to apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time.

RISK FACTORS

Prospective investors should consider carefully all of the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the [REDACTED]. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.

This document contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this document. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this document. The trading price of the [REDACTED] could decline due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks involved in our business and operations. These risks can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to having business operations in the PRC; (iv) risks relating to the [REDACTED] and our Shares; and (v) risks relating to the statements in this document.

RISKS RELATING TO OUR BUSINESS

Our inability to manage cash flow mismatch arising from the incurring of material initial project costs for projects/work performed before these are recoverable/recovered may damage our financial position and prospects and give rise to liquidity or insolvency risks

We typically incur a material amount of costs in advance (including, without limitation, costs of hardware and software and other equipment and subcontracting charges which may be incurred/ expensed immediately, or prepaid in advance) for the purpose of carrying out work or performing services for our customers before we are entitled to charge for the work done or services performed. In particular, when engaged for carrying out an ICT integration project, we are typically required to bear associated costs in relation to the procurement of components and/or engagement of subcontractors upfront or at an early stage of the project, whereas part of the contract price intended for coverage of such costs is usually only recoverable at a later stage, and/or upon completion, of the project. Further, our contracts with our customers may permit them to pay for services provided or work performed in instalments based on progress or reaching a specific stage of a project, as a result of which settlement of our fees may be delayed until the satisfactory completion of internal acceptance procedures that may be performed by our customers.

The above contractual arrangements and payment terms are considered to be in line with industry practice, and therefore, we are not currently in a position to materially deviate from such practice when participating in public tenders or responding to private quotations, as any material deviation may adversely affect our competitiveness and prospects in securing new business. On the other hand, such arrangements and payment terms may cause us to experience net cash outflow where payments due to us and settled by our customers (often deferred towards the later stages of projects, and subject to delay by acceptance procedures of customers) are inadequate to meet our payment obligations and liabilities towards our suppliers or subcontractors (often prepaid or settled ahead of time by us).

Due to the possibility of such net cash outflow, albeit temporary in nature, we are required to maintain adequate cash reserves to mitigate the risk of default in meeting outstanding current obligations and liabilities due to suppliers, subcontractors and other creditors of the Group. Therefore prudent liquidity management (including measures to ensure amounts receivable from customers are settled on a timely basis) is necessary for us to mitigate potential insolvency risks. The necessity to earmark and tie-up an adequate cash buffer for such purposes to cater for factors outside our control (such as economic downturn which may affect quality and recoverability of our trade receivables and exacerbate stress on our trade payables) may possibly act to limit or constrain our growth potential.

By way of illustration of the potential risk of cash flow mismatch especially in relation to our ICT integration projects, the average percentage of initial project costs (excluding staff cost) to awarded contract value for our ICT integration projects which required initial project costs was approximately 58.9%, 55.7%, 70.6% and 64.0% for FY2020, FY2021, FY2022 and 6M2023, respectively. For our ICT integration projects which required initial project costs and (i) commenced during the Track Record Period or (ii) commenced before the Track Record Period and was on-going and/or completed during the Track Record Period: (a) we had received first payment of our contract price from our customers for only approximately 81.3% of these projects and the average time gap between the first payment of initial project costs by us and the receipt of the first payment was approximately 163.6 days; and (b) we had achieved breakeven (when receipt of payments from customers that could cover our initial project costs incurred) for approximately 80.8% of these projects and the average time gap between the first payment of initial project costs by us and the achieving of breakeven was approximately 188.4 days.

The risk of cash flow mismatch in relation to our Group's ICT integration services business is demonstrated by the above historical figures which highlight the following issues: (i) the initial project costs represented a material proportion relative to awarded contract value and such proportion had been on the rise during the Track Record Period, and thus we were increasingly required to reserve substantial upfront capital for the commencement of ICT integration projects; and (ii) the long average time gap of almost five months between the expenditure of such capital and the first recovery of funds from customers, and an even longer period for achieving breakeven, may compromise our liquidity position especially in light of the material upfront capital requirement as demonstrated above.

Furthermore, to demonstrate the potential impact of a rising trend in initial project costs on our liquidity position, on the assumption of a hypothetical 10% increase in our initial project costs incurred for our ICT integration projects during the Track Record Period, additional initial project costs would amount to approximately RMB2.5 million, RMB2.7 million, RMB3.1 million and

RMB2.2 million which represent approximately 18.6%, 10.9%, 18.2% and 34.4% respectively of the net cash generated from operating activities of our Group for FY2020, FY2021, FY2022 and 6M2023.

We may record net operating cash outflows from time to time

Owing to the nature of our business, we may record net operating cash outflows from time to time. For instance, for 6M2022, we recorded net cash used in operating activities of approximately RMB3.4 million, which was principally attributable to the decrease in trade and bills payable of approximately RMB10.3 million, increase in contract assets and trade receivables of approximately RMB4.0 million, increase in prepayments, deposits and other receivables of approximately RMB2.4 million and decrease in other payables and accruals of approximately RMB2.2 million, and partially offset by our operating cash inflows before changes in working capital of approximately RMB16.5 million. The decrease in trade and bills payable was principally attributable to the settlement of the subcontracting fees payable during 6M2022, while the increase in contract assets and trade receivables was principally attributable to the increase of contract assets attributable to the projects related to Guangzhou Chengxiang. On the other hand, the increase in prepayments, deposits and other receivables was principally attributable to the increase in deferred [REDACTED] expenses of approximately RMB[REDACTED], and the decrease in other payables and accruals was principally attributable to the reductions in both contract liabilities and accrued trade payables.

During the Track Record Period, we mainly relied on internal resources generated from our operation and debt financing to finance our business. As a result of potential net operating cash outflows, our Group may be required to obtain additional external financing to meet our business needs and obligations, including payment of initial project costs incurred for ICT integration projects. If we are unable to do so, we may not be in a position to comply with our payment or other obligations or to expand our business, in which case our business, financial position and results of operations may be materially and adversely affected.

If we are unable to prudently manage such potential cash flow mismatch which may occur from time to time, then: (i) we may not be able to meet our obligations and liabilities towards our suppliers and subcontractors, and we may become subject to legal and contractual claims from them and they, and other suppliers and subcontractors, may suspend existing services and/or refuse to provide further services to us; (ii) we may not be able to procure necessary equipment or materials or continue to employ staff necessary for delivery of our services to existing customers, resulting in potential contractual claims; (iii) we may default on our banking facilities in which event our repayment obligations may be accelerated and we may be subject to penalty interest; (iv) our financial position, results of operations, relationship with our customers and stakeholders, and our prospects, may be materially and adversely affected; and (v) in more serious circumstances, we may face insolvency risks, in need of fund-raising, debt restructuring or other corporate rescue actions to remain sustainable.

We may not be able to bill and receive settlement of our contract assets in a timely manner or at all due to reasons beyond our control and as a result, our liquidity may be materially and adversely affected

Our contract assets amounted to approximately RMB59.3 million and RMB72.8 million, RMB67.9 million and RMB61.5 million as at 31 December 2020, 2021, 2022 and 30 June 2023, respectively. Contract assets may only be recognised as trade receivables in our accounts when we are unconditionally entitled to bill pursuant to payment terms set out in the relevant contract (for example, upon completion of settlement audit conducted by customers or independent professional parties engaged by them (involving review and examination of project or work delivered by us), upon transfer of completed work, and/or the satisfaction of other payment milestones as may be stipulated in the contract). Thus, the billing and settlement of our contract assets will depend on the timing of the settlement audit of a project, which may vary among different customers based on their own settlement audit processes and payment approval procedures. Further, there may be instances where we are only involved in part of a project, in which case we may not be able to receive payment of our services fees until the acceptance procedures are completed in connection with the entire project.

For FY2020, FY2021, FY2022 and 6M2023, we incurred impairment loss on contract assets of approximately RMB609,000, RMB205,000, RMB985,000 and RMB1,436,000, respectively. For details, please refer to the paragraphs headed "Financial information — Critical accounting policies and estimates — Impairment of receivables and contract assets" in this document.

We current assure you that we will be able to bill and recover our contract assets on time or at all. Furthermore, our liquidity pressure arising from uncertainty and delay in timing of completion of settlement audit may intensify if the number of sizeable projects increases in line with our expansion plans, since our customers may need additional time to carry out settlement audit for projects of a large scale whereby we may be exposed to a more substantial cash flow mismatch. If we are unable to settle and recover our contract assets in a timely manner or at all, our liquidity may be materially and adversely affected.

We mainly derive our revenue from projects, services and purchase orders of a non-recurrent nature, and there is no guarantee that our customers will engage us for our services on their new undertakings or that we will secure new contracts or new purchase orders from them

We typically secure business by submitting tenders in response to open invitations by our potential customers or by providing private quotations upon request. Regarding our routine telecommunication network optimisation services and telecommunication network infrastructure maintenance services which are typically secured by way of tender, we generally enter into fixed-term service agreements with our customers and we are generally required to tender for the project again upon expiry of the relevant agreements (and, if such tender is accepted, enter into a new service agreement for a fresh term). As to our other services that we provide, we generally enter into service agreements with our customers on a project-by-project basis. In addition, we do not have any long-term commitment from any of our customers who purchase our software.

As such, there is no assurance that our existing customers will continue to engage us in their new projects or business undertakings after the completion of our existing projects and services, or that they will purchase other products from us. There is no assurance that we can succeed in future tenders in relation to new projects of our customers. There is also no assurance that we will be invited to provide quotations for their new projects. Even if we are invited, we cannot guarantee that our quotations will be selected by our customers. We may be required to lower our service fees, or selling price or offer more favourable terms to our customers to increase the competitiveness of our tenders or quotations, which may adversely affect our profitability. Furthermore, where we are unable to adjust our fees, or prices or terms acceptable to our customers, our chance to secure new business opportunities may be materially and adversely affected and thereby our profitability and results of operations may also be affected.

If we cannot obtain new projects or purchase orders from our existing or potential customers with a similar or larger contract sum for all projects and sales on a continuous basis, our results of operations, financial condition as well as business prospects may be materially and adversely affected.

We derive a significant portion of our revenue from our major customers and the loss of any of such customers could materially and adversely affect our business and financial position

Our revenue generated from our five largest customers in each year/period during the Track Record Period in aggregate accounted for approximately 59.6%, 61.0%, 51.0% and 46.8%, respectively, of our total revenue, whereas revenue generated from our largest customer in each year/period during the Track Record Period accounted for approximately 21.2%, 24.0%, 23.8% and 22.6%, respectively, of our total revenue. Most of these customers are telecommunication operators, telecommunication network equipment manufacturers or telecommunication network and technical service providers and general contractors in the PRC. Except for the fixed-term agreements which we entered into with our customers for routine telecommunication network optimisation services and telecommunication network infrastructure maintenance services, we have not entered into any long term service agreements with our major customers. Since these customers are generally not obliged to maintain their business relationships with us, there is also no assurance that they will continue to use our services, to the same extent, or at all. As such, should there be any adverse development related to our customers' operations, or any other reasons resulting in the deterioration or termination of our business relationships with our major customers, our business, financial condition, operating results and prospects could be materially and adversely affected.

We rely on our major suppliers to supply necessary equipment, hardware and software for the provision of our services, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation

We principally sourced various kinds of telecommunication network-related equipment, hardware and software from our suppliers for the provision of our telecommunication network support services and ICT integration services during the Track Record Period. As such, we rely on the ability and efficiency of suppliers for the provision of our services to our customers. Purchase from our five largest suppliers in each year/period during the Track Record Period in aggregate amounted to approximately RMB17.5 million, RMB11.4 million, RMB23.7 million and RMB9.6 million, representing approximately 70.7%, 54.9%, 79.7% and 88.2% of our total project supplies cost, respectively. Particularly, our purchases from Supplier A, a company incorporated in the PRC principally engaged in the business of distribution of ICT products, mobile devices and provision of ICT services, which is our largest supplier for FY2020 and FY2022, amounted to approximately RMB5.4 million, nil, RMB18.2 million and RMB5.2 million for FY2020, FY2021, FY2022 and 6M2023, respectively, representing 21.8%, nil, 61.4% and 47.5% of our total project supplies cost for the respective year/period. The increase in the Group's purchase from Supplier A from FY2021 to FY2022 was mainly attributable to a Major Project in FY2022 in relation to the provision of ICT integration services which contributed revenue of approximately RMB15.6 million. We were required to procure a number of telecommunication equipment of a particular brand specified in the project and Supplier A was a sales agent of the relevant equipment at the time.

We mainly procured from Supplier A certain telecommunication equipment such as servers, network equipment and data storage equipment for the provision of our ICT integration services. The stability of operations and business strategies of Supplier A is beyond our control and may affect our business. Any material disruption to its operations could adversely affect our procurement process, such as causing delays in delivery of stocks to us, which may in turn affect our provision of services to our customers and our compliance with contractual obligations. If this occurs, our results of operations could be materially and adversely affected.

As we had not entered into any long-term supply agreement with any of our major suppliers (including Supplier A) during the Track Record Period, any deterioration in our relationship with our major suppliers could affect our ability to secure sufficient supply of equipment, hardware and software for carrying out our business. In the event of any shortage of, or delay in the supply, or our inability to obtain suppliers from alternative sources, we may not be able to provide ICT integration services to our customers in a timely manner and our business, financial condition and operating results may be materially and adversely affected.

We rely on third-party subcontractors for certain technical services and labour services and we may not have full control over their performance and quality of work

We rely on third-party subcontractors to carry out certain technical services including temporary technical and maintenance works (such as emergency power supply to base stations) and works which require specific technical skills and knowledge, (such as electrical works for telecommunication network infrastructure engineering services), and labour services for non-technical works (such as installation of cabling and associated devices and wiring and installation of data collection devices). During the Track Record Period, the subcontracting charges incurred by our Group amounted to approximately RMB69.2 million, RMB86.6 million, RMB121.6 million and RMB63.2 million, respectively, representing approximately 42.6%, 51.5%, 64.1% and 69.2% of our total operating expenses (being the aggregate of our employee benefit expenses, subcontracting charges, material, supplies and other project costs, depreciation and amortisation, net impairment losses of contract assets and trade receivables and other operating expenses) in the corresponding year/period, respectively. Although we enter into service agreements with our subcontractors and provide them with protocols and/or guidelines, there is no assurance that they will strictly comply with such agreements, protocols and/or guidelines and we might not be able to exercise sufficient control over the performance and work quality of our subcontractors. If the performance of our subcontractors does not meet the standards of our Group and/or our customers, the quality of our services as a whole may be affected, which could harm our reputation and expose us to litigation and damage claims from our customers.

In addition, services carried out by our subcontractors may not be delivered to us or our customers on time or within budget, which in turn would result in the late delivery of project deliverables to our customers and an increase in costs. Any failure or delay in completing a project could result in, among other things, increased costs and expenses, delay or reduction in payment from our customers to us, and/or potential contractual liabilities. Furthermore, our results of operations may suffer due to cost overruns to the extent that we cannot pass on the additional costs to our customers. In either case, our business, financial position and results of operations would be materially and adversely affected.

On the other hand, suitable subcontractors may not always be readily available at reasonable costs when we require their services. Our ability to provide satisfactory services could be adversely affected if we are unable to engage suitable subcontractors at reasonable costs or at all. Moreover, if a subcontractor fails to provide satisfactory services as required under a contract, we may need to source an alternative subcontractor to provide the relevant services on a delayed basis or at a higher replacement cost than anticipated. These may have material adverse impacts on our reputation, profitability and results of operations.

We may not be able to successfully collect our trade receivables, and as a result, we may incur losses of trade receivables and our financial condition, in particular our liquidity, may be materially and adversely affected

Our financial position and liquidity are dependent on the creditworthiness of our customers. Currently, our Group grants credit terms to customers generally ranging from 15 days to 180 days from the invoice date, depending on, among others, their length of business relationship with us, their track record and their past payment performance. As at 31 December 2020, 2021 and 2022 and 30 June 2023, our trade receivables were approximately RMB26.5 million, RMB31.5 million, RMB35.4 million and RMB49.5 million, respectively, while during the Track Record Period our trade receivable turnover days were approximately 51.5 days, 52.0 days, 53.9 days and 67.5 days, respectively. We incurred impairment loss on trade receivables for FY2020 and FY2022 of approximately RMB195,000 and RMB2,348,000, respectively, and for FY2021 and 6M2023, we recognised reversal of impairment loss on trade receivables of approximately RMB32,000 and RMB154,000, respectively. For further details of our trade receivables, please refer to the paragraphs headed "Financial information — Critical accounting policies and estimates — Impairment of receivables and contract assets" in this document.

We cannot guarantee that we will be able to successfully collect any or all of the receivables due. We may encounter doubtful or bad debts due to a slow-down of industry growth or the PRC economy, individual customers' deteriorating financial condition or otherwise in the future. Any failure on the part of our customers to settle on time or at all the amounts due may materially and adversely affect our financial condition and operating cash flows, which may have a material adverse effect on our business and results of operations.

We may encounter cost overruns or delay in the provision of our telecommunication network support services, ICT integration services and/or software development services, and as a result, our business, financial position and results of operations may be adversely affected

In providing specific telecommunication network optimisation services, ICT integration services and software development services, we generally provide the services on a project basis and at a fixed price. In deciding whether or not to undertake a project, we estimate the time and costs required for the provision of these services. There may be various factors affecting the actual time taken and cost incurred by us in completing a project, including, among others, integration with the software and hardware supplied by third-party suppliers, the condition of the base stations, the complexity and scale of the project and the implementation plan, unexpected technical difficulties, labour (including subcontracting charges) and other unforeseeable issues and circumstances. Delay in project completion or cost overruns could result from any of these factors. There is no assurance that the actual time taken and costs incurred would not exceed our estimation. We expect to continue to undertake fixed price projects which may expose us to a higher risk of cost overruns and result in lower profits or even losses in carrying out a project. Some of our projects are subject to specific completion schedules, and failure to meet the schedules may result in claims for damages, other liabilities and disputes with our customers and/or even termination of the relevant projects. There is no assurance that we would not encounter cost overruns or delays in our current and future projects, and such problems can materially and adversely affect our business, financial position and results of operations.

Our business operates under various permits, licences, approvals and/or qualifications and the loss of or failure to obtain or renew any or all of these permits, licences, approvals and/or qualifications may materially and adversely affect our business, results of operations and financial condition

We are subject to extensive PRC laws and regulations at the national and local level, which govern various aspects of our operations. For further information, please refer to the section headed "Regulatory overview" and the paragraph headed "Business — Licences, approvals and permits" in this document. These operating permits, licences, approvals and/or qualifications are granted, renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant governmental departments, authorities or organisations. Such criteria may include, but are not limited to, the maintenance of a sufficient project track record, maintenance of a sufficient number of qualified personnel and compliance with safety regulations and environment protection regulations. As at the Latest Practicable Date, we had obtained certain key permits and qualifications for our telecommunication network support services and ICT integration services, which may only be valid for a particular period of time and may be subject to periodic review and renewal by the relevant authorities or organisations. In addition, the standards of compliance required in relation thereto may change from time to time.

Further, uncertain and extensive government regulations and requirements may cause delays in our application for, or application for renewal of, the requisite approvals, licenses, qualifications and/or permits, which may then cause significant delay; in our introduction of additional services or software, which could materially and adversely affect our competitiveness. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations may expose us to the risk of non-compliance. If deemed non-compliant, we could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our approvals, licenses, qualifications and/or permits, and our operations may be significantly hindered or halted, which could have a material and adverse effect on our business and results of operations. If we are unable to continue to renew our permits, licences, approvals or qualifications, or do so in a timely manner, we may not be permitted to continue to provide the relevant services, which may materially and adversely affect our business and financial position.

The quality of the hardware provided by our suppliers is not under our control. If the products provided by our suppliers are defective or fail to meet the required standards, our business and reputation may be adversely affected

During the Track Record Period, we sourced various kinds of telecommunication network-related equipment and hardware from our suppliers for the provision of our telecommunication network support services and ICT integration services. Although the suppliers or manufacturers generally warrant that their hardware will perform in accordance with the hardware's specifications for a certain period of time, such hardware may have coding, design or manufacturing defects or errors that may impair our customers' operations or settings cause malfunctions. There may also be compatibility issues between the equipment and/or we source from our suppliers and our customers' existing computer system or network environment. There is no assurance that we would be able to detect and resolve these defects and errors in a timely manner or at all, and if we fail to do so, our reputation may be adversely affected.

We may be subject to information technology system breaches, hacking, failures or disruptions that could harm our business, financial position and results of operations

We rely on information technology systems to operate and manage our business and to process, maintain and safeguard information, including information belonging to us, our customers and employees. Our computer systems may fail or malfunction and are subject to interruption or damage from power outages, human error or abuse, new system installations, computer viruses, security breaches (including through cyber-attack and data theft), natural disasters and other disruptive events beyond our control (such as acts of war or terrorism). Moreover, hacking and data theft techniques are continuously evolving, and our anti-virus systems and security measures may not be able to adjust to these changes in a timely manner. Although we exert efforts to maintain and secure our systems from time to time, there is no assurance that our efforts will be effective and adequate to ensure the security and reliability of our systems. If our information technology systems and our backup systems are compromised, degraded, damaged, breached or otherwise cease to function properly, we could suffer interruptions in our operations or unintentionally allow misappropriation of proprietary or confidential information (including information about our customers), which could damage our reputation and result in significant expenses and legal claims. Information technology system breaches or failures of the systems of our customers may also result in similar adverse consequences. Any of these events could materially and adversely affect our reputation, business, financial position and results of operations.

Our non-compliance with relevant social insurance and housing provident fund contribution laws and regulations in the PRC could lead to the imposition of retrospective contributions, fines and penalties

During the Track Record Period, WellCell Technology has failed to pay the social insurance contributions and housing provident fund contributions in full for its employees for FY2020 and FY2021 in the amounts of (i) RMB0.7 million and RMB1.0 million, respectively, with respect to social insurance payments, and (ii) approximately RMB0.4 million and RMB0.3 million, respectively, with respect to housing provident fund contributions. For further details, please refer to the paragraph headed "Business — Litigation and non-compliance" in this document.

As advised by our PRC Legal Advisers, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. As at 30 June 2023, our Group may be subject to a late payment fee in the amount of approximately RMB3.0 million (in respect of total outstanding social insurance contributions) if payment of the same is demanded by the relevant PRC authorities. If our Group fails to pay such outstanding contributions and late payment fee on time, we may be subjected to a maximum fine of approximately RMB5.0 million. Our PRC Legal Advisers have also advised that, under the relevant PRC laws and regulations, while there is generally no penalties for late payment of outstanding housing provident fund contributions, we may be ordered by the relevant PRC authorities to pay outstanding housing provident fund contributions within a prescribed time period, and if we fail to make such payments, an application may be made to a court in the PRC for compulsory enforcement. In the event that the relevant authorities strengthen the enforcement of the relevant laws and regulations on social insurance and housing provident fund, and accordingly consider it necessary for us to make retrospective contributions to social insurance fund and housing provident fund contributions, and/or impose penalties of a potentially significant amount on us, our Group's business, financial condition and operating results may be materially and adversely affected.

Our business operations and financial results may be adversely affected by further escalation or deteriorating in operating conditions due to COVID-19

In January 2020, the PRC government announced a series of strict measures including restricting movements of people, suspending or limiting business operations and lockdowns of certain cities and regions. In compliance with the PRC government's policy, our Group suspended operations after the 2020 Chinese New Year holidays until 10 February 2020, and we gradually normal operations afterwards. The COVID-19 pandemic has been generally under control since

2021. However, in 2022 up to December 2022, there were resurgences in confirmed cases of COVID-19, including the Omicron variant, from time to time in multiple cities in the PRC, and local governments re-imposed quarantine and other restrictive measures.

If any of our employees or the employees of our subcontractors is suspected of having a COVID-19 infection, we may have to suspend operations for disinfection and such employee(s) and other employees working closely with him/her will have to be quarantined. If this happens, we may not be able to fulfil our contractual obligations to deliver services or products to our customers on time, which may result in breach and/or termination of our contracts with them and we may be liable to pay damages or compensation to our customers for their loss suffered due to our delay or default.

Furthermore, our suppliers and subcontractors may have to comply with the strict measures implemented by the government to prevent the spread of COVID-19 from time to time. The outbreak or escalation of COVID-19 and tightened measures which may be adopted to combat its spread may therefore cause disruption to the supply chain of equipment, hardware, etc. to us; and we cannot guarantee that we will be able to find similar supplies at similar prices within a reasonable time, which in turn may materially and adversely affect our business and results of operations.

We cannot predict when the COVID-19 outbreak will become completely under control and we cannot guarantee that the COVID-19 outbreak will not worsen. The continuation or deterioration of the COVID-19 pandemic in the PRC or other parts of the world could have an adverse impact on the domestic and international economy and, possibly, the overall GDP growth of the PRC or other parts of the world. Hence, the operation and financial performance of our customers may be adversely affected, and their demand for our services may reduce as a result, which in turn may materially and adversely affect our business and results of operations.

We may not be able to adequately protect our intellectual property rights

Our Directors believe that our patents, copyrights and other intellectual property rights are crucial to our success as they provide us with the foundation for our provision of our services, thus giving us competitive advantages against our competitors. We are susceptible to infringement by third parties and may not be able to prevent unauthorised use of our intellectual property, which could adversely affect our business, financial condition, results of operations, prospects and competitive position. We depend to a significant extent on the relevant PRC laws and regulations to protect our intellectual property rights. As at the Latest Practicable Date, we had successfully registered five trademarks, two domain names, two patents and 73 copyrights in the PRC. For details of our intellectual property rights, please refer to the paragraph headed "Statutory and general information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group" in Appendix IV to this document. We cannot guarantee that we will be able to successfully register new intellectual properties currently under application or which we may develop in the future. Further, there is no assurance that the said registrations can completely protect us against any infringement or challenge by our competitors or other third parties. When necessary, we may have to expend a significant amount of financial resources to assert, safeguard and/or maintain our intellectual property rights.

We may be subject to third party infringement claims

During the Track Record Period, we developed software in accordance with the specifications provided by our customers. We are unable to make assurances that such specifications and software will not be subject to infringement claims in relation to any third parties' intellectual property rights.

Third parties may claim that we have infringed their intellectual property rights, and if their claims succeed, we might be required to pay substantial damages to the claimant, refrain from further selling or using certain of our software, and/or enter into costly licensing agreements with them on an on-going basis. Any intellectual property litigation or successful claim could have a material adverse effect on our business, operating results, financial condition or prospects.

We may be exposed to product and service liability and related claims asserted by our customers, and our reputation and business could be materially and adversely affected as a result of design defects or other problems with our services or software

In the ordinary course of our business, claims may be brought by our customers, suppliers and subcontractors against us or vice versa and these claims are generally related to alleged inferior services, defective hardware or software, payment disputes or project delays. The claims may involve actual damages and/or contractually agreed liquidated damages. If we are found to be liable to any of the claims against us, we would be required to incur a charge against earnings to the extent a reserve had not been established for the matter in our accounts, or to the extent the claims are not sufficiently covered by our insurance coverage. On the other hand, claims brought by us against our suppliers or subcontractors may involve, among others, delay in works and defective or inferior products or services delivered to us.

On the other hand, an error, failure or bug in our software or the services rendered by us, including security vulnerability, could disrupt or cause permanent damage to the data and networks of our customers. Failure of our software to perform to specifications (including the failure of our telecommunication network analysis and maintenance products to identify issues), disruption of our customers' telecommunication network traffic, damages to our customers' telecommunication networks or loss of data caused by our software or services could result in product and service liability claims by our customers. Any such event may damage our reputation, lower customer confidence, require large research and development and marketing expenditures to remedy, and may otherwise materially and adversely affect our business and results of operations. Our customers may have the right to bring an action against us and we may also be subject to tortious liabilities and substantial damages.

We cannot assure you that we will not experience material losses arising from product or service liability claims in the future. We do not maintain any product or service liability insurance. If our software or our services fail to meet the required specifications or quality standards, and, if not resolved through negotiation, we are often subject to lengthy and expensive litigation or arbitration proceedings. Such claims may be pursued by way of contractual remedy or by way of civil action. In such events, our business reputation and our financial condition could be materially and adversely affected.

If any claims against us has aroused any negative publicity which cannot be effectively remedied on a timely basis, our existing and/or potential customers may form negative views on the quality of our services and software, which may adversely affect our ability to maintain long standing relationship with our customers and engage new customers.

We may not be successful in maintaining our current market position, implementing our business strategies or achieving the intended economic results or business objectives

Our maintenance of our current market position and market expansion may be hindered by various risks including instability or changes in the social, political, regulatory or economic environment, our lack of understanding of the local business environment, financial and management system or legal system, differences in legal obligations when complying with local laws and regulations, changes in the safety standards and certification requirements, stringent product liability and warranty requirements, potentially adverse tax consequences and competition within the local market.

Our future success depends, to a significant extent, on our ability to enhance our research and development capabilities. We have formulated our future plans with a view to increasing our market share and achieving business growth. The future plans as described in the paragraph headed "Business — Business strategies" and "Future plans and [REDACTED] — Implementation plan" in this document are based on our current intentions and assumptions.

Our expansion plans and future expansion may involve the following risks: (i) the number of service agreements and projects we enter into with our customers may be affected by the demand for our services from time to time, which in turn, may be affected by industry advancements and changes, customers' needs or other factors which are beyond our control; (ii) the demand for our services and software and revenue to be generated therefrom may not increase in line with our enhanced research and development capabilities; (iii) the direct labour costs, development costs, depreciation expenses and subcontracting charges to be incurred; and (iv) other factors, including the business environment, political, social and economic conditions, regulatory framework and other contingencies which are beyond our control. Such uncertainties and contingencies may lead to postponement or changes in our future plans and/or may increase the costs of implementation. There can be no assurance that our future plans will materialise.

As such, there is no assurance that we will be able to successfully maintain or expand our market coverage and penetration, broaden our customer base or grow our business after deploying our management and financial resources. Any failure in maintaining our current market position or implementing our expansion plans could materially and adversely affect our business, financial condition and operating results.

Our historical results may not be indicative of our future growth rate, revenue and profit margin, and our historical dividend payments may not be indicative of future dividend trends

For FY2020, FY2021, FY2022 and 6M2023, we recorded revenue of approximately RMB195.6 million, RMB203.3 million, RMB226.5 million and RMB113.8 million, respectively, and profit of approximately RMB29.7 million, RMB25.5 million, RMB24.3 million and RMB14.7 million, respectively.

Given that the transactions with our customers are completed on a project-by-project basis, and that our fees and profit margins in respect of the relevant transactions are dependent on a number of factors and inherent risks in the industry, there is no assurance that we will always be able to maintain similar levels of profitability as those during the Track Record Period. Furthermore, the sustainability of our growth depends on a number of factors, including the prospects of our downstream industries, implementation of our strategies, the competitive landscape as well as general economic, social, and political conditions in the PRC. We cannot assure you that our growth rate can be maintained at any particular level. Should there be any changes which adversely affect our operations, our growth, profitability and prospects could be materially and adversely affected.

Further, we declared and paid dividends of approximately RMB20.0 million, RMB14.6 million and RMB14.3 million during FY2021, FY2022 and 6M2023, while we did not declare dividends for FY2020. However, the declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. The declaration and payment of future dividend will also be subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

We rely on our key management team for our success

Our success and growth are, to a large extent, attributable to the continued commitment of our executive Directors, who have extensive experience in the information technology and telecommunication industry for more than 18 years. Hence, our success depends on our ability to retain and motivate the members of our senior management team who have expertise, reputation and business connections in the telecommunication network support service industry in the PRC.

On the other hand, the implementation and performance of our business plans depend, to a significant extent, on the continued services and performance of our executive Directors and our senior management team, the details of whom are set out in the section headed "Directors and senior management" in this document. We cannot assure you that we will be able to maintain the services provided by our key personnel. Any failure to recruit and retain the key management and technical personnel or the loss of any of our key personnel, including our executive Directors, members of senior management team and personnel in charge of our projects, may have a material adverse effect on our business operations.

We may not be able to attract, train or retain qualified and skilled employees needed to support our business

We believe that our success depends on the efforts and talent of our employees, such as our research and development personnel and project managers. We believe our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for skilled technical staff or risk management and financial personnel is intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we might incur significant expenses in hiring and training new employees, and the quality of our services and our ability to respond to changes in telecommunication technology could decline, resulting in material adverse effect on our business.

We may not be able to renew the tenancy agreements of our leased properties

All of our offices are located on leased premises, details of which, including the term of tenancy, are set out in the paragraph headed "Business — Properties — Leased properties" in this document. There is no assurance that we could renew the leases or negotiate new leases on similar or favourable terms (including, without limitation, on similar tenure and similar rental charges) in the future or that the leases would not be subject to early termination. In the event that we are required to find alternative locations for our offices, there is no assurance that we would be able to secure comparable locations or negotiate leases on comparable terms, and we would need to incur extra costs, time and resources for any such relocation. This may in turn have an adverse effect on our operations and hence our business, financial position and our future growth potential.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

If we are unable to compete successfully, our financial condition and results of operations may be adversely affected

The industry in which our Group operates has witnessed increasing competition in recent years and we expect this trend to continue and accelerate. We cannot provide any assurance that our competitors will not develop the expertise, experience and resources to provide services with greater competitiveness in terms of both price and quality as compared with the services offered by us, or that we will be able to maintain and enhance our competitive edge. Our ability to continue our success will depend on many factors, including pricing, quality of services, software suitability and industry developments and changes.

In addition, our competitors include large state-owned or private corporations in terms of assets and revenue, with significant financial resources, well-established brands, good reputations for service quality, established customer bases, advanced equipment and technologies, and/or strong research and development capabilities. As a result of the foregoing factors, these existing competitors may be able to compete more effectively than our Group. If we are unable to maintain our competitive position, we could lose our market share and/or experience a decline in our profitability. For more information about the industry in which we operate, please refer to the section headed "Industry overview" in this document.

Demand for our services depends on the level of activity in the telecommunication network service industry in the PRC

During the Track Record Period, we derived most of our revenue from companies who primarily engage in the telecommunication network service industry in the PRC, including telecommunication operators, telecommunication network equipment manufacturers and telecommunication network and technical service providers and general contractors. As such, the sustainable growth of our business and our success depend on the growth of the telecommunication network support service industry in general and the overall demand for telecommunication network support services, which are affected by various factors, including: (i) user demand for wireless telecommunication networks; (ii) changes in technologies and their applications; (iii) the level of capital expenditure on telecommunication network support services and telecommunication network infrastructure maintenance services by our customers which comprise Chinese state-owned enterprises and public companies; (iv) changes in laws, regulations and government policies that are related to the telecommunication network service industry; and (v) the general economic and social conditions in the PRC.

We are dependent on our customers' demand for our services and if our customers turn to deploy their in-house resources to conduct the services provided by us rather than engaging external service providers, demand for our services may be reduced and our results may be adversely affected

The success of our business depends primarily on the number and size of service contracts or orders from our customers, which include major telecommunication operators and leading market players in the telecommunication industry. The demand for our services is susceptible to our customers' preferences for either outsourcing part of their internal operational processes to telecommunication network support service providers like our Group, or engaging directly in the services. Our customers' willingness or ability to engage us for our services are subject to, among other things, their own financial performance, changes in their available resources, decisions on whether to establish in-house capabilities, spending priorities, budgetary policies and practices, changes in market price for subcontracting charges and staff costs, and their need to develop new technologies, services or products, which in turn are dependent upon a number of factors, including their competitors' research, development and product initiatives, development and upgrading of technologies and changes in customer demands. We cannot assure you that there will not be any adverse changes in our customers' preferences, spending or policies towards telecommunication network support services, ICT integration services and telecommunication network-related software. If there is any such adverse changes affecting their demand for our services or if the current industry trend favouring the outsourcing of such services is weakened or reversed, our business, financial condition and results of operations may be materially and adversely affected.

In particular, if our customers, including large state-owned or private corporations, turn to perform the relevant services in-house instead of procuring service capacities from us, we may not be able to maintain our competitive position as they may have more financial and human resources, more renowned brands and reputations, and stronger research and development capabilities than our Group and our competitive position, profitability and business prospects may be adversely affected.

Heavy reliance on major PRC telecommunication operators

According to the CIC Report, the telecommunication network industry in the PRC is dominated by the three telecommunication operators, and it is a major challenge for market players to maintain good relationships with them and it is difficult to diversify such concentration risks. We have established over 12 years of business relationship with two major PRC telecommunication operators, but we have not entered into any long term service agreements with them. As the number of major telecommunication operators in the PRC is limited, the number of potential customers of similar size is also limited. Moreover, due to their substantial business scale and coverage, telecommunication operators are typically in a stronger bargaining position as compared to our Group. If these PRC telecommunication operators change their procurement policy or turn to develop and deploy their in-house service teams instead of engaging external service providers such as our Group to provide the relevant services, the turnover, operating results and financial conditions of our Group may be materially and adversely impacted.

Our failure to anticipate and respond to changes in technologies or needs could adversely affect our business

The markets for telecommunication network support services, ICT integration services and telecommunication network-related software development are characterised by rapidly-changing industry advancements such as the introduction of new wireless communication standards, systems, software and methodologies. For instance, while 5G technology is in the process of wider commercialisation and application, 6G technology is already in a preparatory and inception stage and more resources are expected to be invested by telecommunication-related industry players in its study and development in the coming years. For more information about 6G, please refer to the section headed "Industry overview" in this document. Our competitiveness therefore depends on our knowledge and command of the latest industry developments for the provision of telecommunication network support services and ICT integration services and the development of software, our ability to keep abreast of and adapt quickly to industry changes and our capability to understand the changing needs, preferences and requirements of our customers. There is no assurance that we will be able to offer new solutions or enhancements to existing technologies that will address the changing needs of our customers in an effective and timely manner. Our Group may experience unanticipated delays in the availability of new solutions and enhancements and may fail to meet customers' expectations. If our Group fails to develop any upgraded solutions and offer services and software with advanced capabilities and technologies, such as in relation to 5G and 6G, our competitive position, profitability and business prospects may be adversely affected. Even if our Group is able to upgrade our existing services and software, there is no assurance that our software will achieve widespread market acceptance or meet customers' expectations whereby our competitive position, profitability and business prospects may be adversely affected.

Furthermore, our business, including our research and development operations, also depends to a significant extent on our engineers and technical staff. If we are unable to retain existing and/or attract new talents with knowledge and expertise in the industry in which we operate, our competitive position, business operations as well as our ability to enhance our research and development capability in response to industry changes and advancements may be materially and adversely affected.

Furthermore, from time to time, our competitors may offer telecommunication network support services, ICT integration services and/or software development services that could replace our services. There is no assurance that any launch of new solutions or technologies by our competitors will not cause customers to defer their engagement of our services.

RISKS RELATING TO OUR OPERATIONS IN THE PRC

Changes in the PRC's economic, political and social conditions as well as government policies and legal developments could adversely affect our financial condition and results of operations

We conduct all of our operations in the PRC and derive all of our revenue from our operations in the PRC. Accordingly, our business, financial condition, results of operations and prospects are susceptible to the economic, political and social conditions as well as government policies and legal developments in the PRC. The PRC economy differs from the economies of other developed countries in many respects including, among others, level of government involvement, level of development, growth rate, foreign exchange control, and allocation of resources.

According to the CIC Report, there are government policies in the PRC which are favourable to the industries in which we operate, such as the "Notice on Promoting the Accelerated Development of Industrial Internet Information Management Department* (〈關於推動工業互聯網加快發展的通知〉) issued by the Ministry of Industry and Information Technology of the PRC in 2020. For more information, please refer to the section headed "Industry overview". However, there is no assurance that such or other favourable policies will continue to be effective or issued. If any favourable policies are cancelled or discontinued, or if the PRC government decides to adopt different policies which have a negative impact on the industries in which we operate, our business operations, financial position and results of operations may be materially and adversely affected.

While the PRC economy has grown significantly and has been one of the fastest-growing economies in the world in recent years in terms of GDP, its growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented a range of monetary policies and economic measures to maintain economic growth and guide the allocation of resources, but there is no assurance that such monetary policies or economic measures will be successful. Further, some of these measures may benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations that are applicable to us.

The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be materially and adversely affected by, among others, (i) political instability or changes in social conditions in the PRC; (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies; (iii) measures which may be introduced to control inflation or deflation; (iv) changes in the rate or method of taxation; and/or (v) the imposition of additional restrictions on currency conversion and/or remittances abroad.

The interpretation and enforcement of PRC laws and regulations involve uncertainties and PRC laws differ from the laws of common law jurisdictions

Our business and operations in the PRC are governed by the laws and regulations of the PRC. The PRC legal system comprises statutory laws, regulations, circulars, administrative directives and internal guidelines. Some of them, and the interpretation, implementation and enforcement thereof, are subject to frequent policy changes and adjustments. Prior court decisions may not be legally binding and may only be cited as reference. Additionally, PRC written statutes are also often principle-oriented and may require detailed interpretations by the enforcement bodies in applying and enforcing such laws. The PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations are continually evolving in response to changing economic, social and other conditions, any particular interpretation of PRC laws and regulations may not be definitive. Due to the fact that the legal system and economic system are growing at different paces, some degree of uncertainty exists in connection to whether and how existing laws and regulations are applicable to certain circumstances. In the event that any of our PRC subsidiaries is found to have committed any breaches of PRC laws or regulations, whether by omission or not, we will be subject to the prescribed penalties.

In addition, the PRC legal system is based in part on government policies and internal rules, some of which may not be published on a timely basis, if at all, and some of which may have a retroactive effect. The PRC legal system may not accord equivalent rights, or protection for such rights, in the same manner or at all as compared with the legal system of other jurisdictions.

Such uncertainties, including the potential inability to enforce our contracts, together with any development or interpretation of PRC laws and regulations that has an adverse effect on us, could materially and adversely affect our business and operations. Furthermore, intellectual property rights and confidentiality protections in the PRC may not provide effective and sufficient safeguards of our rights in practice. Also, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

It could be difficult to effect service of process or to enforce foreign judgements in the PRC

Since most of our assets are located in the PRC, investors could encounter difficulties in effecting service of process from outside the PRC upon us or most of our Directors and officers. Moreover, it is understood that the enforcement of foreign judgements in the PRC is subject to uncertainties. A judgement of a court of a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty or arrangement with the PRC or if the judgements of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requisite requirements.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in the PRC of judgements of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision could be difficult or impossible.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on currency conversion between Renminbi and foreign currencies and, in certain cases, the remittance of currency out of and into the PRC. We receive all of our revenue in Renminbi, which is currently not a freely convertible currency. Under our current corporate structure, income of our Company will be primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends to us, or otherwise satisfy its foreign currency-dominated obligations. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political, social and economic conditions and the PRC's foreign exchange regime and policies. The People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. Our business operations are mainly undertaken by our operating subsidiaries in the PRC, and all of our revenues and expenditures are denominated in RMB, of which the convertibility into foreign currencies and remittance out of the PRC are restricted and regulated. Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations, including but not limited to the Foreign Exchange Administrative Regulations of the PRC* (《中華人民共和國外匯管理條例》) and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payments* (《結匯、售匯及付匯管理規定》).

Under the current PRC foreign exchange control system, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. We cannot guarantee that we will have sufficient foreign exchange to meet our foreign exchange needs. Also, under the said system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with PRC laws, and the SAFE and its branches must perform indirect regulation over the foreign exchange registration via banks. The PRC government may also, at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency in foreign exchange may restrict our ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

The payment of dividends by our operating subsidiaries in the PRC is subject to restrictions under PRC law.

We operate all of our core business through our operating subsidiaries in the PRC. PRC laws require that dividends be paid only out of profit after tax, calculated according to PRC accounting principles. PRC laws require PRC companies, including foreign-invested enterprises, to set aside 10% of their profit after tax as statutory reserves until the accumulated statutory reserves account for 50% of their registered capital. These statutory reserves are not available for distribution as cash dividends. Since the availability of funds to fund our operations and to service our indebtedness depends upon dividends received from our PRC subsidiaries, any restrictions on the availability and usage of our major source of funding may have a material impact on our ability to fund our operations and to service our debts.

Our Company may be subject to the PRC enterprise income tax on our worldwide income under the PRC EIT Laws.

Our Company is incorporated under the laws of the Cayman Islands and it indirectly holds interests in our PRC subsidiaries. Under the PRC Enterprise Income Tax Laws* (中華人民共和國企業所得稅法) (the "**PRC EIT Laws**") and the relevant PRC EIT Regulations, enterprises established under the laws within the territory of the PRC, or established under the laws of a foreign country (region), but whose "de facto management body" is located in the PRC, are treated as resident enterprises for PRC tax purposes. If any entity is treated as a resident enterprise for PRC tax purposes, it will be subject to PRC tax at the uniform tax rate of 25% on its worldwide income. The term "de facto management body" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, 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 of Actual Management (國家稅務總局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) and clarified the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises. These criteria include: (i) members of senior management who are in charge of the enterprise's day-to-day operations are mainly located in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organisations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and minutes of board and shareholders' meetings are located or maintained in China; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. If our Company is deemed to be a PRC resident enterprise under the PRC EIT Law by the PRC taxation authority, our Company may become subject to the PRC enterprise income tax at a rate of 25% on its worldwide income.

If our preferential tax treatments become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, our results of operations would be materially and adversely affected.

During the Track Record Period, we enjoyed a number of preferential tax treatments. WellCell Technology was recognised as a High and New Technology Enterprise on 28 November 2018 and 20 December 2021, valid for a period of three years, respectively. Pursuant to the PRC EIT Laws, WellCell Technology enjoys a preferential income tax treatment at a reduced rate of 15%. In addition to being recognised as High and New Technology Enterprise, WellCell Technology was recognised as a Key Software Enterprise under relevant PRC laws and regulations for FY2021, and therefore entitled to a preferential income tax rate of 10% during FY2021. In addition, as WellCell Technology sold software that it designed and developed during the Track Record Period, it enjoyed an immediate partially VAT refund policy for such sales. For further details on the tax regime our Group was subject to, please refer to the paragraphs headed "Regulatory overview — Laws and regulations in relation to our Group's business in the PRC — Tax".

It is in the relevant PRC government authorities' discretion to decide when, under what conditions or whether the preferential tax treatment should be granted to us. We cannot assure you that the laws or regulations or governmental policies in relation to our preferential tax treatments will not change or that our current eligibility to enjoy preferential tax treatment will not be cancelled. If there is any reduction, suspension, discontinuation or cancellation of our preferential tax treatments which may adversely affect the recoverability of our tax recoverables, our business, financial condition and profitability would be materially and adversely affected.

PRC tax laws on dividend distribution may adversely affect our operating results and dividends payable by us to our investors and gains on the sale of our Shares may be subject to withholding taxes under PRC tax laws.

Under the PRC EIT Laws, a withholding income tax at the rate of 20% is applicable to dividends derived from sources within the PRC paid by foreign-invested enterprises to their non-PRC parent companies. However, pursuant to the implementation rules of the PRC EIT Laws, reduced withholding income tax rate of 10% shall be applicable in such cases. In addition, due to the Arrangement between Mainland China and Hong Kong Special Administrative Region for 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》), promulgated by the SAT and Hong Kong Special Administrative Region on 21 August 2006 and amended on 11 June 2008, 20 December 2010, 9 March 2016 and 31 December 2019 (the "**Hong Kong Tax Treaty**"), a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from a PRC subsidiary if it holds a 25% or more interest in that particular PRC subsidiary, or 10% if it holds less than a 25% interest in that subsidiary. With respect to dividends, the SAT promulgated the Notice on Certain Issues of "Beneficial Owners" under Tax Treaty* (《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》) on 3 February 2018 (the "**Notice 9**"), which provides that, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of its income in twelve months to residents in a third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemptions on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analysed according to the actual circumstances of the specific case. Notice 9 further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the relevant tax bureau according to the Announcement of State Taxation Administration on Promulgation of the Administrative Measures on Non-resident Taxpayers Enjoying Treaty Benefits (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》). It is possible that under the Notice 9 the Hong Kong subsidiary would not be considered as the "beneficial owner" of any such dividends, and that such dividends would as a result be subject to withholding income tax at the rate of 10% rather than the favourable 5% rate applicable under the Hong Kong Tax Treaty.

In addition, due to uncertainties in relation to in the PRC EIT Laws and its implementation rules, a withholding tax at the rate of 10% may also be applicable to dividends payable to investors (excluding individual natural persons) that are non-resident enterprises to the extent such dividends are sourced within the PRC. Similarly, any gain realised on the transfer of our Shares by such investors is also subject to a withholding tax at the rate of 10% if such gain is regarded as income derived from sources within the PRC. If we are considered a resident enterprise in the PRC, it is unclear whether the dividends we pay with respect to our Shares would be treated as income derived from sources within the PRC and be subject to PRC income tax. If we are required under the PRC EIT Laws to withhold PRC income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC income tax on the transfer of the Shares, the value of your investment in our Shares may be materially and adversely affected.

PRC regulations on loans to and direct investment by offshore holding companies in the PRC entities may delay or prevent our Group from making loans or additional capital contributions to our PRC subsidiaries.

As an offshore holding company of our PRC subsidiaries, if necessary, our Company or our offshore subsidiaries may make loans to our PRC subsidiaries, or may make additional capital contributions to our PRC subsidiaries. When any loans or capital contributions are made by our Company or our offshore subsidiary, as an offshore entity, to our PRC subsidiaries, such PRC subsidiaries are subject to the PRC regulations and foreign debt registrations to conduct relevant filling procedures for such loans and capital contributions. For instance, loans by offshore holding companies to our PRC subsidiaries to finance their activities cannot exceed the difference between the total amount of investment of the relevant PRC entity and its registered capital (or other amount of foreign debt determined in accordance with applicable regulations) and must be registered with the State Administration of Foreign Exchange of the PRC or its local counterpart. In respect of our Company's proposed capital contributions to our PRC subsidiaries, these capital contributions must be subject to the requirements of relevant laws and regulations and filed to the Commercial banks in the PRC. There is no assurance that our Company may obtain these government registrations or files on a timely basis, if at all, with respect to future loans or capital contributions by our Company to finance the PRC subsidiaries. If our Company fails to receive relevant registrations or files, our ability to make equity contributions or provide loans to our PRC subsidiaries or to fund their operations may be negatively affected, which may adversely affect our PRC subsidiaries' liquidity and ability to fund their working capital and expansion projects and meet their obligations and commitments, and in turn, may adversely and materially affect our business, financial condition and results of operations.

Natural disasters, acts of war, terrorist attacks, political unrest and other events may have adverse negative impact on our business.

Natural disasters and other acts of god which are beyond our control may materially and adversely affect the economy and livelihood of the people in the PRC. Our operations and financial condition may be adversely affected, especially when such events occur in regions in which our operations and suppliers and subcontractors are located. Acts of war, terrorists' attacks and political unrest may cause damage or disruption to our operations, our employees, our suppliers and subcontractors and our markets, any of which could materially and adversely affect our overall results of operations and financial condition.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

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

Prior to the [REDACTED], there was no [REDACTED] for our Shares. The [REDACTED] for our Shares will be the result of negotiations between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company, and may differ significantly from the market prices for our Shares after the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], our Shares. However, we cannot assure you that an active [REDACTED] will develop or be maintained following the completion of the [REDACTED] or that the [REDACTED] of our Shares will not decline below the [REDACTED].

The [REDACTED] of our Shares may be highly volatile. Factors that may affect the [REDACTED] at which our Shares will be [REDACTED] include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments, strategic alliances and/or acquisitions, fluctuations in market prices for our services and software or fluctuations in market prices for comparable companies and changes in laws and regulations in the PRC. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

In addition, stock markets and the shares of companies listed on the Stock Exchange have experienced substantial price and volume fluctuations from time to time that are not related to the operating performance of any particular company. These fluctuations may also materially and adversely affect the market price of our Shares.

[REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

Our Group may need to raise additional funds in the future to finance, among other things, expansion or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced. In addition, our Company may issue additional Shares upon exercise of options to be granted under the Share Option Scheme in the future. The increase in the number of Shares outstanding after the issue would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share.

Investors of the Shares may experience dilution in the net asset value per Share of the Shares they invested if our Company issues additional Shares in the future at a price which is lower than the net asset value per Share.

The interests of our Controlling Shareholders may differ from those of our other Shareholders

Immediately following the [REDACTED] and the Capitalisation Issue, our Controlling Shareholders will beneficially own [REDACTED]% of the Shares. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of our Controlling Shareholders conflict with the interests of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, those 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 matters submitted to our Shareholders for approval, including mergers, consolidations and the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders.

Future sales by our existing Shareholders of a substantial number of our Shares in the [REDACTED] could materially and adversely affect the prevailing [REDACTED] of our Shares.

Shares held by the Controlling Shareholder are subject to certain lock-up undertakings for periods ending six to 12 months after the date on which [REDACTED] in our Shares commences on the Stock Exchange, details of which are set out in the section headed "[REDACTED]" in this document. There are no assurances that any Controlling Shareholders will not dispose of our Shares held by them following the expiration of the lock-up periods, on any Shares they may come to own in the future. Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could materially and negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

[REDACTED]

[REDACTED]

[REDACTED]

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protections afforded to minority shareholders under Cayman Islands laws may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by, among others, the Articles of Association, the Companies Act and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as under the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minority Shareholders is set out in Appendix III to this document.

RISKS RELATING TO THE STATEMENTS IN THIS DOCUMENT

Forward-looking information may prove inaccurate.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", and "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk factors" in this document. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Joint Sponsors, the [REDACTED], the [[REDACTED]], the [[REDACTED]], the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors 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, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Investors should read the entire document and should not rely on any information contained in press articles or other media coverage regarding us and the [REDACTED].

We strongly caution our investors 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 the [REDACTED] and us. 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 authorised 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 our investors should not rely on such information.

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Jia Zhengyi (賈正屹)	Room 1702, Building 1 Huaye Linhai Garden 77 Jinghe Street Xiangzhou District Zhuhai City Guangdong Province, PRC	Chinese
Liu Ping (劉萍)	Room 1703, Building 11 Fenghuang Xigu Garden 99 Shenqian Road Xiangzhou District Zhuhai City Guangdong Province, PRC	Chinese
Cong Bin (叢斌)	Room 14B, Building 2 Yonghe Garden Haizhou Road Xiangzhou District Zhuhai City Guangdong Province, PRC	Chinese
Non-executive Director		
Lin Qihao (林啟豪)	Room 1701, Building 1 Zhongxin International Garden Zhuhai City Guangdong Province, PRC	Chinese
Independent non-executive Directors		
[Wu Wing Kuen, B. B. S. (胡永權)]	[10/F, Block 9 Celestial Heights 80 Sheung Shing Street Homantin Kowloon, Hong Kong]	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Name	Address	Nationality
[Leung Kwong Sak (梁廣錫)]	[Flat B, 6/F Tower A, The Grandville 2 Lok Kwai Path Sha Tin, New Territories Hong Kong]	Chinese
[Yu Chi Wing (于志榮)]	[16/F, Block 21 Celestial Heights 80 Sheung Shing Street Homantin Kowloon, Hong Kong]	Chinese

Please refer to the section headed "Directors, senior management and employees" in this document for further information on our Directors.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**Halcyon Capital Limited** 11/F, 8 Wyndham Street Central, Hong Kong **Eddid Capital Limited** 21/F, Citic Tower 1 Tim Mei Avenue Central, Hong Kong
[REDACTED]	**[REDACTED]**
[[REDACTED]]	**[REDACTED]**

[[REDACTED]] **[REDACTED]**

[REDACTED] **[REDACTED]**

Legal advisers to our Company

As to Hong Kong law:
TC & Co.
Units 2201–2203, 22/F
Tai Tung Building
8 Fleming Road
Wanchai
Hong Kong

As to PRC law:
Beijing DHH (Shanghai) Law Firm
62/F, Shanghai Tower
501 Yincheng Middle Road
Pudong New Area
Shanghai, PRC

As to Cayman Islands law:
Appleby
Suites 4201–03 & 12
42/F, One Island East
Taikoo Place
18 Westlands Road
Quarry Bay, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]

Legal advisers to Joint Sponsors and the [REDACTED]	*As to Hong Kong law:* **[REDACTED]**
	As to PRC law: **Beijing Dacheng Law Offices, LLP (Shenzhen)** 3/F, 4/F & 12F, Block A Shenzhen International Innovation Center No. 1006, Shennan Boulevard Futian District Shenzhen, PRC
Auditor and reporting accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10/F, Block B Jingan International Center 88 Puji Road, Jingan District Shanghai, PRC
[REDACTED]	[REDACTED]

CORPORATE INFORMATION

Registered office in the Cayman Islands	71 Fort Street PO Box 500 George Town Grand Cayman, KY1-1106 Cayman Islands
Principal place of business and headquarters in the PRC	Room 2105, Building 2 Meixi Commercial Plaza No. 168 Lvyou Road Xiangzhou District Zhuhai City Guangdong Province PRC
Principal place of business in Hong Kong under Part 16 of the Companies Ordinance	Units 2201–2203, 22/F Tai Tung Building 8 Fleming Road Wanchai Hong Kong
Company's website	[www.wellcell.com.cn] (Information contained in this website does not form part of this document)
Company secretary	Yiu Chun Wing (姚俊榮) *Certified Public Accountant* Room 1205 Ngan Chun House Tung Chun Court Shaukiwan, Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Yiu Chun Wing (姚俊榮) *Certified Public Accountant* Room 1205 Ngan Chun House Tung Chun Court Shaukiwan, Hong Kong

CORPORATE INFORMATION

	Jia Zhengyi (賈正屹) Room 1702, Building 1 Huaye Linhai Garden 77 Jinghe Street Xiangzhou District Zhuhai City Guangdong Province, PRC
Compliance adviser	**Halcyon Capital Limited** 11/F, 8 Wyndham Street Central, Hong Kong
Audit Committee	[Yu Chi Wing (于志榮) *(Chairman)*] [Wu Wing Kuen, B. B. S. (胡永權)] [Dr. Leung Kwong Sak (梁廣錫)]
Remuneration Committee	[Yu Chi Wing (于志榮) *(Chairman)*] [Wu Wing Kuen, B. B. S. (胡永權)] [Dr. Leung Kwong Sak (梁廣錫)]
Nomination Committee	[Yu Chi Wing (于志榮) *(Chairman)*] [Wu Wing Kuen, B. B. S. (胡永權)] [Dr. Leung Kwong Sak (梁廣錫)]
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
Principal banks	**Bank of China Limited** Zhuhai branch 1148 Yuehai East Road Gongbei, Zhuhai City Guangdong PRC

Certain information and statistics presented in this section and elsewhere in this document were derived from official government publications and other publicly available sources as well as from the CIC Report, a market research report prepared by CIC, an independent market research and consulting company that was commissioned by us. We believe that the sources of the information in this section and elsewhere in this document are appropriate sources for such information and reasonable care has been taken in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us or any other parties involved in the [REDACTED] or any of our or their respective directors, officers, or representatives, and no representation is given as to its accuracy or completeness. For discussions of risks relating to our industries, see "Risk Factors — Risks Related to Our Business and Industry."

SOURCES OF INFORMATION

We commissioned CIC, a market research and consulting company founded in Hong Kong and engaging in the provision of professional consulting services across multiple industries, to conduct an analysis of and report on telecommunication network service, ICT integration service, and telecommunication network-related software development service in China. The CIC Report was prepared by CIC independent of our influence. The fees paid for the preparation of the CIC Report was RMB1,140,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analysed, assessed, and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analysing market data obtained from several publicly available data sources, such as the National Bureau of Statistics of China and the China Internet Network Information Center ("CNNIC"). The methodology used by CIC is based on analysing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

The market projections in the CIC Report are based on the following key assumptions: (i) the overall social, economic and political environments in China is expected to remain stable during the forecast period; (ii) the economic and industry development in China is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanisation; (iii) related key industry drivers, such as growing demand for telecommunication network service, increasing complexity of telecommunication network service technology, and favourable policies to promote the development of telecommunication are likely to propel continued growth in China's telecommunication network service, ICT integration service and telecommunication network-related software development service industry throughout the forecast period; and (iv) there will be no extreme force majeure event or unforeseen industry regulation that may significantly or fundamentally affect the relevant market and industry.

Our Directors confirm that after taking reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict, or have an impact on the information set out in this section. Except otherwise mentioned, all data and forecasts contained in this section are extracted from the CIC Report.

OVERVIEW OF TELECOMMUNICATION INDUSTRY IN CHINA

China's telecommunication industry has experienced robust growth in recent decades, with telecommunication technologies evolved from 1G stage in 1980s to 5G stage in 2020s. In the 5G stage, China has taken the lead in the world's communication network in terms of both technology and applications.

According to CNNIC, total number of internet users in China reached 1,067.4 million as of December 2022, growing from 828.5 million in 2018, with a CAGR of 6.5%. With the continuous development of the computer industry and the increase in utilisation rate of mobile devices, the number of internet users will continue to increase, and the number of internet users is estimated to increase to 1,232.3 million by 2027. The internet penetration rate[1] increased from 59.6% in 2018 to 75.6% in 2022, and it is expected to reach 87.6% by 2027.

The total number of base stations increased from 6.7 million units in 2018 to 10.8 million units in 2022, with a CAGR of 12.9%, and the rapid growth in the number of base stations over the past five years was mainly attributable to the large-scale commercialisation of 4G. According to the "'Set Sail' Action Plan for 5G Applications (2021–2023)" (《5G應用"揚帆"行動計劃(2021–2023年)》) issued by the Ministry of Industry and Information Technology (MIIT), the penetration rate of 5G individual users will exceed 40%, and the number of 5G users will exceed 560 million, by 2023. Therefore, it is expected that the total number of base stations will continue to increase from 10.8 million units in 2022 to 13.0 million units in 2027, with a CAGR of 3.8%.

With the strong commercialization foundation of 5G technologies, 6G technology has become the focus of telecommunication technological innovation of next generation. Compared to existing telecommunication technologies, 6G technology uses higher frequency and wider bandwidth, and it is expected to improve the accuracy of telecommunication indicators, expand the scope of telecommunication space, and provide the application of telecommunication technologies. China's government has emphasized the importance of promoting the development of 6G technologies, and it has purposed to encourage the R&D investment of 6G technologies in the 14th Five-Year Plan issued in 2021. Currently, 6G technology is still under R&D stage and it will take years to realize its commercialization.

THE TELECOMMUNICATION NETWORK SERVICE INDUSTRY IN CHINA

Overview of telecommunication network service industry in China

The telecommunication network service industry is a comprehensive and rapidly growing industry which provides various technical support to telecommunication operators' network before, during and after various construction and its major services can be categorised into (1) wireless telecommunication network optimisation service; and (2) telecommunication network infrastructure maintenance and engineering services.

Wireless telecommunication network optimisation service refers to the provision of optimisation service to enhance telecommunication network performance through various hardware or software technologies and to ensure that the telecommunication network is made available to telecommunication operators and end users in stable, reliable, and efficient way.

Telecommunication network infrastructure maintenance services refers to the provision of service to keep a telecommunication network running efficiently, and may typically involve emergency restoration of base stations and monitoring of telecommunication network performance whereas telecommunication network infrastructure engineering services involve the physical implementation of base stations and installation of related telecommunication network equipment.

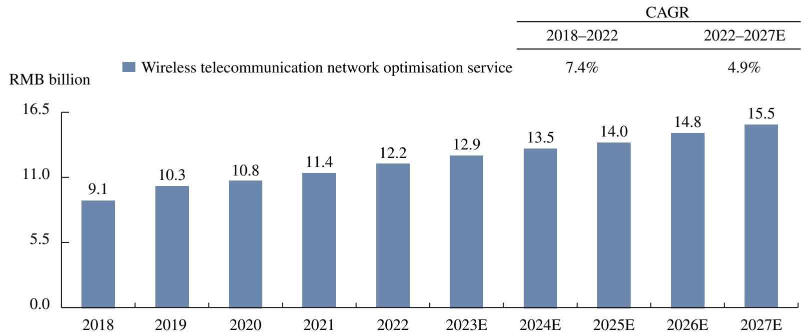
Market size of wireless telecommunication network optimisation service in China

With the continuous increasing demand from telecommunication network users for better mobile network quality, telecommunication operators invested heavily on the optimisation of telecommunication network speed and stability, and the market size in terms of revenue of delivered from the provision of wireless telecommunication network optimisation service have increased from RMB9.1 billion in 2018 to RMB12.2 billion in 2022, representing a CAGR of 7.4%.

Pursuant to the requirements proposed by the 13th Five-Year Plan, a series of social and economic development initiative issued by the PRC government, China have accelerated the construction of telecommunication network industry and encouraged the commercial use of 5G internet whereby telecommunication operators have continued to expand their telecommunication network coverage, improved telecommunication network service quality and maintained stable and continuous investment in telecommunication network optimisation services in the future. The future growth rate of wireless telecommunication network optimisation service is expected to slow down compared to that in previous years, and it is mainly because the service is becoming more structured with the advancement of technologies and telecommunication operators are expected to maintain a stable budget on its documents. and its market size in terms of revenue is expected to further increase to RMB15.5 billion in 2027, representing a CAGR of 4.9% from 2022 to 2027.

[1] Internet penetration rate is calculated as the number of internet users divided by the total population of the PRC.

Market size of wireless telecommunication network optimisation service, in terms of revenue, China, 2018–2027E



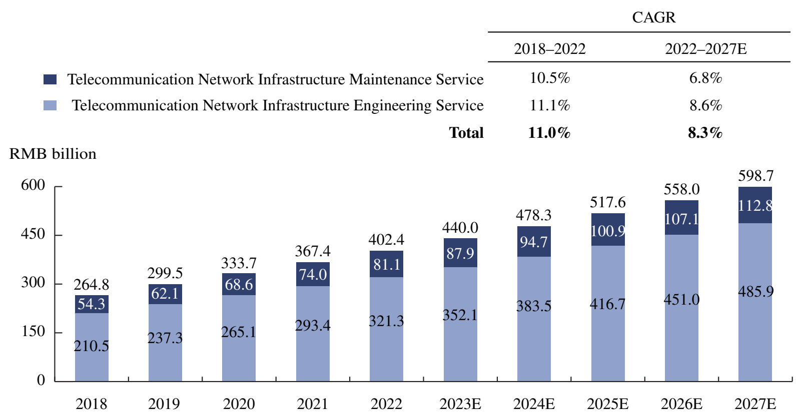
Source: MIIT, CIC

Market size of the telecommunication network infrastructure maintenance and engineering services in China

The market size of the telecommunication network infrastructure maintenance service market in terms of revenue increased from RMB54.3 billion in 2018 to RMB81.1 billion in 2022, representing a CAGR of 10.5%, and is expected to further increase to RMB112.8 billion in 2027, representing a CAGR of 6.8% from 2022 to 2027.

The market size of the telecommunication network infrastructure engineering service market in terms of revenue increased from RMB210.5 billion in 2018 to RMB321.3 billion in 2022, representing a CAGR of 11.1%. Along with the construction of 5G base stations and other related facilities, the market size of telecommunication network infrastructure engineering service is expected to further increase to RMB485.9 billion in 2027, representing a CAGR of 8.6% from 2022 to 2027.

Market size of the telecommunication network infrastructure maintenance and engineering service market, in terms of revenue, China, 2018–2027E



Source: CAICT, MIIT,ODCC, CIC

Market drivers of telecommunication network service industry in China

It is expected that growth in the telecommunication network service industry in China will be driven by the following factors:

(i) ***growing demand from downstream markets:*** the rapid construction of base stations brings large demand for wireless telecommunication network optimisation, infrastructure maintenance and infrastructure engineering services in China. As of the end of 2022, the number of 4G base stations and 5G base stations in China amounted to 6.2 million units and 2.3 million units respectively. With the continuous development of 4G applications and commercialisation of the 5G network in the foreseeable future, a large number of base stations, optical cables, broadband and other telecommunication infrastructure need to be upgraded and maintained regularly, which is expected to drive the development of telecommunication network service industry.

(ii) ***increasing complexity of telecommunication network service technology:*** with the continuous upgrading of telecommunication network infrastructure, telecommunication network services have become more diversified and complex. For example, 4G base stations typically have a dozen antennas, while 5G base stations can have over a hundred antennas and form a large-scale antenna array through massive MIMO (Multiple-Input Multiple-Output) technology, which is more complicated than 4G technology and hence, telecommunication operators would engage third-party professional telecommunication network services to provide high-quality technical services, which promote the efficiency of the industry. In particular, base station equipment is upgraded from the original simple equipment to more complicated digital equipment.

(iii) ***favourable government policies:*** the MIIT has clearly put forth the strategic goal of promoting the telecommunication network service industry in China. For example, in 2020, MIIT issued the "Notice on Promoting the Accelerated Development of Industrial Internet Information Management Department" (〈關於推動工業互聯網加快發展的通知〉), aimed at speeding up the construction of new infrastructure, promoting the development of industrial internet and 5G. In addition, the "'Set Sail' Action Plan for 5G Applications MIIT (2021–2023)" (〈應用"揚帆"行動計劃(2021–2023年)〉) of the MIIT mentioned that China targets to complete more than 1,500 5G industrial internet projects to service 22 important industries of national economy by 2023. Such favourable policies have promoted and will continue to encourage the development of the telecommunication network service industry in China.

Competitive landscape of telecommunication network service industry in China

The wireless telecommunication network optimisation service market is relatively fragmented, with the top five telecommunication network optimisation service providers accounting for approximately 24.3% of the market share in terms of revenue in 2022. The Company's revenue in wireless telecommunication network optimisation service reached RMB102.2 million in 2022 and accounted for approximately 0.8% of market share in terms of revenue.

The Project Level Margin[(1)] of wireless telecommunication network optimisation service of the Company for 2022 was 27.9% (which is represented by one minus the Operating Costs Ratio of this segment of approximately 72.1%), which fell within the range of gross profit margin of 10.5% to 34.9% of the top five providers. Furthermore, according to CIC, the industry range of profit margin for projects of wireless telecommunication network optimisation service normally ranged from 10.0% to 30.0%, and the Project Level Margin of the wireless telecommunication network optimisation service projects undertaken by the Company also fell within such range.

In addition, the overall net profit margin of the top five wireless telecommunication network optimisation service providers ranged from approximately 1.3% to 8.2% in 2022, and the net profit margin of the Company was 10.7% in 2022, which exceeded the high-end of the range. The relatively higher margin recorded by the Company was principally attributable to the fact that, as a private company, the Company had adopted a more cost cautious approach in managing its business and selecting projects.

Note:

(1) The Company is not divided into business units based on different types of services and only has one reportable operating segment, and therefore, no costs of revenue or gross profit are presented in the financial information of the Company by business line and expenses are presented by nature. For the purpose of analysing the profit margins of its different business segments, the Company allocates its Major Operating Costs (namely, subcontracting charges, materials, supplies and other project costs and employee benefit expenses) to different business segments, whereby "Project Level Margin" is calculated as one minus the Major Operating Costs Ratio. The Directors consider, and CIC concurs, that such "Project Level Margin" is the best benchmark available for comparison against the gross profit margin of other industry players.

Ranking of the top five wireless telecommunication network optimisation service providers, in terms of revenue, China, 2022

Rank	Third-party service provider	Business Scope	Revenue*	Market share of total revenue	Gross profit margin	Overall net profit margin[3]
			(RMB million)	(%)		
1	Sunwave Communications Co. Ltd	A listed professional telecommunication service provider founded in 1993 and headquartered in Zhejiang province. Its businesses focus on telecommunication network service and internet advertisement media service.	657.4	5.4%	34.9%	1.3%
2	Runjian Co., Ltd.	A listed professional telecommunication service provider founded in 2003 and registered in Guangxi province. Its businesses focus on network management and maintenance in telecommunication and energy industry.	656.3	5.4%	20.5%[1]	5.2%
3	Hangzhou Huaxing Chuangye Communication Technology Co., Ltd.	A listed professional telecommunication service provider founded in 2003 and headquartered in Zhejiang province. Its businesses focus on network optimisation services, network plan and engineering services.	650.4	5.3%	10.5%	2.1%
4	Guangdong Yichuang Technology Co., Ltd	A listed professional telecommunication service provider founded in 2001 and headquartered in Guangdong province. Its businesses focus on providing network related services and solutions for telecommunication operators.	577.5	4.7%	16.8%[2]	8.2%
5	Beijing Eflag Communication Technology Co., Ltd	An unlisted professional telecommunication service provider founded in 2003 and headquartered in Beijing. Its businesses focus on network optimisation, network design and engineering service, and IoT integration services.	423.7	3.5%	12.0%	5.7%
	Sub-total		2,965.4	24.3%		
	Others		9,218.7	75.7%		
	Total		**12,184.1**	**100.0%**		

Notes:

(1) The number represented the gross profit margin of telecommunication network business of Runjian Co., Ltd. based on its latest published annual report.

(2) The number represented the gross profit margin of software and information services of Guangdong Yichuang Technology Co., Ltd. based on its latest published annual report.

(3) Overall net profit margin is calculated by dividing the net profit attributable to the company's shareholders by total revenue based on their latest published annual reports.

Source: Annual Reports of Companies, CIC

The telecommunication network infrastructure maintenance and engineering service market is also relatively fragmented, with the top five service providers accounting for approximately 24.9% of the market share in terms of revenue in 2022. The Company's revenue in telecommunication network infrastructure maintenance and engineering service reached RMB44.6 million in 2022 and accounted for approximately 0.01% of market share in terms of revenue.

The Project Level Margin of this segment of the Company for 2022 was 28.9% (which is represented by one minus the Operating Costs Ratio of approximately 71.1%), which exceeded the high-end of the range of gross profit margin of 9.8% to 20.5% of the top five telecommunication network infrastructure maintenance and engineering service providers. According to CIC, the industry range of profit margin for projects of telecommunication network infrastructure engineering services (normally ranging from 5.0% to 25.0%) is normally lower than the profit margin for projects of telecommunication network infrastructure maintenance services (normally ranging from 15.0% to 35.0%), so the Project Level Margin of this segment of the Company is reasonable given the telecommunication network infrastructure maintenance services accounted for a larger portion of revenue of the Company as compared to telecommunication network infrastructure engineering services.

In addition, the overall net profit margin of the top five telecommunication network infrastructure maintenance and engineering service providers ranged from approximately 0.8% to 8.2% in 2022, and the net profit margin of the Company in 2022 also exceeded the high-end of the range because of the adoption of a more cost cautious approach in managing its business and selecting projects.

Ranking of the top five telecommunication network infrastructure maintenance and engineering service providers, in terms of revenue, China, 2022

Rank	Third-party service provider	Description	Revenue*	Market share of total revenue	Gross profit margin	Overall net profit margin[(4)]
			(RMB million)	(%)		
1	China Communications Services Co., Ltd.	A listed state-owned telecommunication technology service provider founded in 2006 and headquartered in Beijing. Its businesses focus on network engineering service and outsourcing services to telecommunication operators and government organizations.	91,064.3	22.6%	11.4%[(1)]	2.4%
2	Runjian Co., Ltd.	A listed professional telecommunication service provider founded in 2003 and registered in Guangxi province. Its businesses focus on network management and maintenance in telecommunication and energy industry.	3,587.9	0.9%	20.5%[(2)]	5.2%
3	China Bester Group Telecom Co., Ltd.	A listed professional telecommunication service provider founded in 1992 and headquartered in Hubei province. Its businesses focus on telecommunication network service, smart city applications and optoelectronic devices.	2190.0	0.5%	16.2%	4.1%
4	Guangdong Eastone Century Technology Co., Ltd.	A listed professional telecommunication service provider founded in 2001 and headquartered in Guangdong province. Its business focus on providing network service and integrated solutions for telecommunication operators and developing IoT platforms and applications.	1,664.9	0.4%	9.8%	0.8%
5	Guangdong Yichuang Technology Co., Ltd	A listed professional telecommunication service provider founded in 2001 and headquartered in Guangdong province. Its businesses focus on providing network related services and solutions for telecommunication operators.	1,610.4	0.4%	16.8%[(3)]	8.2%
	Sub-total		100,117.5	24.9%		
	Others		302,248.0	75.1%		
	Total		**402,365.5**	**100.0%**		

Notes:

(1) The number represented the gross profit margin of telecommunication network business of China Communications Services Co., Ltd. based on its latest published annual report and no further segmental information is presented.

(2) The number represented the gross profit margin of telecommunication network business of Runjian Co., Ltd. based on its latest published annual report.

(3) The number represented the gross profit margin of software and information services of Guangdong Yichuang Technology Co., Ltd. based on its latest published annual report.

(4) Overall net profit margin is calculated by dividing the net profit attributable to the company's shareholders by total revenue based on their latest published annual reports.

Source: Annual Reports of Companies, CIC

Entry barriers and key success factors of the telecommunication network service industry in China

The following are key barriers of entry to the telecommunication network service industry in China:

(i) ***license and qualification:*** telecommunication network service is essential to the safety and stability of telecommunication networks which have broad implications on society and the economy. Therefore, the industry regulatory authorities have formulated specific qualification standards that would need to be met for service providers. Further, new entrants to the market are required to obtain necessary licences and qualifications, such as General Contracting Qualification of Telecommunication Engineering (通信工程總承包資質), Communication Information Network System Integration Enterprise Qualification (通信信息網絡系統集成資質), Construction Enterprise Qualification Certificate (通信工程施工企業資質) and etc., before they carry out the telecommunication network service business. For example, the evaluation of General Contracting Qualification of Telecommunication Engineering (通信工程總承包資質) involves complicated procedures and requirements in terms of registered capital and performance of the company.

(ii) ***technology and R&D capabilities:*** as a high-tech service industry, technology and R&D capabilities are the foundation for the development of the telecommunication network service industry. Telecommunication network service providers must have profound understanding of the telecommunication network system and technologies of different telecommunication operators, and various kinds of telecommunication equipment, in particular, during transition from 4G to 5G. Therefore, market participants in the telecommunication network service industry need to upgrade their technology know-how and software in order to achieve high-efficiency and low-cost operation and enhance their competitiveness.

(iii) ***talent acquisition:*** the telecommunication network service industry is a talent-intensive industry with heavy demand for telecommunication engineers. However, the average pass rate of the examinations for Intermediate Telecommunication Engineer Qualification (中級通信工程師職稱) has been below 30% for an extended period of time, and therefore the talent pool for which is relatively limited. It is difficult for new entrants to establish and maintain a stable professional service team with solid technology and extensive experience in a short period of time, which has become one of the main barriers for entering the telecommunication network service industry.

(iv) ***good relationship with downstream customers:*** to ensure stable and reliable telecommunication network operation, downstream customers, such as telecommunication operators, generally have a preference to cooperate with telecommunication network service providers with strong technical ability, rich industry experience and an outstanding track record of performance. Therefore, it is common for telecommunication network service providers to maintain good relationship with downstream customers and rely heavily on business opportunities from them and improve their competitiveness in the market. Service providers who have accumulated long-term and stable customer resources can form a barrier to other enterprises in the industry.

THE INFORMATION AND COMMUNICATION TECHNOLOGY INTEGRATION SERVICES INDUSTRY IN CHINA

Overview of information and communication technology (ICT) integration services industry

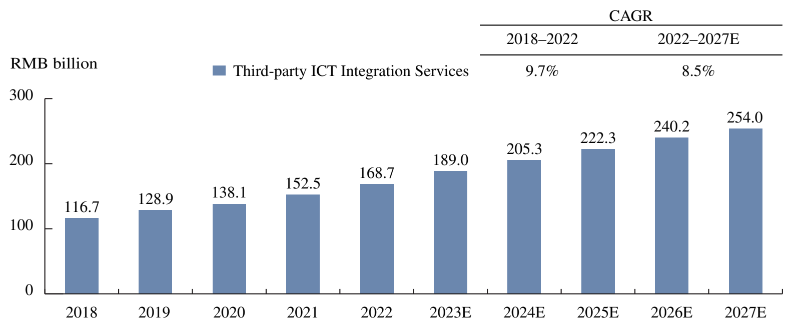
Integration services generally involve detailed design and implementation services that link application functionality, such as customised software, with the established or planned IT infrastructure. Specific activities might include project planning, project management, detailed design and implementation of application and systems. ICT integration service refers to a subdivision of integration services that deploy ICT technologies into projects, which include system design, equipment and material procurement, installation and implementation and system commissioning etc, which provide entities with ICT solutions that help digitalise their daily operations and increase their operation efficiency, covering applications in communication network, computer network, video surveillance, video conferences, IoT services, and software.

ICT integration service providers can be categorised into: (1) telecommunication operators backed service providers; and (2) third-party service providers. The former are subsidiaries of telecommunication operators or partially owned by telecommunication operators, whereas the latter are independent players who leverage their understandings in hardware and software and provide professional integration services to customers and their services include hardware procurement, the provision of customised solutions, software applications, project management, maintenance and operation services. As the Company is one of the third-party service providers engaged in ICT integration services industry, this section mainly focuses on the analysis of third-party ICT integration services.

Market size of third-party ICT integration services industry in China

Total revenue generated by the third-party ICT integration services industry in China has increased from RMB116.7 billion in 2018 to RMB168.7 billion in 2022, with a CAGR of 9.7%. In the past few years, the development of 5G and IoT has boosted demand for third-party ICT integration services from customers covering various sectors, including industrial, security and government. As government has published favourable policies continuing that continually promote the rapid growth of integration services, with downstream sectors continuing to carry out digitalisation transformation, the demand for ICT integration services is expected to grow in the future. Total revenue of the third-party ICT integration service industry is expected to further grow to RMB254.0 billion in 2027, with a CAGR of 8.5% from 2022 to 2027.

Market size of third-party ICT integration services industry, in terms of revenue, China, 2018–2027E



Source: CIC

Market drivers and future trends of third-party ICT integration services industry in China

It is expected that growth in the third-party ICT integration service industry will be driven by the following factors:

(i) ***increasing demand for professional and customized integration services:*** customers from vertical industries and government sectors have increasing demand for ICT integration services providers that have extensive industry knowledge and provide customized services. Since the IT infrastructure has developed to be more comprehensive and customers' demand also varied according to industry nature and their size, professional and customized integration services addressing customers' core demand has become the leading trend of the industry.

(ii) ***continuous evolution of telecommunication technology:*** the evolution of telecommunication technology is the inherent driving force for the development of ICT-related products and services. Every revolution in telecommunication technology will initiate the upgrade of telecommunication network, which will trigger new demands for ICT infrastructure. The commercialisation and application of 5G technologies has triggered a new round of ICT infrastructure upgrade in downstream client and brought new demand for ICT integration services.

(iii) ***favourable policies encouraging industrial applications of ICT:*** in 2022, the State Council issued "Development Plan for the Digital Economy of the 14th Five-Year Plan" (〈"十四五"數字經濟發展規劃〉), stating the importance of digital economy and promoting industrial digital transformation process. In the 14th Five-year Plan, based on the solid foundation of 5G commercialization, the government actively promotes the development of 6G technologies and supports to the R&D of future 6G technology. Given the thriving demand for digital transformation from different industries and the evolving telecommunication technologies, the business of ICT integration service will enter into a new period of rapid development.

Competitive landscape of third-party ICT integration service industry in China

The third-party ICT integration services market is relatively fragmented, with top three third-party ICT integration service providers accounting for approximately 13.3% of the market in terms of revenue in 2022. The Company's revenue of third-party ICT integration services reached RMB54.6 million in 2022 and accounted for approximately 0.03% of the market share in terms of revenue.

The Project Level Margin of this segment of the Company for 2022 was 21.1% (which is represented by one minus the Operating Costs Ratio of approximately 78.9%), which exceeded the gross profit margin of the top three providers. The Company considers that the relatively higher project level margin of its ICT integration services segment was principally attributable to the relatively cautious approach taken by the Company in view of the liquidity requirements of the ICT integration projects. Nevertheless, according to CIC, the industry range of profit margin for projects of ICT integration services normally ranged from 5.0% to 25.0%, and the Project Level Margin of the ICT integration service of the Company fell within such range.

In addition, the net profit margin of the Company in 2022 also exceeded the overall net profit margin of the top three third-party ICT integration services providers because of the adoption of a more cost cautious approach in managing its business and selecting projects.

Ranking of the top three third-party ICT integration services providers, in terms of revenue, China, 2022

Rank	Third-party service provider	Description	Revenue*	Market share of total revenue	Gross profit margin	Overall net profit margin(3)
			(RMB million)	(%)		
1	China Communications Services Co., Ltd.	A listed state-owned telecommunication technology service provider founded in 2006 and headquartered in Beijing. Its businesses focus on network engineering service and outsourcing services to telecommunication operators and government organizations.	15,210.7	9.0%	11.4%(2)	2.4%
2	Cetc Potevio Science and Technology Co., Ltd.(1)	A listed professional telecommunication service provider founded in 2000 and headquartered in Guangdong province. Its business focus on telecommunication network project, design and optimization, LED display, etc.	4,158.8	2.5%	15.2%	3.0%
3	Beijing Teamsun Technology Co., Ltd.	A listed professional digital operation service provider founded in 1998 and headquartered in Beijing with its business focus on network engineering consulting, communication planning, network design and network optimization, etc.	3,060.7	1.8%	8.4%	–8.1%
	Sub-total		22,430.2	13.3%		
	Others		146,220.3	86.7%		
	Total		**168,650.5**	**100.0%**		

Notes:

(1) This company was formerly known as Gci Science and Technology Co., Ltd. and has been renamed as Cetc Potevio Science and Technology Co., Ltd. since June 2022.

(2) The number represented the gross profit margin of telecommunication network business of China Communications Services Co., Ltd. based on its latest published annual report and no further segmental information is presented.

(3) Overall net profit margin is calculated by dividing the net profit attributable to the company's shareholders by total revenue based on their latest published annual reports.

Source: Annual Reports of Companies, CIC

Entry barriers and key success factors of ICT integration service providers in China

The following are key barriers of entry to the ICT integration service providers in China:

(i) ***expertise in software and hardware application:*** technological competitiveness and service quality are crucial to integration service providers. Project design, implementation and maintenance stages of core technologies require service providers to have a high level of communication network knowledge, and at the same time, they must have profound understanding and extensive practical experience in the software industry.

(ii) ***deep understanding of demand:*** provision of customised ICT integration services require deep understanding of demand from customers arising from their core business needs. Service providers shall maintain good communications with their customers and have deep understanding of their specific needs in order to successfully accomplish the projects.

(iii) ***proven track record in industry practice:*** ICT integration services providers with proven track record are more competitive in this industry. When communicating with business customers, showing previous industry practice is an effective measure to gain the trust from customers.

THE TELECOMMUNICATION NETWORK-RELATED SOFTWARE DEVELOPMENT SERVICE INDUSTRY IN CHINA

Overview of telecommunication network-related software

Telecommunication network-related software perform telecommunication network testing, data analysis, mapping, location analysis, backstage management and other tasks in telecommunication network optimisation and maintenance. As important tools in telecommunication network service, telecommunication network-related software improve the efficiency of wireless telecommunication network optimisation and maintenance and guarantee the normal operation of telecommunication network. Telecommunication network-related software include drive test software, analysis software, planning software and backstage management software. The table below sets forth the major functions of each software.

Type of software	Major functions
Drive test software	• Evaluate and measure the performance and quality parameter of telecommunication network in specific area; enable engineers to verify, optimize and troubleshoot network
Analysis software	• Improve the automation degree in telecommunication network optimisation, and help engineers to analyze data, locate and eliminate network faults
Planning software	• Simulate environment planning, access points deployment, telecommunication network signal and generate reports
Backstage management software	• Manage and allocate resource for telecommunication network optimisation and maintenance, including personnel, vehicles and equipment

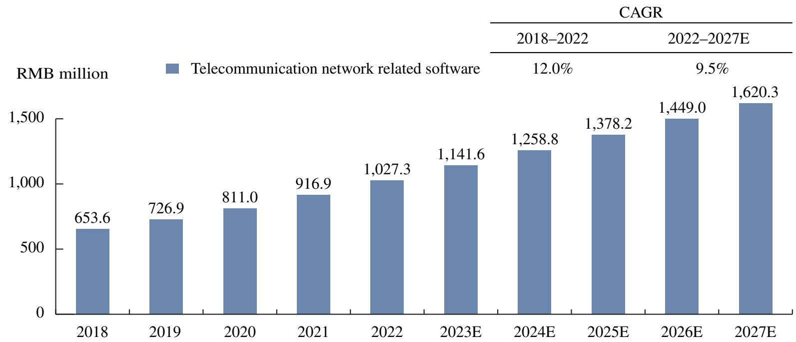
Source: CIC

Market size of the telecommunication network-related software development service industry in China

The total revenue of telecommunication network-related software development service industry for China's telecommunication industry has increased from RMB653.6 million in 2018 to RMB1,027.3 million in 2022, with a CAGR of 12.0%. The development of 5G has brought new demand for telecommunication network-related software from downstream clients, and companies are developing new software to meet the demand for intelligent and automatic network support.

Since the trend of 5G will continue to drive the growth of software application in telecommunication network service and the telecommunication network-related software will be inevitable in the practice of telecommunication network service, the total revenue of telecommunication network-related software development service industry is expected to grow from RMB1,027.3 million in 2022 to RMB1,620.3 million in 2027, with a CAGR of 9.5%.

Market size of telecommunication network-related software development service industry, in terms of revenue, China, 2018–2027E



Source: CIC

Market drivers and future trends of the telecommunication network-related software development service industry in China

It is expected that growth in the telecommunication network-related software development service industry will be driven by the following factors:

(i) ***increasing demand for mobile internet traffic:*** mobile internet traffic has grown rapidly in the past few years. As of 2022, mobile internet traffic volume in China reached 261.8 billion GB, increasing from 71.1 billion GB in 2018 with a CAGR of 38.5% during this period. Additionally, the average data traffic per user per month (DOU) reached 15.2 GB in 2022, increasing from 4.6 GB in 2018 with a CAGR of 34.5% during this period. The thriving usage and demand for mobile internet traffic has brought strict requirements for the optimization and maintenance of telecommunication network and promoted the development of related software market.

(ii) ***large-scale investment in 5G network:*** large-scale telecommunication network construction will bring strong demand for telecommunication network-related software. In 2022, approximately 860,000 base stations were built to China, bringing the total number of base stations to 10.8 million. Meanwhile, the fixed asset investment of major telecommunication operators in China amounted to RMB419.3 billion in 2022. In order to maintain the normal operation of massive telecommunication network system, telecommunication operators have increased the demand for telecommunication network optimisation and maintenance, as well as the supporting software.

(iii) ***wider application in vertical industries:*** on 6 June, 2019, the MIIT officially issued 5G commercial licences to the major telecommunication operators, indicating that China's telecommunication industry has officially entered the 5G era. The development and application of 5G technologies will profoundly change the service of the telecommunication industry and drive the further application of related software. 5G network will not only serve individual users, but also will have a wide range of application in the IoT and vertical industries, such as intelligent factories and intelligent vehicles. Therefore, the application of software in telecommunication network optimisation and maintenance will be extended to more vertical industries.

(iv) ***integration of multifunction telecommunication software:*** telecommunication network support serves as the daily operation of telecommunication network and is fundamental for the normal function of telecommunication network. With the upgrade of the telecommunication technologies, automatic and intelligent network support will be the future trend, which would likely require comprehensive supporting software to provide with multi-functional services. In the future, telecommunication network-related software will integrate multiple functions, enabling staff to complete multiple tasks through single software solution.

Competitive landscape of telecommunication network-related software development service industry in China

Major players in the telecommunication network-related software development service industry in China can be divided into three categories: 1) third-party service provider, 2) telecommunication equipment supplier, and 3) software companies. Third-party service provider achieved a market share of 40.0% in the telecommunication network-related software development service industry as of 2022.

Third-party service providers play an important role in the telecommunication network-related software development service industry, and the top three third-party service providers accounted for approximately 38.3% of industry in terms of revenue in 2022. The Company's revenue on telecommunication network-related software development service in 2022 is RMB25.3 million and accounted for 2.5% of the market share in telecommunication network-related software development service industry in terms of revenue.

The gross profit margin in relation to the network-related software products and development service of the top three third-party service providers ranged from approximately 31.3% to 57.2%, while the Project Level Margin of the Company for 2022 was 50.6% (which is represented by one minus the Operating Costs Ratio of approximately 49.4%), which fell within the range. Nevertheless, according to CIC, the industry range of profit margin for projects of network-related software products and development services normally ranged from 20.0% to 40.0%, and the Project Level Margin of the network-related software products and development services of the Company and the gross profit margin of Dingli Communications Corp., Ltd. in the segment of approximately 50.6% and 57.2%, respectively, exceeded the range. This, as far as the Company is concerned, is because the pricing of software development services of the Company was mainly determined based on the estimated cost of software development and there is no standard pricing mechanism for such service. Therefore, the Directors consider, and CIC concurs, that the Project Level Margin of this segment of the Company was not unreasonable.

In addition, the net profit margin of the Company in 2022 also exceeded the overall net profit margin of the top three third-party service providers because of the adoption of a more cost cautious approach in managing its business and selecting projects.

Ranking of the top three third-party service provider, in terms of revenue on network-related software products and development service, China, 2022

Rank	Third-party service provider	Description	Revenue*	Market share of total revenue	Gross profit margin	Overall net profit margin[(2)]
			(RMB million)	(%)		
1	Eastone Century Technology Co., Ltd.	A listed professional telecommunication service provider founded in 2001 and headquartered in Guangdong province. Its business focus on providing network service and integrated solutions for telecommunication operators and developing IoT platforms and applications.	180.0	17.5%	31.3%	0.8%
2	Runjian Co., Ltd.	A listed professional telecommunication service provider founded in 2003 and registered in Guangxi province. Its businesses focus on network management and maintenance in telecommunication and energy industry.	131.3	12.8%	N/A[(1)]	5.2%
3	Dingli Communications Corp., Ltd.	A listed professional telecommunication service provider founded in 2001 and headquartered in Guangdong province. Its business focus on comprehensive solutions for network operations, big data, cloud computing and IoT applications	82.1	8.0%	57.2%	–80.5%
	Sub-total		393.4	38.3%		
	Others		633.9	61.7%		
	Total		**1,027.3**	**100.0%**		

Note:

(1) The network-related software products and development service is not a separate reportable segment in the annual report of Runjian Co., Ltd. (probably due to its size as it only represented approximately 1.6% of the total revenue of Runjian Co., Ltd.) and therefore no gross profit margin is available.

(2) Overall net profit margin is calculated by dividing the net profit attributable to the company's shareholders by total revenue based on their latest published annual reports.

Source: Annual Reports of Companies, CIC

Entry barriers and key success factors of telecommunication network-related software development service industry in China

The following are key barriers of entry to the telecommunication network-related software development service industry in China:

(i) ***understanding in network technologies:*** R&D ability is the foundation of the technology-intensive software industry for software developers to develop efficient software that meet the demand for engineers in performing telecommunication network optimisation and maintenance. For new market entrants, technology barrier is difficult to overcome because developing software that fits different standard from different telecommunication operators require comprehensive understanding in telecommunication network technologies.

(ii) ***close relationship with telecommunication operators:*** telecommunication operators, being major users and key clients in the market, would incur considerable cost and expenses in telecommunication network optimisation and maintenance and its related software. For players in the industry, close cooperation relationship with telecommunication operators will therefore be beneficial to the long-term development of the players.

(iii) ***recognition from industry professionals:*** recognition from industry professionals means that the software is able to solve the practical pain points of engineers and improve their work efficiency. Within the highly professional industry of telecommunication network optimisation and maintenance, the recognition from industry professionals is important for software developers to expand their business.

(iv) ***talent acquisition:*** experienced and qualified software engineers are essential in developing telecommunication network-related software, and they are required to have solid background knowledge for telecommunication network service as well as software develop abilities. Talents with such qualities become key assets for market players in the industry.

CHALLENGES OF TELECOMMUNICATION NETWORK SERVICE, ICT INTEGRATION SERVICES AND TELECOMMUNICATION NETWORK-RELATED SOFTWARE DEVELOPMENT SERVICE INDUSTRY

The major challenges for service providers of the telecommunication network service, ICT integration services, and telecommunication network-related software development service industry in China include shortage of high-end technical personnel, intense market competition, and high reliance on few customers.

(i) ***shortage of technology professionals:*** the telecommunication network service, ICT integration services and telecommunication network-related software and development industry is a talent and technology-intensive industry, which has huge demand for professional technical personnel with solid technical background, comprehensive application ability, as well as practical experience to perform services in efficient manner, and these technology professionals in high demand in the market. At present, shortage of technology professionals has become one of the bottlenecks that restrict the expansion of market players.

(ii) ***intense market competition:*** as there are a large number of companies actively competing in the industry, the market competition is rather intense and market players tended to use lower price to bid more projects. As a result, the actual contract price in the market has decreased continually. For instance, the price discount of telecommunication network service contracts for telecommunication operators has gradually decreased from approximately 50% in 2018 to approximately 40% in 2022 and is expected to continue to decline in the future, which leads to shrinking profit margins of market players.

(iii) ***high reliance on few clients:*** in China, telecommunication network industry is dominated by the three telecommunication operators, and it is important for market players to maintain good relationships with them and it is difficult to diversify such concentration risks.

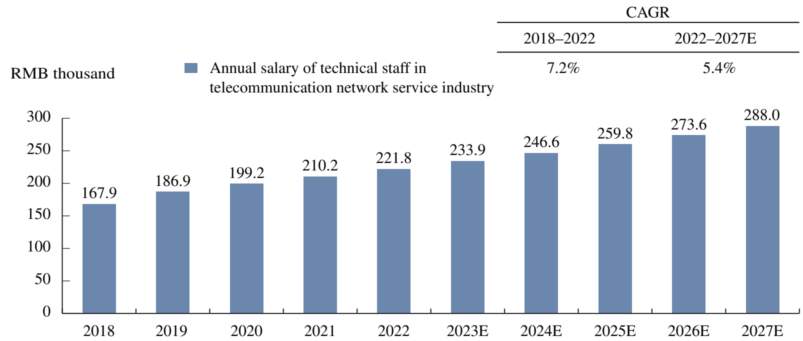
ANALYSIS OF LABOUR COST IN TELECOMMUNICATION NETWORK SERVICE INDUSTRY IN CHINA

The telecommunication network service industry is also labour intensive and thus rising labour costs would have significant impact on industry players' operating performance.

With the aging of population in China, labour cost has been increasing in recent years, with the annual salary of technical staff in the telecommunication network service industry increased from RMB167.9 thousand in 2018 to RMB221.8 thousand in 2022, representing a CAGR of 7.2%. It is expected that their annual salary will continue to increase and reach RMB288.0 thousand in 2027 with a CAGR of 5.4% from 2022 to 2027. However, due to fierce market competition and the decline of profit margin in the telecommunication network service industry, the future growth rate is expected to be lower than that in the previous five years.

To reduce the risk of declining profitability caused by rising labour costs, it is important for market players in telecommunication network service industry to apply efficient human resource management, labour skill training and improve work efficiency of employees.

Annual salary of technical staff in telecommunication network service industry, China, 2018–2027E



Source: MIIT, CIC

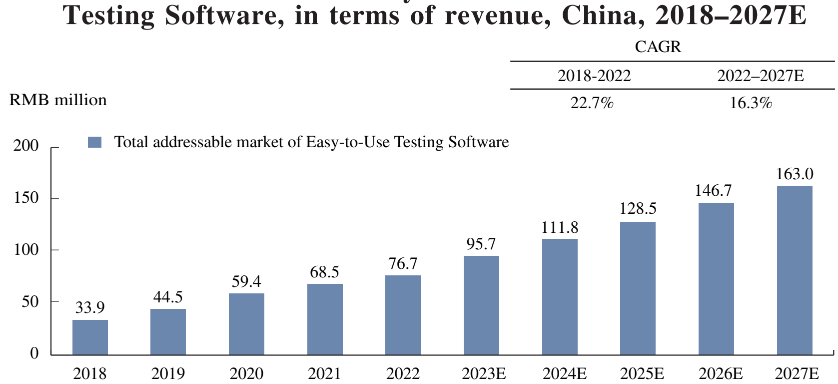
ANALYSIS OF TELECOMMUNICATION NETWORK TESTING SOFTWARE IN CHINA

China's telecommunication network testing software industry has experienced steady growth in recent years. With telecommunication operators' increasing investment in the construction of telecommunication network facilities in China, their demand for high-quality telecommunication network access devices will continue to grow, and easy-to-use telecommunication network testing software would be an optimal solution for these operators.

In relation to traditional network testing software, which is mainly provided by leading ICT companies and telecommunication network service providers, their solutions are more adaptive to professional testing needs, which can only be used on computers or customized smartphones, and is at high cost but with poor portability. On the contrary, the easy-to-use telecommunication network testing software has the advantage of affordability and portability, and the application of this software solution can be expanded to new target users who are individual non-technical users, such as marketing and management personnel engaged in telecommunication and other industries. There are few similar software in the market that have comparable functions, accessibility and price point, and the market is not yet saturated.

Driven by the growing demand for easier access to network testing, the total number of target clients of telecommunication network testing software in China is expected to increase from 2.1 million in 2022 to 3.7 million in 2027, with a CAGR of 12.1%. Based on the total number of target clients in China and their expected annual expenses on the easy-to-use telecommunication network testing software, the total addressable market of this industry in China has increased from RMB33.9 million in 2018 to RMB76.7 million in 2022, representing a CAGR of 22.7%. Along with the popularity of IoT devices and the development of 5G and 6G telecommunication technologies, this market size is expected to continue growing to approximately RMB163.0 million by 2027, representing a CAGR of 16.3% from 2022 to 2027. The following chart presents the total addressable market of easy-to-use telecommunication network testing software industry in China from 2018 to 2027.

Total addressable market of Easy-to-Use Telecommunication Network Testing Software, in terms of revenue, China, 2018–2027E



Source: MIIT, SRRC, CIC

LAWS AND REGULATIONS IN RELATION TO OUR GROUP'S BUSINESS IN THE PRC

Our business operations are subject to extensive supervision and regulation in the PRC. This Regulatory Overview sets out a summary of the principal laws, regulations and policies to which we are subject.

Regulations and policies relating to the industry

Pursuant to *the Catalogue for the Guidance of Industrial Structure Adjustment* (《產業結構調整指導目錄》) (2019 Version) promulgated by the National Development and Reform Commission ("**NDRC**") on 30 October 2019 and amended on 30 December 2021, telecommunication network-based technology service (including software development, operation and maintenance) is the industry being encouraged.

In accordance with *the Administrative Provisions on the Qualification of Construction Enterprises* (《建築業企業資質管理規定》) promulgated on 6 October 1995 and amended on 18 April 2001, 26 June 2007, 22 January 2015, 13 September 2016 and 22 December 2018 respectively, a construction enterprise shall apply for its qualification based on its conditions such as assets possessed by it, main personnel, achievement of construction projects completed, and technical equipment, and may only engage in construction activities within the scope of its qualification, after passing the qualification examination and obtaining the qualification certificate of construction enterprise. The administrative department in charge of housing and urban-rural development under the State Council shall be responsible for the centralized supervision and administration of qualifications of construction enterprises nationwide. The administrative department in charge of housing and urban-rural development of the people's government of a province, autonomous region or municipality directly under the Central Government shall be responsible for the centralized supervision and administration of qualifications of construction enterprises within its own jurisdiction.

In accordance with *the Construction Law of the PRC* (《中華人民共和國建築法》) promulgated on 1 November 1997 and amended on 22 April 2011 and 23 April 2019 respectively, construction enterprises, survey units, design units and project supervision units engaging in construction activities shall be classified into different grades of qualifications in accordance with its conditions such as the registered capital, specialized technical personnel, technical equipment in their possession and achievements in construction projects completed, and may engage in construction activities within the scope permitted by their respective qualification grades on obtaining the qualifications certificates of corresponding grades upon passing qualification examination.

In accordance with *the Regulations on the Administration of Security and Technology of Guangdong Province* (《廣東省安全技術防範管理條例》) promulgated on 7 July 2002 and amended on 23 July 2010, the public security authorities shall implement classified management upon the operations including the design, construction and maintenance of security-technology-guard-system for preventive security. And those who have not obtained the corresponding qualification certificates shall not be engaged in the above operations.

Foreign investment

Pursuant to *the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法》) promulgated on 15 March 2019 and came into effect on 1 January 2020, and *the Implementation Regulations for the Foreign Investment Law of the PRC* (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on 26 December 2019 and came into effect on 1 January 2020, the State implements a management system of national treatment before the entry of foreign investment plus a negative list. If the investment conducted by investors from Hong Kong Special Administrative Region and Macau Special Administrative Region, *the Foreign Investment Law and the Implementation Regulations for the Foreign Investment Law* shall apply.

Foreign investments in different industries in the PRC are regulated through *the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition)* (《外商投資准入特別管理措施(負面清單) (2021年版)》) ("*Negative List*") and *the Negative List for Market Access (2022 Version)* (《市場准入負面清單(2022年版)》) ("*Market Access Negative List*") which were jointly promulgated by the NDRC and the Ministry of Commerce of the PRC. According to the 2021 version of *the Negative List* promulgated on 27 December 2021 and came into effect on 1 January 2022 and *the Market Access Negative List* issued on 12 March 2022, all kinds of market players may enter into industries, fields, business and so on outside *the Market Access Negative List* in a legal and equal way. Foreign investors may not invest in areas where foreign investors are prohibited from investment as provided by *the Negative List*. A foreign investment permission must be obtained prior to investing in other areas that are not prohibited in the Negative List. Telecommunication network-based technology service (including software development, operation, maintenance and so on) has not been included in the Negative List and matters that are prohibited from entry in the Market Access Negative List.

Bid Invitation and Bidding

In accordance with *the Bid Invitation and Bidding Law of the PRC* (《中華人民共和國招標投標法》), which was promulgated on 30 August 1999 and amended on 27 December 2017, the following construction projects to be undertaken within the territory of the PRC, including the surveying, design, construction and supervision of such projects as well as the purchase of key equipment and materials for such projects, shall be subject to bid invitation:

- large infrastructure and public utility projects that concern public interests and security;
- projects invested completely or partly with State-owned funds or financed by the State;
- projects using loans or aid funds from international organizations or governments of other countries.

In accordance with *Provisions for Engineering Projects Compulsorily Subject to the Bidding Process* (《必須招標的工程項目規定》) promulgated by NDRC on 27 March 2018 and came into effect on 1 June 2018, and *Provisions on the Scope of Infrastructure and Public Utility Projects Compulsorily Subject to the Bidding Process* (《必須招標的基礎設施和公用事業項目範圍規定》) promulgated by NDRC and came into effect on 6 June 2018:

1. Large infrastructure and public utility projects that concern public interests and security include:

   - Energy infrastructure projects for coal, oil, natural gas, power, new energy, etc.;
   - Transport infrastructure projects with respect to railway, highway, pipelines, waterways, public aviation airports and Level A1 general aviation airports, etc.;
   - Communications infrastructure projects for telecommunications hubs, telecommunications information networks, etc.;
   - Water resource infrastructure projects for flood control, irrigation, flood drainage, water diversion (supply), etc.;
   - Urban rail transit projects and other urban construction projects.

2. Projects invested completely or partly with State-owned funds or financed by the State include:

   - Projects using a budget fund of over RMB2 million which accounts for more than 10 percent of the project's investment amount;
   - Projects using funds sourced from state-owned enterprises or institutions with a controlling or dominant position.

3. Projects using loans or aid funds from international organizations or governments of other countries include:

   - Projects financially supported with loans or aid funds offered by international organizations such as the World Bank and the Asian Development Bank;
   - Projects invested with loans or aid funds from foreign governments or authorities thereunder.

Projects within the above scope must undergo the bidding process if the procurement of survey, design, construction or supervision services, or important equipment and materials relating to engineering construction, meets any of the following standards:

- The estimated price of a single construction contract is over RMB4 million;
- For the procurement of important equipment, materials or other goods, the estimated price of a single contract is over RMB2 million;

- For the procurement of survey, design or supervision services, the estimated price of a single contract is over RMB1 million.

Where the procurement of survey, design, construction or supervision services, or important equipment and materials relating to engineering construction in a single project can be made together, such project must be subject to the bidding process if the estimated contract price totals the criteria given in the preceding paragraph.

Real property

In accordance with *the Administrative Measures for Commodity Housing Tenancy* (《商品房屋租賃管理辦法》) promulgated on 1 December 2010 and came into effect on 1 February 2011, the parties concerned to a housing tenancy shall sign a tenancy contract in accordance with applicable laws and administrative regulations. The parties concerned to a housing tenancy shall go through the housing tenancy registration formalities with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the housing tenancy contract is signed.

Intellectual property

Patent

In accordance with *the Patent Law of the PRC* (《中華人民共和國專利法》) promulgated on 12 March 1984 and amended on 4 September 1992, 25 August 2000, 27 December 2008 and 17 October 2020 respectively, the patent administration division of the State Council shall be responsible for the patent administration throughout the PRC, and shall accept and examine patent applications and grant patent rights in accordance with laws. The patent administration department of the people's governments of provinces, autonomous regions or municipalities shall be responsible for the patent administration within their respective own jurisdictions.

Pursuant to *the Patent Law*, to be granted a patent, an invention or a utility model shall be novel, inventive and practically applicable. Generally, only one patent right will be granted for each invention, utility model and appearance design. The patent right for inventions shall be valid for 20 years, the patent right for utility models shall be valid for 10 years, and the patent right for designs shall be valid for 15 years, in all cases shall be from the initial filing date of the patent application. The patentee shall pay an annual fee since the year in which the patent right was granted. In any of the following cases, the patent right shall cease before the expiration of its duration:

- where an annual fee is not paid as prescribed;

- where the patentee abandons his or its patent right by a written declaration.

Any cessation of the patent right shall be registered and announced by the patent administrative department of the State Council.

Trademark

In accordance with *the Trademark Law of the PRC* (《中華人民共和國商標法》) promulgated on 23 August 1982, came into effect on 1 March 1983 and amended on 22 February 1993, 27 October 2001, 30 August 2013 and 23 April 2019 of which the last amendment has become effective on 1 November 2019, the Trademark Office of the administrative department for industry and commerce under the State Council shall be responsible for the registration and administration of trademarks in the PRC. The administrative department for industry and commerce under the State Council shall establish a Trademark Review and Adjudication Board to be responsible for handling trademark disputes. Any natural person, legal person, or other organizations that needs to acquire the exclusive right to use a trademark in the production and operation activities shall file an application for trademark registration with the Trademark Office.

Registered trademarks shall be valid for 10 years from the date when the registration is approved. If a registrant needs to continue to use the registered trademark after its expiration, an application for registration renewal shall be made within 12 months before the expiration date. If the registrant fails to apply in a timely manner, an extension period of an additional six months may be granted. If no application has been filed before the extension period expires, the registered trademark shall be deregistered. Each renewal of registration shall be valid for 10 years.

Copyright

According to *the Copyright Law of the PRC* (《中華人民共和國著作權法》) promulgated on 7 September 1990 and revised on 27 October 2001, 26 February 2010 and 11 November 2020 respectively, *the Regulations for the Implementation of the Copyright Law of the PRC* (《中華人民共和國著作權法實施條例》) promulgated on 30 May 1991 and revised on 2 August 2002, 8 January 2011 and 30 January 2013 respectively and *the Regulation for Computer Software Protection* (《計算機軟件保護條例》) promulgated on 4 June 1991, revised on 20 December 2001, 8 January 2011 and 30 January 2013, works of citizens, legal persons or other organizations of the PRC, whether published or not, enjoy copyright protection under this Law. According to *the Measures for the Registration of Computer Software Copyright* (《計算機軟件著作權登記辦法》) promulgated and came into effect on 20 February 2002 and amended on 18 June 2004, such measures are applicable to registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts of software copyright. The state copyright administrative department shall encourage software registration and give priority to the protection of the registered software.

Domain name

According to *the Administrative Measures for Internet Domain Names* (《互聯網域名管理辦法》) promulgated by Ministry of Industry and Information Technology ("**MIIT**") on 24 August 2017 and coming into effect on 1 November 2017, MIIT shall be responsible for supervising and administering nationwide domain name services and the communications administrations of all provinces, autonomous regions and municipalities directly under the central government shall supervise and administer domain name services within their respective administrative region. The ". CN" and the ".zhongguo (in Chinese character)" shall be China's national top-level domain names. Chinese domain names are an integral part of the internet domain name system of China. The State shall encourage and support the technical research, promotion and application of the Chinese domain name system.

Production safety

The principal law on production safety is *the Production Safety Law of the PRC* (《中華人民共和國安全生產法》) promulgated on 29 June 2002 and amended on 27 August 2009, 31 August 2014 and 10 June 2021 respectively. Pursuant to *the Production Safety Law*, manufacturing companies should establish a safe production system and improve working conditions in accordance with this law and other relevant laws, administrative regulations and national standards or industrial specifications.

Labour protection

Labour contracts

Pursuant to *the Labour Law of the PRC* (《中華人民共和國勞動法》) which was promulgated on 5 July 1994 and was amended on 27 August 2009 and 29 December 2018, *the Labour Contract Law of the PRC* (《中華人民共和國勞動合同法》) which was promulgated on 29 June 2007 and was amended on 28 December 2012, and *the Regulations on the Implementation of Labour Contract Law of the PRC* (《中華人民共和國勞動合同法實施條例》) which was promulgated and came into effect on 18 September 2008, the labour contract is the basic form of employment adopted by the PRC enterprises, and, employers shall enter into labour contracts with employees within one month since the date of employment.

Social insurance

According to *the Law of Social Insurance of the PRC* (《中華人民共和國社會保險法》) which was promulgated on 28 October 2010 and was amended on 29 December 2018, the Chinese social security system basically consists of five major types of social insurances, namely maternity insurance, endowment insurance, medical insurance, unemployment insurance and industrial injury insurance, and each company in the PRC is required to contribute social insurance for its employees. If any company fails to fully pay the social insurance premiums, the social insurance contributions collecting agency shall place an order with the employer demanding full payment within a prescribed period, and an overdue payment at the rate of 0.05% per day shall be levied as of the date of indebtedness. When the payment is not made at the expiry of the prescribed period, a fine above the overdue amount but less than its triple shall be demanded by the relevant administrative department.

Under *the Interim Regulation on the Collection and Payment of Social Insurance Premiums* (《社會保險費徵繳暫行條例》) promulgated on 22 January 1999 and revised on 24 March 2019, employers and individuals shall pay social insurance premiums timely in full amount. At the same time, it clarified that if an employer fails to pay and withhold social insurance premiums, the labour insurance administrative department or the tax authority shall order it to pay within a prescribed time limit. When the payment is not made at the expiry of the prescribed time limit, 0.2% of the amount of arrears per day shall be collected.

Housing provident fund

According to *the Regulation on Management of Housing Provident Fund* (《住房公積金管理條例》) promulgated on 3 April 1999 and amended on 24 March 2002 and 24 March 2019, employers in the PRC must register with the housing provident fund management centre. Employers will then need to open housing fund accounts for their employees and contribute to the fund at a rate of not less than 5% of the employee's average monthly salary in the previous year.

Any entity fails to make payment and deposit registration of housing provident fund or go through the formalities for opening housing provident fund account for its employees will be ordered by the housing provident management centre to process the foregoing within prescribed period, otherwise it will be imposed a fine ranging from RMB10,000 to RMB50,000. Any entity fails to make payment of housing provident fund timely or have shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management centre is entitled to apply for compulsory enforcement with the people's court.

Tax

Enterprise income tax (EIT)

According to *the EIT Law of the PRC* (《中華人民共和國企業所得稅法》) which was promulgated on 16 March 2007 and was amended on 24 February 2017 and 29 December 2018, and *the Regulation on Implementation of the EIT Law of the PRC* (《中華人民共和國企業所得稅法實施條例》) which was promulgated on 6 December 2007 and revised on 23 April 2019, unless specified, a uniform income tax rate of 25% applies to all enterprises within the territory of the PRC. These enterprises are classified as either resident companies or non-resident companies. Under *the EIT Law*, enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "resident enterprises" and thus will generally be subject to enterprise income tax at the rate of 25% on their global income. Also, *the Regulation on Implementation of the EIT Law* defines the term "de facto management bodies" as "bodies that substantially carry out comprehensive management and control on the production, operation, personnel, accounts and assets of enterprises".

According to *the EIT Law,* certain high-tech enterprises are entitled to a reduced EIT rate of 15%. *The Administrative Measures for the Determination of High and New Technology Enterprise* (《高新技術企業認定管理辦法》) which was promulgated on 14 April 2008 and revised on 29 January 2016 provides that, a company that is to be certified as a High-tech Enterprise shall meet certain criteria under relevant laws and regulations. Once an enterprise obtains the high-tech enterprise qualification, it may apply for the tax reduction or exemption with the competent tax authorities.

According to *the Announcement of the State Administration of Taxation on Issuing the Revised Measures for the Handling of Matters concerning Preferential Enterprise Income Tax Policies* (《國家稅務總局關於發佈修訂後的〈企業所得稅優惠政策事項辦理辦法〉的公告》), which was promulgated on 25 April 2018 and applicable to the final settlements and payments of enterprise income tax for 2017 and the handling of matters concerning PIE Tax for subsequent years, matters concerning PEI Tax refer to those preferences prescribed in the EIT Law and those developed by the State Council and ethnic autonomous areas upon authorization by the EIT Law. An enterprise shall, based on its operating conditions and related tax regulations, determine on its own whether it meets the conditions stipulated in the preferential items. Those enterprises who meet the conditions may calculate the tax deductions accordingly and may enjoy EIT preferences by filing an EIT return. Such enterprises shall collect and save relevant documents for future reference.

Withholding Tax on Dividends

According to *the Arrangements between the Mainland 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》), which was signed on 21 August 2006 and amended and became effective on 11 June 2008, 20 December 2010, 29 December 2015 and 6 December 2019, the withholding tax rate for dividends paid by the PRC resident enterprise to a Hong Kong resident enterprise is 5%, if the Hong Kong enterprise holds at least 25% of equity interests of the PRC enterprise directly. According to *the Notice of the State Administration of Taxation on Issues Concerning the Implementation of the Dividend Clauses of Tax Agreement* (《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 20 February 2009, all of the following requirements should be satisfied where a fiscal resident of the other party to the tax agreement needs to be entitled to such tax agreement treatment as being taxed at a tax rate specified in the tax agreement for the dividends paid to it by a PRC resident company: (a) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (b) owner's equity interests and voting shares of the PRC resident company directly owned by such a fiscal resident reaches a specified percentage; and (c) the equity interests of the PRC resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reaches a percentage specified in the tax agreement.

Regulations on Transfer Price

According to *the Circular of the SAT on Printing and Distributing the Implementing Measures for Special Tax Adjustments (for Trial Implementation)* (國家稅務總局關於印發《特別納稅調整實施辦法(試行)》的通知) promulgated by SAT on 8 January 2009 and became effective on 1 January 2008, and was amended on 16 June 2015, 29 June 2016, 11 October 2016, 11 October 2016, 17 March 2017 and 15 June 2018 respectively, related party transactions between an enterprise and its related parties shall follow the arm's length principle. According to the *Implementation Regulations for the EIT Law* (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and revised on 23 April 2019, for the transactions between the enterprise and its related parties, if not meeting the arm's length principle, or if done by the enterprise for unreasonable commercial purpose, the tax authority may adjust the taxable revenue or income in compliance with reasonable methods (including comparable uncontrolled price method, resale price method, cost-plus method, transactional net profit method, profit split method and other methods that meet the arm's length principle).

Value-added tax (VAT)

Pursuant to *the Interim Regulations of the PRC on Value-added Tax* (《中華人民共和國增值稅暫行條例》) promulgated on 13 December 1993 and amended on 10 November 2008, 6 February 2016 and 19 November 2017 respectively, and t*he Detailed Rules for Implementing the Interim Regulations of the PRC on Value-Added Tax* (《中華人民共和國增值稅暫行條例實施細則》) promulgated on 25 December 1993, amended on 15 December 2008 and 28 October 2011, all entities and individuals engaged in sale of goods, provision of processing, repair and replacement services, sale of services, intangible assets and, or immovables, and the importation of goods within the territory of the PRC shall pay VAT. For VAT taxpayers selling goods, labour services or tangible movable property, leasing services, or importing goods other than those specifically listed in relevant laws and regulations, the VAT rate is 17%, and in certain limited circumstances the VAT rate is 11%. For taxpayers selling services or intangible assets, the tax rate shall be 6%.

Pursuant to *the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates* (《財政部、國家稅務總局關於調整增值稅稅率的通知》) which was issued by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and became effective on 1 May 2018, the original tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods were adjusted to 16% and 10% respectively.

Pursuant to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) which was issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and became effective on 1 April 2019, the original tax rates of 16% and 10% applicable to any taxpayer's VAT taxable sale or import of goods were adjusted to 13% and 9% respectively.

Urban maintenance and construction tax and education surcharges

Pursuant to *the Law of the PRC on Urban Maintenance and Construction Tax* (《中華人民共和國城市維護建設稅法》) which was promulgated on 11 August 2020 and came into effect on 1 September 2021, all entities or individuals who are required to pay consumption tax and value-added tax shall also be subject to urban maintenance and construction tax. Payment of urban maintenance and construction tax shall be based on the amount of the consumption tax and value-added tax actually paid by the taxpayer and shall be made simultaneously. The rates of urban maintenance and construction tax shall be set at 7%, 5% and 1% for a taxpayer located in a city, in a county town or town and in a place other than a city, county town or town, respectively.

In accordance with *the Interim Provisions on the Collection of Education Surcharges* (《徵收教育費附加的暫行規定》) which was promulgated by the State Council on 28 April 1986 and amended on 7 June 1990, 20 August 2005 and 8 January 2011 respectively, all entities and individuals who pay consumption tax, value-added tax and business tax, except for those paying rural education surcharges in accordance with *the Notice of the State Council on Raising Operational Funds of Rural School* (《國務院關於籌措農村學校辦學經費的通知》), shall also be subject to education surcharges. The rate of education surcharges is set at 3% of the amount of value-added tax, business tax and consumption tax actually paid by each entity or individual, and the education surcharges shall be paid simultaneously with the value-added tax, business tax and consumption tax.

Foreign exchange

According to *the Foreign Exchange Control Regulations of the PRC* (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, foreign exchange receipts of domestic institutions or individuals may be transferred to the PRC or deposited abroad; the conditions for transfer to the PRC or overseas deposit, time limit and other details will be specified by the foreign exchange control department of the State Council. Foreign exchange receipts for current account transactions may be retained or sold to financial institutions engaging in the settlement of foreign exchange in accordance with relevant regulations. For foreign exchange proceeds under the capital accounts, approval from the State Administration of Foreign Exchange ("**SAFE**") is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of the State. Domestic institutions or individuals that make direct investments abroad or are engaging in the overseas distribution or trade of valuable securities or derivative products should register according to the provisions of the foreign exchange control department of the State Council. Relevant institutions or individuals should complete the approval or recording procedures prior to foreign exchange registration, if they are required to maintain records, or receive approval from, the competent administration departments in advance as required by the State. However, no prior approval from the SAFE is required for a foreign invested enterprise to convert after-tax dividends into foreign exchange and to remit abroad such foreign exchange from their bank accounts in the PRC. The exchange rate for RMB follows a managed floating exchange rate system based on market demand and supply.

According to *the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in the Investment and Financing and Round-trip Investment Conducted by the PRC Residents via Special Purpose Vehicles (SAFE Circular No. 37)* (《國家外匯管理局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》), which was promulgated and implemented by the SAFE on 4 July 2014, domestic residents (including domestic institutions and resident individuals) are required to register with the competent local branch of SAFE before they make contribution to any offshore special purpose vehicles with legitimate holdings of domestic or overseas assets or interests.

Pursuant to *the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Administration Policies of Direct Investment (SAFE Circular No.13)* (《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》(匯發[2015]13號)) which was promulgated on 13 February 2015 and was amended on 30 December 2019, foreign exchange registration for domestic direct investment and foreign exchange registration for overseas direct investment shall be directly reviewed and handled by banks in accordance with the SAFE Circular No.13 and its appendix *the Direct Investment Foreign Exchange Operating Guidelines for Foreign Exchange Business in Direct Investment* (《直接投資外匯業務操作指引》).

According to *the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (Hui Fa [2016] No.16)* (《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》(匯發[2016] 16號)), which was promulgated and implemented by the SAFE on 9 June 2016, the tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure conditions. The use of foreign exchange incomes of capital accounts by domestic institutions shall follow the principles of authenticity and self-use within the business scope of enterprises. The foreign exchange incomes of capital accounts and capital in RMB obtained by the domestic institutions from foreign exchange settlement shall not be used for the following purposes:

- directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations;
- directly or indirectly used for investment in securities or financial schemes other than bank guaranteed products unless otherwise provided by relevant laws and regulations;
- used for granting loans to non-connected enterprises, unless otherwise permitted by its business scope; and
- used for the construction or purchase of real estate that is not for self-use (except for the real estate enterprises).

According to *the Circular of the State Administration of Foreign Exchange on Further Promoting Cross-Border Trade and Investment Facilitation (Hui Fa [2019] No.28)* (《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》(匯發[2019]28號)), which was promulgated and implemented by the SAFE on 23 October 2019, non-investment foreign-funded enterprises are allowed to lawfully make domestic equity investments by using their capital on the premise that the Negative List are not violated and the projects invested thereby in the PRC are true and compliant.

M&A Rules

According to *the Regulations on 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》), which was promulgated by six PRC governmental and regulatory agencies on 8 August 2006 and amended on 22 June 2009, if any domestic company, enterprise or natural person merges its affiliated domestic company in the name of a company legally established or controlled by the aforesaid domestic company, enterprise or natural person in foreign countries or regions, it shall be subject to the approval of the Ministry of Commerce of the PRC.

According to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》), issued by the MOFCOM on 18 December 2008 and implemented on the same date, for foreign-invested enterprises already established, the transfer of equity from a Chinese party to a foreign party is not subject to the M&A Rules, whether or not there is a relationship between the two parties, or whether the foreign party is an original shareholder or a new investor. Under the M&A Rules, the target company of merger and acquisition only includes domestic enterprise.

REGULATIONS RELATED TO OVERSEAS LISTING

According to the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**"), which was promulgated by China Securities Regulatory Commission (the "**CSRC**") On 17 February 2023 and came into effect on 31 March 2023, where a domestic enterprise seeks to directly conducts overseas offering and listing, the issuer shall file with the CSRC and where a domestic enterprise indirectly conducts overseas offering and listing, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, file with the CSRC.

The Overseas Listing Trial Measures provides that no overseas offering and listing shall be made under any of the following circumstances: (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholders or the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

According to the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which was jointly promulgated the CSRC and other three relevant government authorities on 24 February 2023, a domestic enterprise that, either directly or through its overseas listed entity, publicly discloses or provides to relevant securities companies, securities service institutions, overseas regulatory authorities, and other entities and individuals, any documents and materials that involve state secrets or work secrets of state organs, shall obtain approval from the competent department with examination and approval authority according to the law, and file with the administrative department of confidentiality at the same level for recordation. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and cross-border transfer shall go through the examination and approval procedures in accordance with the relevant regulations of the State.

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 September 2021 and is the holding company of our Group. As at the Latest Practicable Date, our Company had four subsidiaries. Details of our Company, its subsidiaries and the corporate structure of our Group are set out in the sub-section headed "Establishment and development of our Company and our major subsidiaries" in this section.

Immediately following the completion of the Capitalisation Issue and the [REDACTED], WellCell Group will own in aggregate [REDACTED]% of the issued share capital in our Company (without taking into account the [REDACTED] or any Share which may be allotted and issued upon exercise of any option which may be granted under the Share Option Scheme).

BUSINESS DEVELOPMENT

The history of our Group can be traced back to the establishment of WellCell Technology, our major operating subsidiary, in the PRC in 2003 by Mr. Jia and Ms. Liu, together with two business partners, namely Mr. Ju Jianming ("**Mr. Ju**") and Zhuhai Weidi Technology Co., Ltd.* (珠海市緯地技術有限公司) ("**Zhuhai Weidi**"), both are Independent Third Parties of our Company. For details, please refer to the paragraphs headed "Establishment and development of our Company and our major subsidiaries — WellCell Technology" in this section. At the time of incorporation, WellCell Technology was principally engaged in the provision of telecommunication network performance analysis system on Personal Handy-phone System ("**PHS**"), a mobile network system which functioned as a cordless telephone. We gradually expanded our software development business since 2003 by launching our first principal software, a telecommunication network performance analysis system on PHS.

Riding on our experience in developing telecommunication network performance analysis system on PHS, we started to develop and sell wireless telecommunication network performance analysis software which can be used by our customers as the basis of, and a tool for, further implementation of optimisation and maintenance solutions by their in-house or external technical personnel. Having accumulated an understanding of our customers' needs and demands for telecommunication network optimisation and maintenance services, we tapped into the telecommunication network support services industry in 2008. In 2014, on top of our experience and knowledge accumulated in the provision of telecommunication network support services, we tapped into the business of ICT integration services after being engaged to provide integration services of telecommunication network testing equipment for a university in Chongqing. Since then, we have gradually engaged in customised software development for ICT projects and the provision of ICT integration services to our customers. Over the years, we had also gradually developed working relationships with our major customers, including state-owned and private telecommunication operators and telecommunication network equipment manufacturers.

KEY BUSINESS MILESTONES OF OUR GROUP

The following table sets forth the key milestones in the development of the business of our Group since its establishment up to the Latest Practicable Date:

Year	Milestone
2003	WellCell Technology, our major operating entity, was established in Zhuhai, the PRC
	Our first principal product, a telecommunication network performance analysis system on PHS, was launched
	WellCell Technology obtained the Software Enterprise Certification* (軟件企業認定證書) awarded by the Economic and Information Commission of Guangdong Province* (廣東省信息產業廳) ("**Software Enterprise Certification**"), in recognition of its expertise in software development
2007	WellCell Technology was recognised as a High and New Technology Enterprise* (高新技術企業) ("**High and New Technology Enterprise**") by the Department of Science and Technology of Guangdong Province* (廣東省科學技術廳) and was entitled to a tax preference with a reduction of the enterprise income tax from 25% to 15%
2010	The Mobile Remote Control Research and Development Centre* (移動遠程管控研發中心), a cooperative initiative of our Group with a university in Zhuhai for the collaboration on the development of wireless communication software commenced operation
2013	Our Group entered into a cooperation agreement with a university in Guangzhou, the PRC for collaboration on the development of big data technical application
	WellCell Technology obtained the Software Enterprise Certification again
2014	Our Group entered into the first agreement for the provision of ICT integration services with a university in Chongqing
2015	WellCell Technology became recognised as a High and New Technology Enterprise again
	We registered our invention patent Wireless Network Quality Monitoring System and Method* (無線網絡質量監測系統及方法), in the PRC

Year	Milestone
	WellCell Technology obtained the Maturity Level-3 (Defined) software enterprise qualification for Organizational Unit R&D Center from Capability Maturity Model Integration (CMMI) Institute
2017	We obtained the Design, Construction and Maintenance of Safety Technology Protection System Qualification Certificate of Guangdong Province* (廣東省安全技術防範系統設計、施工、維修資格證), which enabled us to tap into the business of ICT integration services in relation to safety technology protection system in the PRC
	We obtained China Telecom Wireless Network Excellent Enterprise Qualification* (中國電信無線網路協優企業資質證書) awarded by China Telecom in recognition of the quality of our telecommunication network support services
	WellCell Technology was recognised as a Key Software Enterprise* (重點軟件企業) by Zhuhai Software Industry Association* (珠海市軟件行業協會) ("**Key Software Enterprise**") and was entitled to a preferential enterprise income tax rate of 10% for that financial year
2018	We developed a number of telecommunication network-related software, such as Wangyou Renwoxing* (網優任我行), the first mobile app launched by the Group for Android devices, and, with a view to centralising the provision of our telecommunication network support services via these software platforms
	We first obtained the Construction Enterprise Qualification Certificate* (建築業企業資質證書) of Level III general contracting for communication engineering construction issued by the Housing and Urban-Rural Development Department of Guangdong Province* (廣東省住房和城鄉建設廳), the Construction Enterprise Qualification Certificate* (建築業企業資質證書) issued by the Housing and Urban-Rural Development Department of Zhuhai City* (珠海市住房和城鄉建設廳), the Work Safety Permit* (安全生產許可證) issued by the Housing and Urban-Rural Development Department of Guangdong Province* (廣東省住房和城鄉建設廳) and the Permit of Installation (Repair, Trial) of Electric Power Facilities* (承裝(修、試)電力設施許可證) issued by the National Energy Administration Southern Regulatory Bureau* (國家能源局南方監管局), which enabled us to tap into the business of telecommunication network infrastructure engineering services in the PRC

Year	Milestone
	WellCell Technology was recognised again as a High and New Technology Enterprise and a Key Software Enterprise
2019	WellCell Technology was recognised again as a Key Software Enterprise
	Our full-dimension multi-scene high-end user market analysis system supported by massive big data* (基於海量大數據支撐的全維度多場景高端用戶市場分析系統) was selected as Big Data Application Demonstration Project in 2018* (2018年大數據應用示範項目) by the Department of Industry and Information of Guangdong Province* (廣東省工業和信息化廳)
2020	We were named as a Professional, Advanced, Specialized and New SME of the Guangdong Province in 2020* (2020年廣東省專精特新中小企業) by the Department of Industry and Information Technology of Guangdong Province* (廣東省工業和信息化廳) in July 2020
2021	We were awarded Zhuhai Enterprise Famous Brand Top 100* (珠海企業知名品牌100強) by Zhuhai Enterprise and Entrepreneur Union* (珠海市企業與企業家聯合會) and Zhuhai Economic Development and Promotion Association* (珠海市經濟發展促進會) in December 2021
	WellCell Technology was recognised again as a High and New Technology Enterprise and a Key Software Enterprise
	WellCell Technology obtained the CMMI Maturity Level 3 software enterprise qualification again
	WellCell Technology was recognised as Guangdong Communication Network Application and Testing Optimisation Engineering Technology Research Center 2021* (2021年度廣東省通信網路應用及檢測優化工程技術研究中心) by the Department of Science and Technology of Guangdong Province* (廣東省科學技術廳)
2022	WellCell Technology was recognised as Zhuhai Communication Network Application and Testing Optimisation Engineering Technology Research Center 2021–2022* (2021–2022年度珠海市通信網絡應用及檢測優化工程技術研究中心) by the Zhuhai Science and Technology Innovation Bureau* (珠海市科技創新局)

For details of other honours and awards of our Group, please refer to the section headed "Business — Recognitions, awards and certifications" in this document.

ESTABLISHMENT AND DEVELOPMENT OF OUR COMPANY AND OUR MAJOR SUBSIDIARIES

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 September 2021 in preparation of the [REDACTED] and is the holding company of our Group. Our Company was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 May 2022 and obtained the business registration certificate under the Business Registration Ordinance (Cap. 30 of the Laws of Hong Kong). As at incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of par value of HK$0.01 each, of which one subscriber Share was allotted and issued as fully paid to the initial subscriber at par on 14 September 2021 and transferred from the initial subscriber to WellCell Group on the same day. On the same date, our Company allotted and issued, credited as fully paid, 199 Shares at par to WellCell Group.

On [●], as part of the Capitalisation Issue, WellCell Group, being our Controlling Shareholder, resolved to increase the authorised share capital of our Company from HK$380,000 divided into 38,000,000 Shares to HK$[●] divided into [●] Shares by the creation of an additional [●] Shares, each ranking *pari passu* with our Shares then in issue in all respects.

Immediately following the completion of the Capitalisation Issue and the [REDACTED], WellCell Group will own in aggregate [REDACTED]% of the issued share capital in our Company (without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme).

As at the Latest Practicable Date, our Group comprised our Company and four subsidiaries, namely WellCell International, WellCell HK, WellCell Technology and WellCell Intelligent. Set out below is a brief corporate history of the subsidiaries of our Company.

WellCell Technology

Early history

WellCell Technology is the key operating subsidiary of our Group. It was established in Zhuhai, the PRC on 20 March 2003 with limited liability. As at the date of its establishment, WellCell Technology had a registered capital of RMB1.0 million which was owned as to 16% by Mr. Jia, 16% by Ms. Liu, 18% by Mr. Ju and 50% by Zhuhai Weidi, a limited liability company incorporated in the PRC which is primarily engaged in the business of developing of multimedia, computer systems and selling of electronic products. Mr. Ju and Zhuhai Weidi are both Independent Third Parties.

In July 2004, because Zhuhai Weidi held different views with the then other shareholders in terms of the development and future plans of WellCell Technology, Zhuhai Weidi disposed of its entire equity interest in WellCell Technology by transferring 16%, 17% and 17% to Mr. Ju, Mr. Jia and Ms. Liu, respectively, at the total consideration of RMB450,000. In April 2009, due to personal reasons, Mr. Ju disposed of his entire equity interest of 34% in WellCell Technology to Mr. Jia and Ms. Liu equally, each of whom received 17% equity interest, at the consideration of RMB170,000 for each transfer. The consideration of the said transfers were based on, and proportionate to, the then registered capital of WellCell Technology. After such share transfers, WellCell Technology was owned as to 50% by Mr. Jia and 50% by Ms. Liu as at 6 May 2009. Subsequently, after several rounds of capital injection and reduction, the registered capital of WellCell Technology was increased to RMB10.1 million as at 14 August 2015.

On 19 January 2016, the registered capital of WellCell Technology was further increased to RMB11.1 million after the injection of RMB1.0 million by Zhuhai Kapok Investment Management Partnership (Limited Partnership) (珠海木棉花投資管理合夥企業(有限合夥)) ("**Zhuhai Kapok**"), which consequently became a shareholder of WellCell Technology. As confirmed by our Directors, the partners of Zhuhai Kapok were the employees of WellCell Technology, including Mr. Jia. On the same date, (i) Mr. Jia entered into three equity transfer agreements, pursuant to which Mr. Jia transferred approximately 3.5%, 0.3% and 2.7% equity interest in WellCell Technology to Mr. Wang Lei ("**Mr. Wang**") who was the supervisor of Guizhou WellCell, Ms. Lu Yan ("**Ms. Lu**") who was the financial controller of WellCell Technology and Mr. Cong at a consideration of approximately RMB0.7 million, RMB60,000 and RMB0.6 million, respectively; and (ii) Ms. Liu entered into two equity transfer agreements, pursuant to which Ms. Liu transferred her approximately 1.4% and 2.1% equity interest in WellCell Technology to Mr. Wang and Ms. Lu at a consideration of approximately RMB0.3 million and RMB0.4 million, respectively. The considerations for the said transfers were based on the then net asset value of WellCell Technology with reference to its audit report as of 31 December 2015. The said capital injection and transfers were completed on 25 January 2016.

After the above transfers and capital injection, WellCell Technology was owned as to approximately 42.3% by Ms. Liu, 39.5% by Mr. Jia, 9.0% by Zhuhai Kapok, 4.5% by Mr. Wang, 2.5% by Mr. Cong and 2.2% by Ms. Lu. Such transfers and capital injection were conducted in contemplation of WellCell Technology's listing on the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) (the "**NEEQ**") in 2016, details of which are set forth in the paragraphs headed "Previous listing of WellCell Technology on the NEEQ" below in this section.

Previous listing of WellCell Technology on the NEEQ

WellCell Technology had previously sought a listing on the NEEQ to tap into the capital market in the PRC. On 25 April 2016, WellCell Technology was converted from a limited liability company into a company limited by shares, with its net assets converted into an issued share capital of RMB22,000,000. On 9 December 2016, the shares of WellCell Technology were listed and traded on NEEQ (stock code: 870034).

Reasons for delisting of WellCell Technology from the NEEQ and the [REDACTED] in the Stock Exchange

During the time when WellCell Technology was listed on the NEEQ, its shares had a low trading volume, which inhibited its ability to raise funds publicly to continuously support its business growth. WellCell Technology was voluntarily delisted from the NEEQ in August 2018, as approved by The National Equities Exchange And Quotations Co., Ltd.* (全國中小企業股份轉讓系統有限責任公司). When it was delisted from the NEEQ, the market capitalisation of WellCell Technology was approximately RMB63.4 million (calculated with reference to its then total issued shares and the trading price for the last sale of shares on the NEEQ by an Independent Third Party to Mr. Jia). Such market capitalisation is materially lower than the expected [REDACTED] of our Shares upon [REDACTED] primarily because our Group's business scale, revenue and profit levels have materially grown over the years, and the market capitalisation of Wellcell Technology prior to its delisting from the NEEQ may not have fully reflected its value due to the low trading volume before delisting. As WellCell Technology's delisting from the NEEQ has been approved by all shareholders, no privatisation process was required to be carried out in connection with its delisting from the NEEQ. WellCell Technology's delisting from the NEEQ was our commercial and strategic decision, based on our Group's business development plans and desire to attain greater access to international investors and markets by seeking [REDACTED] on other eligible exchange.

Our Directors believe that WellCell Technology's delisting from the NEEQ and our Group's seeking of [REDACTED] on the Stock Exchange will be in the interest of our Group's business strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(1) the NEEQ is a market in the PRC which it restricted to only qualified investors which can meet the requirements in relation to paid-up capital or average daily financial assets. The nature of the NEEQ and its low trading liquidity could make it difficult to (a) identify and establish the fair value of our Group to reflect its competitive strengths; (b) publicly raise funds, in equity or debt, to continuously support our business growth; and (c) execute substantial on-market disposals by Shareholders to realise value;

(2) in contrast, the Stock Exchange, as a leading player of the international financial markets, could offer us a direct access to the international capital markets, enhance our fund-raising capabilities and channels and broaden our Shareholders base. Accordingly, the [REDACTED] would provide us a viable source of capital to support our business growth; and

(3) a [REDACTED] on the Stock Exchange will further raise our business profile and thus, enhance our ability to attract new customers, business partners and strategic investors as well as to recruit, motivate and retain key management personnel for our Group's business.

As confirmed by our Directors and our PRC Legal Advisers, throughout the period it was listed on the NEEQ, (i) WellCell Technology had not issued any new shares; (ii) WellCell Technology and its then directors were not subject to any investigation, disciplinary action or administrative penalties for non-compliance by any regulatory authority nor were they involved in any material breach of rules governing a listing on the NEEQ or other applicable laws and regulations; (iii) there were no material non-compliance incidents or breaches involving our Group's business or its subsidiaries, our Directors or senior management; and (iv) there is no other matter that would needs to be brought to the attention of our Shareholders.

Recent developments

As at the time of its delisting from the NEEQ, WellCell Technology was owned as to approximately 41.8% by Mr. Jia, 39.0% by Ms. Liu, 9.0% by Zhuhai Kapok, 4.5% by Mr. Wang, 3.5% by Mr. Cong and 2.2% by Ms. Lu. Following the delisting from the NEEQ, WellCell Technology was converted back into a limited liability company on 3 September 2018.

On 5 September 2018, Ms. Liu, Zhuhai Kapok, Mr. Wang and Ms. Lu disposed of all his/her equity interest in WellCell Technology and entered into equity interest transfer agreements with the relevant transferees, details are as follows:

Transferor	Transferee	Approximate registered capital transferred	Approximate consideration	Approximate percentage of the registered capital being transferred
		(RMB million)	(RMB million)	(%)
Ms. Liu	Mr. Lin	7.9	9.9	35.8
	Ms. Chen	0.4	0.6	2.0
	Mr. Jia	0.1	0.2	0.7
	Mr. Cong	0.1	0.1	0.5
Mr. Wang	Mr. Lin	1.0	1.2	4.5
Ms. Lu	Mr. Lin	0.5	0.6	2.2
Zhuhai Kapok	Mr. Jia	2.0	2.5	9.0
Total		12.0	15.1	54.7

For personal reasons and to realise her/his gain in the investment in WellCell Technology, Ms. Liu, Mr. Wang and Ms. Lu disposed of her/his entire 39.0%, 4.5% and 2.2% equity interest in WellCell Technology to Mr. Lin and other transferees for the consideration set out above, which was based on the then net asset value of WellCell Technology with reference to its audit report as of 31 December 2017. It is notable that Mr. Wang and Ms. Lu, being ex-employees of WellCell Technology, left Wellcell Technology after they disposed of their equity interest in WellCell Technology. After the said share transfers completed on 11 September 2018, WellCell Technology was owned as to 51.5% by Mr. Jia, 42.5% by Mr. Lin, 4.0% by Mr. Cong and 2.0% by Ms. Chen. Mr. Cong and Ms. Chen are senior employees of WellCell Technology. On the same date, the registered capital of WellCell Technology was increased from RMB22,000,000 to RMB50,000,000. As at the Latest Practicable Date, the additional registered capital has yet to be fully paid up as it is not due until 31 December 2025 according to the articles of WellCell Technology. Our PRC Legal

Advisers confirmed that even though the registered capital of WellCell Technology has not been fully paid up as at the Latest Practicable Date, such non-payment is not in violation of any applicable PRC law.

On 28 September 2018, the shareholders of WellCell Technology resolved to approve the transfer by Mr. Lin of his 5.0% equity interest in WellCell Technology to Mr. Fung, an investor, at a consideration of approximately RMB1.4 million. The consideration for the said transfer was based on the then net asset value of WellCell Technology with reference to its audit report as of 31 December 2017. Upon completion of the transfer on 5 November 2018, WellCell Technology was owned as to 51.5% by Mr. Jia, 37.5% by Mr. Lin, 5.0% by Mr. Fung, 4.0% by Mr. Cong and 2.0% by Ms. Chen.

Branch office of WellCell Technology

In order to prepare for the development of our operation in Shenzhen and neighbouring regions in the PRC and the recruitment of more technical personnel, WellCell Technology established a branch office in Shenzhen on 7 November 2019. As confirmed by our PRC Legal Advisers, WellCell Technology assumes the legal obligations and responsibilities of the branch office as a branch office is not a separate legal entity under the laws of the PRC. As at the Latest Practicable Date, the Shenzhen branch office was not yet active.

WellCell Intelligent

On 3 July 2019, WellCell HK established WellCell Intelligent in the PRC with limited liability. As at the date of its incorporation, WellCell Intelligent had a registered capital of RMB10.0 million which has yet to be fully paid up as it is not due until 31 December 2025 according to the articles of WellCell Intelligent. Our PRC Legal Advisers confirmed that even though the registered capital of WellCell Intelligent has not been fully paid up as at the Latest Practicable Date, such non-payment is not in violation of any applicable PRC law.

WellCell Intelligent was established to principally engage in the research and development of telecommunication network and system, such as the development of software.

Guizhou WellCell (deregistered)

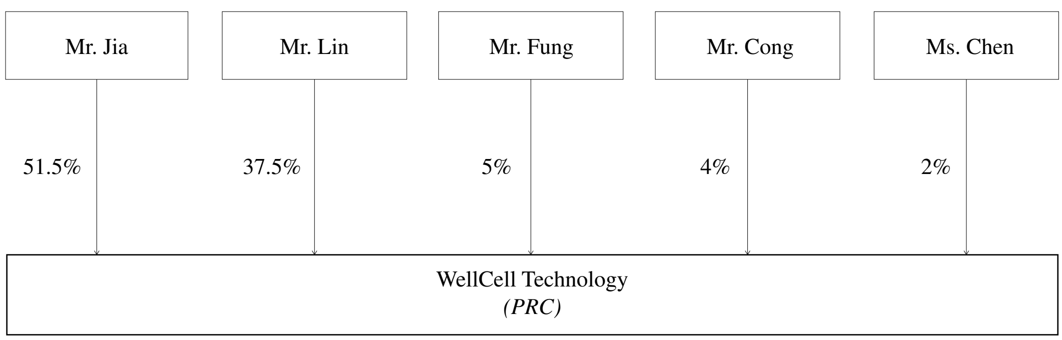
Guizhou WellCell Communication Technology Co., Ltd.* (貴州經緯天地通訊技術有限公司) ("**Guizhou WellCell**") was a former subsidiary of WellCell Technology. On 30 June 2009, WellCell Technology established Guizhou WellCell in Guizhou province, the PRC with limited liability. As at the date of incorporation, Guizhou WellCell had a registered capital of RMB0.5 million and was owned as to 50% by WellCell Technology and 50% by Mr. Wang who subsequently transferred his entire equity interest in Guizhou WellCell to WellCell Technology at the consideration of RMB240,000 on 8 December 2015. It was principally engaged in the provision of telecommunication network support services.

Guizhou WellCell was voluntarily deregistered on 12 February 2018, which, as confirmed by our Directors, was due to inactivity of business. As confirmed by our Directors and concurred by our PRC Legal Advisers, Guizhou WellCell was not involved in any material claim, litigation or non-compliant incident during the Track Record Period. In addition, the deregistration had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

As at the Latest Practicable Date, each of the transactions described above in connection with members of the Group had been duly, validly, and legally completed and settled and all necessary approvals (as applicable) have been obtained from the relevant authorities.

REORGANISATION

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



In preparation for the [REDACTED], we have undergone the Reorganisation, details of which are set out as below:

(1) Incorporation of corporate shareholders of our Company

Shine Dynasty

Shine Dynasty was incorporated in the BVI as a BVI business company with limited liability on 5 July 2018. Shine Dynasty was authorised to issue a maximum of 50,000 shares with a par value of US$1, of which only one share was allotted and issued as fully paid to Mr. Jia at par.

Shine Dynasty is wholly owned by Mr. Jia and is intended to be the investment holding vehicle of Mr. Jia for holding shares of WellCell Group (the Controlling Shareholder of the Company) upon completion of the Reorganisation.

Cheer Partners

Cheer Partners was incorporated in the BVI as a BVI business company with limited liability on 18 July 2018. Cheer Partners was authorised to issue a maximum of 50,000 shares with a par value of US$1, of which only 1 share was allotted and issued as fully paid to Mr. Lin at par.

Cheer Partners is wholly owned by Mr. Lin and is intended to be the investment holding vehicle of Mr. Lin for holding shares of WellCell Group (the Controlling Shareholder of the Company) upon completion of the Reorganisation.

Golden Concord

Golden Concord was incorporated in the BVI as a BVI business company with limited liability on 8 January 2019. Golden Concord was authorised to issue a maximum of 50,000 shares with a par value of US$1, of which only 1 share was allotted and issued as fully paid to Mr. Fung at par.

Golden Concord is wholly owned by Mr. Fung and is intended to be the investment holding vehicle of Mr. Fung for holding shares of WellCell Group (the Controlling Shareholder of the Company) upon completion of the Reorganisation.

Dazzling Power

Dazzling Power was incorporated in the BVI as a BVI business company with limited liability on 8 August 2018. Dazzling Power was authorised to issue a maximum of 50,000 shares with a par value of US$1, of which only 1 share was allotted and issued as fully paid to Mr. Cong at par.

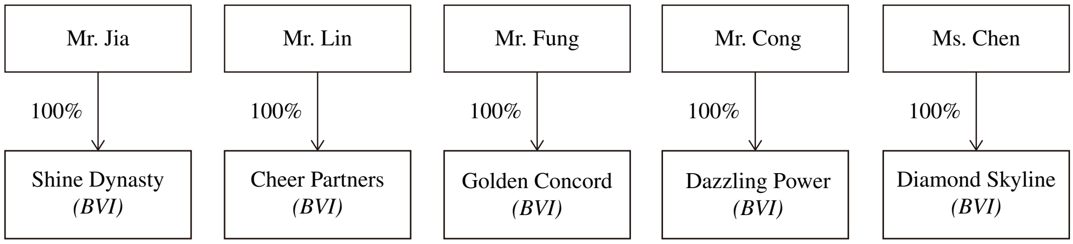
Dazzling Power is wholly owned by Mr. Cong and is intended to be the investment holding vehicle of Mr. Cong for holding shares of WellCell Group (the Controlling Shareholder of the Company) upon completion of the Reorganisation.

Diamond Skyline

Diamond Skyline was incorporated in the BVI as a BVI business company with limited liability on 12 June 2018. Diamond Skyline was authorised to issue a maximum of 50,000 shares with a par value of US$1, of which only 1 share was allotted and issued as fully paid to Ms. Chen at par.

Diamond Skyline is wholly owned by Ms. Chen and is intended to be the investment holding vehicle of Ms. Chen for holding shares of WellCell Group (the Controlling Shareholder of the Company) upon completion of the Reorganisation.

After the above incorporation and issue and allotment of share by each of Shine Dynasty, Cheer Partners, Golden Concord, Dazzling Power and Diamond Skyline, the shareholding structure of the relevant companies was as follows:



(2) Incorporation of WellCell Group

WellCell Group was incorporated in the BVI as a private company with limited liability on 8 February 2019.

WellCell Group was authorised to issue a maximum of 50,000 shares with a par value of US$1, of which 103, 75, 10, eight and four shares were allotted and issued as fully paid to Shine Dynasty, Cheer Partners, Mr. Fung, Dazzling Power and Diamond Skyline at par, respectively on 8 February 2019. Subsequently on 1 September 2021, Mr. Fung transferred his entire equity interest in WellCell Group to Golden Concord at the consideration of US$1.00.

WellCell Group is intended to be a common investment holding company for the interests of Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen in our Company upon completion of the Reorganisation.

(3) Incorporation of WellCell HK

WellCell HK was incorporated in Hong Kong as a private company with limited liability on 19 February 2019. On the date of its incorporation, one share of WellCell HK was allotted and issued as fully paid to WellCell Group at the consideration of HK$1.00.

WellCell HK is intended to be the investment holding vehicle for the holding of the Group's interest in its principal operating subsidiaries, WellCell Technology and WellCell Intelligent upon completion of the Reorganisation.

(4) Acquisition of the entire equity interest of WellCell Technology by WellCell HK

WellCell HK entered into an equity transfer agreement with each of Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen on 1 March 2019, pursuant to which WellCell HK acquired 51.5%, 37.5%, 5%, 4% and 2% equity interest in WellCell Technology at a consideration of approximately RMB14.7 million, RMB10.7 million, RMB1.4 million, RMB1.1 million and RMB0.6 million from Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, respectively. The transfers were completed on 22 March 2019, as a result of which WellCell Technology became wholly owned by WellCell HK.

(5) Incorporation of WellCell Intelligent

WellCell Intelligent was established in the PRC by WellCell HK on 3 July 2019. For details of WellCell Intelligent, please refer to the paragraph headed "Establishment and development of our Company and our major subsidiaries — WellCell Intelligent" in this section.

(6) Incorporation of WellCell International

WellCell International was incorporated in the BVI as a private company with limited liability on 11 August 2021. As at the date of its incorporation, WellCell International was authorised to issue a maximum of 50,000 shares of par value of US$1.00 each, of which one share was allotted and issued as fully paid to WellCell Group at par on even date.

WellCell International is intended to be the offshore investment holding vehicle.

(7) Acquisition of the entire equity interest of WellCell HK by WellCell International

WellCell International entered into an equity transfer agreement with WellCell Group on 27 August 2021, pursuant to which WellCell International acquired from WellCell Group 100% equity interest in WellCell HK at a consideration of the issue and allotment of one additional share in WellCell International to WellCell Group. After the said issue and allotment, a total of two shares of WellCell International were held by WellCell Group. The transfer was completed on 27 August 2021, as a result of which two shares of WellCell International were held by WellCell Group and WellCell HK became wholly owned by WellCell International.

(8) Incorporation of our Company

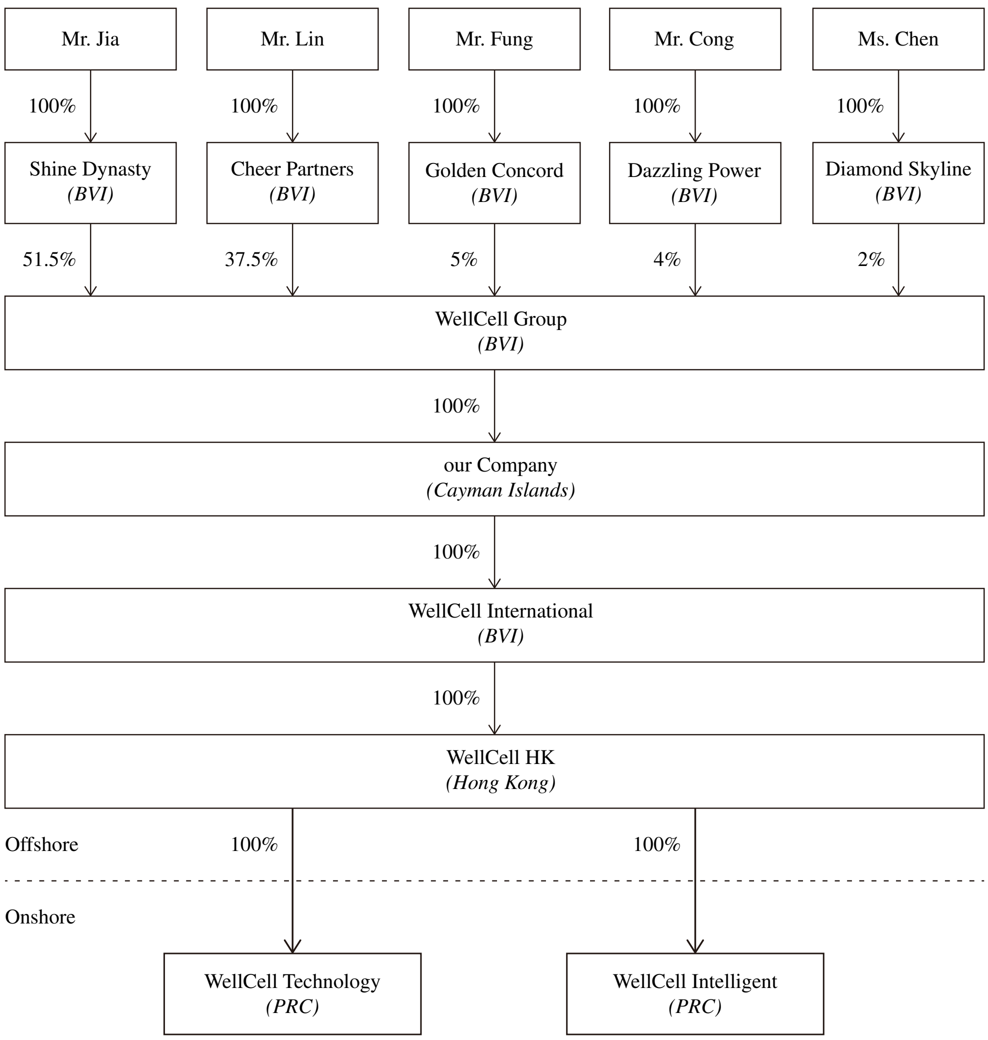
In order to facilitate the proposed [REDACTED], the Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 14 September 2021 to act as the ultimate holding company of the Group. Upon its incorporation, our Company had an initial authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of par value of HK$0.01 each, of which one fully paid subscriber Share was allotted and issued to the initial subscriber at par on 14 September 2021 and transferred from the initial subscriber to WellCell Group on the same day. On the same date, our Company allotted and issued, credited as fully paid, 199 Shares at par to WellCell Group.

Our Company was registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 23 May 2022.

(9) Acquisition of the entire equity interest of WellCell International by our Company

Our Company entered into the Reorganisation Agreement with WellCell Group on 27 April 2023, pursuant to which our Company acquired from WellCell Group 100% equity interest in WellCell International at a consideration of the issue and allotment of 200 additional Shares to WellCell Group. After the said issue and allotment, a total of 400 Shares were held by WellCell Group. The transfer was completed on 27 April 2023, as a result of which WellCell International became wholly owned by our Company.

Upon completion of the reorganisation steps as set out above, our Company became the holding company of our Group. The following chart sets forth the shareholding and corporate structure of our Group immediately following the Reorganisation but prior to the Capitalisation Issue and the [REDACTED]:

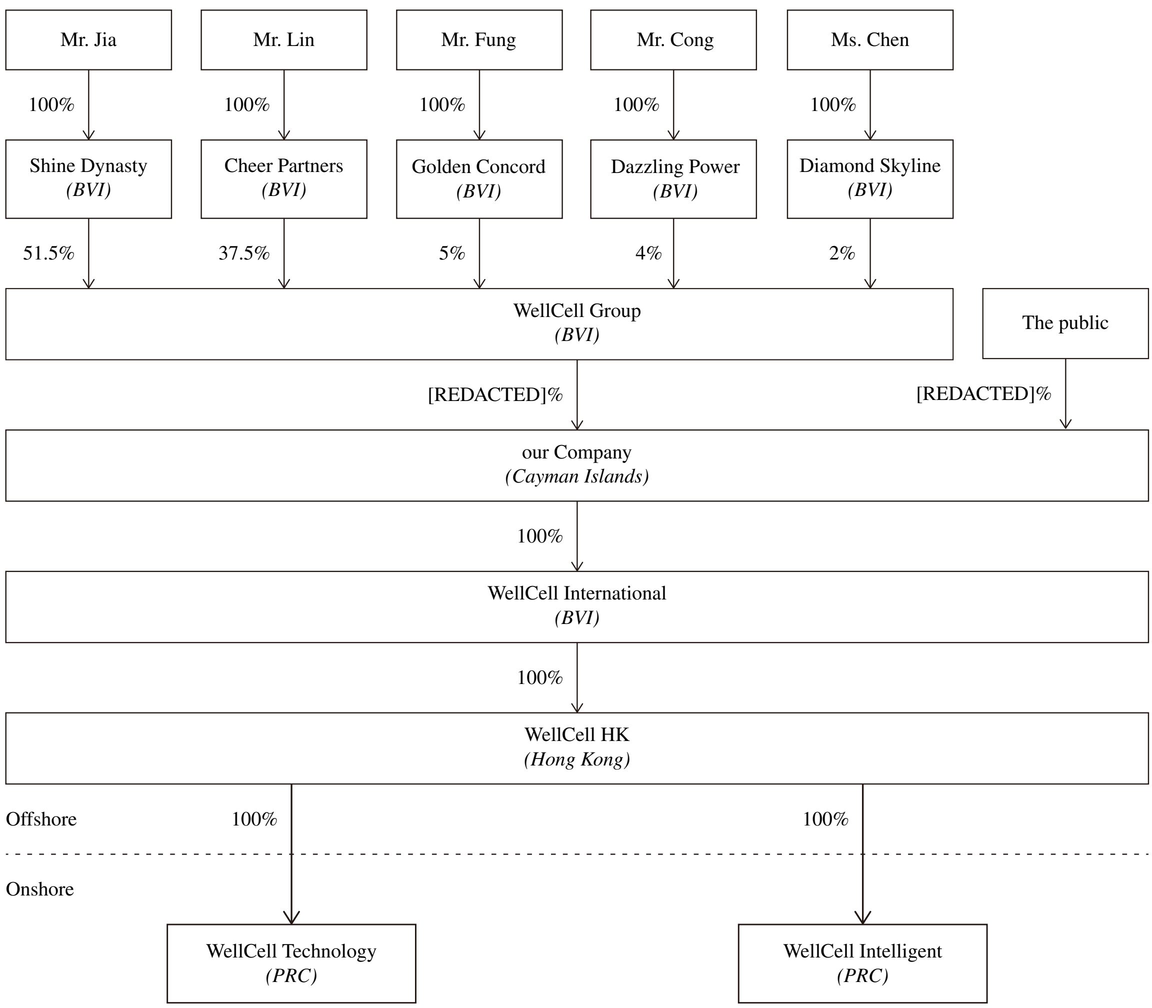


As at the Latest Practicable Date, all the share transfers pursuant to the Reorganisation have been duly, validly, and legally completed and settled and all necessary approvals (as applicable) have been obtained from the relevant authorities.

(10) Capitalisation Issue

Conditional upon the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of [REDACTED] pursuant to the [REDACTED], the Shareholders shall pass a resolution to authorise the Directors to [REDACTED] an amount of [REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par a total of [REDACTED] Shares at par for allotment and issue to WellCell Group, to enable it to maintain its aggregate shareholding in our Company at a percentage of [REDACTED]% of the enlarged issued share capital of our Company (without taking into account the [REDACTED] or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme).

The following chart sets forth the shareholding and corporate structure of our Group immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the [REDACTED] or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme):



SAFE REGISTRATION IN THE PRC

Pursuant to the Circular of the State Administration of Foreign Exchange of the PRC ("**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 "**SAFE Circular 37**"), promulgated by SAFE which became effective on 4 July 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major changes in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction in the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to the SAFE 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 Foreign Exchange Administration on 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**"), promulgated by SAFE and became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, Mr. Jia, Mr. Lin, Mr. Cong and Ms. Chen have completed the registration under the SAFE Circular 37 in November 2018.

OVERSEAS LISTING

The China Securities Regulatory Commission (the "**CSRC**") promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") on 17 February 2023, which took effect on 31 March 2023. According to the Overseas Listing Trial Measures, where a domestic enterprise seeks to directly conduct overseas offering and listing, the issuer shall file with the CSRC and where a domestic enterprise indirectly conducts overseas offering and listing, the issuer shall designate a major domestic operating entity, which shall, as the domestic responsible entity, file with the CSRC. The Overseas Listing Trial Measures provides that if an issuer meets both of the following criteria, the overseas securities offering and listing conducted by the issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as recorded in its audited consolidated financial statements for the most recent financial year is being accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the Mainland China, its principal place(s) of business are located in the Mainland China, or the senior management in charge of its business operation and management are mostly Chinese citizens or domiciled in the Mainland China. Given that we have met both of the aforementioned criteria, our PRC Legal Advisers are of the opinion, which is concurred by our

Directors, the Joint Sponsors and their PRC legal advisers, that we are required to complete the filing procedures with the CSRC and report relevant information with respect to the [REDACTED] pursuant to the Overseas Listing Trial Measures. Our PRC Legal Advisers also confirmed that we have submitted the necessary documents for the CSRC filing within three business days after our resubmission of the application for [REDACTED] to the Stock Exchange, and our Group will comply with the filing requirements under the Overseas Listing Trial Measures.

OVERVIEW

Our Group is a telecommunication network support and information and communication technology (ICT) integration services provider and software developer in the PRC. Our telecommunication network support services mainly include the provision of (i) wireless telecommunication network optimisation services, encompassing both routine and specific services for optimising or restoring the connectivity, quality and coverage of a telecommunication network and/or for tackling specific telecommunication network issues for our customers; and (ii) telecommunication network infrastructure maintenance and engineering services, involving routine maintenance and emergency restoration of the operations of base stations, and provision of engineering and labour services in projects related to construction of telecommunication network infrastructure. Our ICT integration services mainly involve computer system design, equipment and material procurement and installation, integration of software and hardware and implementation, and system commissioning for customers to formulate a customised system for our customers' own businesses. We also develop telecommunication network-related software for evaluation, optimisation and maintenance of wireless networks, both for our own use and for sale to our customers and provide software development services for our customers who look for customised software.

The various kinds of telecommunication network-related services provided by us are complementary to one another which enhance synergistic effects, diversify our revenue streams and solidify our relationship with our customers by offering them complementary services. Hence, a number of our customers are inclined to purchase more than one type of our services from us. During the Track Record Period, 28 of our customers engaged us for more than one of our services and/or both procured our service and purchased our software over the Track Record Period (either in the same year/period or across different years/period in the Track Record Period). Our revenue generated from these 28 customers amounted to approximately RMB138.5 million, RMB162.5 million, RMB173.0 million and RMB66.0 million, respectively, during the Track Record Period.

We typically secure our business by submitting tenders in response to open tenders that may be launched by our potential customers or by submitting private quotations upon request. As a tender may cover more than one kind of service to be provided for the same customer, success in a tender may entail the securing of several projects and contracts from the same customer.

During the Track Record Period, our customers were mainly entities located in various provinces and cities in the PRC and included (i) telecommunication operators which provide telecommunication and internet services to end-users; (ii) telecommunication network equipment manufacturers; and (iii) telecommunication network and technical service providers and general contractors, which have business operations in various cities and provinces in the PRC. Over the years, our Group has established business relationships with a number of customers which are among the leading market players in their industry, including China Comservice, major PRC telecommunication operators and a leading PRC telecommunication tower infrastructure service provider. Revenue generated from our five largest customers in each year/period during the Track

Record Period in aggregate accounted for approximately 59.6%, 61.0%, 51.0% and 46.8%, respectively, of our total revenue, while revenue generated from our largest customer in each year/period during the Track Record Period accounted for approximately 21.2%, 24.0%, 23.8% and 22.6%, respectively, of our total revenue.

During the Track Record Period, our suppliers mainly included (i) suppliers of telecommunication and electronic equipment; and (ii) suppliers of other general hardware and software. Purchases from our five largest suppliers in each year/period during the Track Record Period in aggregate accounted for approximately 70.7%, 54.9%, 79.7% and 88.2%, respectively, of our total project supplies cost, while purchases from our largest supplier in each year/period during the Track Record Period accounted for approximately 21.8%, 14.6%, 61.4% and 47.5%, respectively, of our total project supplies cost. We also engaged subcontractors to carry out certain technical works and non-technical works for our three business lines on an as-needed basis during the Track Record Period. The subcontracting charges paid to our subcontractors generally cover their service fees and the hardware, software, electronic components and equipment procured by the subcontractors and their labour costs.

Owing to the nature of our business, some of our customers are also our suppliers or subcontractors, from which we have procured various services or products. During the Track Record Period, there were three of our major customers which were also our suppliers or subcontractors and one of our major subcontractors was also our customer.

We place great emphasis on our in-house research and development capabilities. As at 30 June 2023, our research and development operation had 69 technical and support personnel and the majority of whom are engineers. The focus of our research includes (i) application of 5G and IoT; (ii) wireless telecommunication; and (iii) big data and signal and data analysis. As at the Latest Practicable Date, reflecting the research, design and development efforts of our Group, we have obtained 73 software copyrights and two invention patents in the PRC. During the Track Record Period, our research and development expenses amounted to approximately RMB16.3 million, RMB10.8 million, RMB16.6 million and RMB5.4 million, respectively, which mainly comprised salary of our research and development staff and materials, and hardware and software used in research and development activities.

Despite the prevalence of COVID-19 in the PRC since late 2019 which led to the PRC government's implementation of a series of interim measures (including restricting travel, suspending or limiting business operations and lockdown of certain cities and regions to combat the spread of the pandemic) with the effective COVID-19 control measures in the PRC, the business operations of our Group gradually returned to normal from the second quarter of 2020. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, the COVID-19 outbreak, including the recent emergence of Omicron variant, did not have any material adverse impact on our business and results of operations. For more details, please see the paragraphs headed "Impact of the COVID-19 outbreak on our business" in this section.

COMPETITIVE STRENGTHS

We believe that our success is attributable to, among other things, the following competitive strengths:

We are a comprehensive telecommunication network support and ICT integration service provider

We are a telecommunication network support and ICT integration service provider that offers a comprehensive range of services and products, from optimisation and maintenance of the existing telecommunication networks of our customers and infrastructure, to the setting up and integration of new ICT systems. We also engage in research and development of software which complements our core services. According to the CIC Report, only few market players in the PRC have a similarly wide range of services as those that we offer. We consider our extensive service coverage to be a competitive strength since it allows us to cross-sell our different types of services and products to our customers. For instance, Customer A, one of our five largest customers throughout the Track Record Period (details of which are set out in the paragraphs headed "Our customers — Our five largest customers during the Track Record Period" in this section), was a customer of our services covering ICT integration services, wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services, software development services and sales of software. Our other major customers may also be inclined to engage us for more than one type of our services and/or products. Our Directors believe that this is attributable to their satisfaction of our services in different lines of our business.

Over the years, our Group has obtained qualifications and accreditations that are material to our business operations from notable institutions in the telecommunication and related industries in the PRC, which include, among others, Construction Enterprise Qualification Certificate* (建築業企業資質證書) (General Contractor for Telecommunication Engineering Construction Level 3* (通信工程施工總承包三級)), Work Safety Permit* (安全生產許可證), Construction Enterprise Qualification Certificate* (建築業企業資質證書) (Professional Contractor for Electronic and Intelligent Engineering Level 2, Professional Contractor for Steel Structure Engineering Level 3, Construction labour* (電子與智能化工程專業承包二級、鋼結構工程專業承包三級、施工勞務不分等級)), Permit for Installation (Repair, Trial) of Electric Power Facilities* (承裝(修、試)電力設施許可證) (Installation Level 4, Repair Level 4, Trial Level 4* (承裝類四級，承修類四級、承試類四級)), Guangdong Province Safety Technology Preventive System Design, Construction and Maintenance Qualification Certificate* (廣東省安全技術防範系統設計、施工、維修資格證), CMMI Maturity Level 3 certification, the recognition of Guangdong Telecommunication Network Application and Testing Optimisation Engineering Technology Research Center 2021* (2021年度廣東省通信網路應用及檢測優化工程技術研究中心), and a series of ISO management certifications. Our Directors believe that these qualifications and accreditation serve as proof of recognition we received from the relevant authorities and other industry organisations in the PRC, and as the credentials evidencing our industry competence. For more details and examples of our recognitions and qualifications, please refer to the paragraphs headed "Licences, approvals and permits" and "Recognitions, awards and certifications" in this section. According to the CIC Report, these recognitions and qualifications are one of the main factors considered by our existing and potential customers in their selection of telecommunication network support, ICT integration and telecommunication network-related software development service providers.

We maintain relationships with our customers which include some renowned state-owned, listed and private enterprises

We believe that our experience and knowledge accumulated in the provision of telecommunication network support services and ICT integration services in the PRC, our dedication to understanding our customers' needs and demands, and our ability to respond to their requests have collectively fostered our customers' confidence in our quality services and products. As such, our Directors believe that our Group is able to establish and maintain relationships with our customers, including some reputable companies of a substantial business scale and thus, expand our customer base. Our customers during the Track Record Period included China Comservice, major PRC telecommunication operators and a leading PRC telecommunication tower infrastructure service provider.

Although it is usually a requirement of our customers, especially those which are state-owned or listed companies, that renewal of fixed term contracts (which are generally one to two years) for provision of routine telecommunication network optimisation services is subject to new tenders following the expiry of the fixed term, our Directors believe we have the following strengths that our existing customers will consider in evaluating new tenders: (i) our track record and experience in the provision of wireless telecommunication network optimisation services; (ii) our delivery of satisfactory services to them; and (iii) the mitigation of their concerns of any uncertainties and additional time that would be incurred in engaging a new service provider.

As for our other services such as specific telecommunication network optimisation services and ICT integration services, upon satisfactory assessment and completion of a project, some customers have expressed their recognition of our services by issuing a letter of commendation or other awards to us, which can be a contributing factor in our participation in other open tenders invited by the same customers for their new projects, and may increase our chances of securing a project.

In general, we have achieved a high customer retention rate, as evidenced by the fact that repeat customers (being customers in a particular year during the Track Record Period who have engaged us for our service or purchased our software at least once in the three financial years immediately preceding that particular year) contributed revenue of approximately RMB163.0 million, RMB174.6 million, RMB198.3 million and RMB88.1 million, representing approximately 83.3%, 85.9%, 87.6% and 77.4%, respectively, of our total revenue during FY2020, FY2021, FY2022 and 6M2023.

Our research and development capabilities allow us to better serve our customers' needs and adapt to the fast-changing industry landscape

The history of our Group can be traced back to 2003 when WellCell Technology, our major operating subsidiary, was established and was at the time principally engaged in the provision of telecommunication network performance analysis system on Personal Handy-phone System ("**PHS**"), a mobile network system which functioned as a cordless telephone. Since then, our Group has been engaged in the research and development of various types of software capable of performing a wide range of functions, such as telecommunication network performance testing and analysis, and integrated telecommunication network management system. Our Group continued to develop software in alignment with our business expansion as a telecommunication network support and ICT integration services provider since 2008 and 2014, respectively. Through the accumulation of research and development experiences over the years, and through regular communication with customers, we have gained knowledge about industry developments and an understanding of customers' specific requirements, and thus possess the ability to develop software that are tailored to the needs of customers.

Our research and development undertakings are supported by our strategically set up infrastructure. We established our own research and development operation in 2003 supported by our in-house engineers and technical personnel to reduce our reliance on technical expertise and software development of third parties. Our recent research focuses include (i) the application of 5G and IoT); (ii) wireless communication; and (iii) big data and signal and data analysis. The results of our research, such as new software or technologies, are then applied to different aspects of our services (such as data collection and analysis to complement our telecommunication network support services), or launched as software for general sale to our customers, or applied in the development of software that we customise for particular customers. During the Track Record Period, revenue generated from the sales of our software, such as our Wangyou Renwoxing Wireless Network Testing and Analysis System ("網優任我行"移動網絡測試分析系統), amounted to approximately RMB11.5 million, RMB9.7 million, RMB3.5 million and RMB4.5 million, respectively.

With our in-house research and development capabilities, in 2007, 2015, 2018 and 2021, respectively, we were recognised as a High and New Technology Enterprise* (高新技術企業), details of which are set out in the paragraph headed "Recognitions, awards and certifications" in this section. Our Directors believe that we are able to cater to our customers' specific needs and develop software that offer particular solutions, and to leverage the latest industry developments to enhance our services. For further details about our software and research and development infrastructure, please refer to the paragraph headed "Our software" and "Research and development" in this section.

We have an experienced management team leading our Group's workforce including technical and professional personnel

We have an experienced and dedicated management team led by our executive Directors, Mr. Jia, Mr. Cong and Ms. Liu, each of whom has over 18 years of experience in the information technology and telecommunication industry in the PRC. Together, they have been instrumental in spearheading the growth and development of our Group, responsible for the overall strategic management, planning and development of our Group's business operations.

In addition, we have an experienced senior management team with extensive operational expertise and in-depth understanding of the industry in which we operate. Members of our senior management team are capable of identifying customers' specific needs and expectations and keeping abreast of the latest developments in the field.

Our management team is supported by over 110 in-house engineers and technicians as at 30 June 2023. By providing adequate on-going training to our professional personnel and enhancing their awareness of the latest trends in the industry, we believe they are well-equipped to satisfactorily assist in our research and development undertakings and render services to our customers.

Attributed to the knowledge of our management team and technical workforce, we believe that our Group is well-positioned to achieve further growth and capitalise on market opportunities in the future. Please refer to the section headed "Directors, senior management and employees" in this document for further information about our Directors and management team.

BUSINESS STRATEGIES

According to the CIC Report, the industries in which our Group operates are expected to see considerable growth in the coming years. In particular, (i) as downstream industries are expected to continue to carry out digitalisation transformation, the demand for ICT integration services is expected to increase in the future and the total revenue of the ICT integration service industry in the PRC is expected to grow from approximately RMB168.7 billion in 2022 to approximately RMB254.0 billion in 2027, with a CAGR of 8.5%; (ii) as telecommunication operators are expected to continue to improve telecommunication network service quality in the future, the market size of the wireless telecommunication network optimisation service industry in the PRC is expected to increase from approximately RMB12.2 billion in 2022 to approximately RMB15.5 billion in 2027, with a CAGR of approximately 4.9%; and (iii) owing to the development of 5G which brought new demand for telecommunication network-related software, the total revenue of the telecommunication network-related software products and development service industry in the PRC is expected to grow from approximately RMB1,027.3 million in 2022 to approximately RMB1,620.3 million in 2027, with a CAGR of 9.5%.

In order to capture the anticipated growth of the relevant industries in the PRC, we plan to further strengthen and expand our business operations while maintaining a competitive standing through the following strategies:

(I) Strengthening our financial capabilities in order to be in position to undertake more and larger ICT integration projects

During FY2020, FY2021, FY2022, 6M2022 and 6M2023, we recorded stable growth in our ICT integration services business, which generated revenue of approximately RMB38.5 million, RMB42.5 million, RMB54.6 million, RMB34.8 million and RMB35.6 million respectively, representing a CAGR of approximately 19.1% from FY2020 to FY2022 and a 2.3% growth from 6M2022 to 6M2023. Our Directors consider that if we are to expand our business and undertake more and larger ICT integration projects, we need to continue to enhance our available financial resources for paying the initial costs for projects that may potentially be awarded to us. Such initial project costs may include hardware, software and other equipment and subcontracting charges. As such, to enable the continued growth and expansion of our ICT integration services business and to capture the opportunities arising in relating to favourable government policies such as the Development Plan for the Digital Economy of the 14th Five-Year Plan* ("十四五"數字經濟發展規劃) issued by the State Council in 2021, we plan to allocate more financial resources to developing our ICT integration services. Upon the [REDACTED], our Directors believe that the [REDACTED] from the [REDACTED] will strengthen our available financial resources to satisfy the initial project costs requirements for our ICT integration projects in the future and enable us to undertake more and larger ICT integration projects which are generally cash flow demanding.

(II) Improving our service capabilities, quality and offering by conducting research and development to develop new software and know-how

In addition, we plan to continue to enhance the capabilities, quality and offering of our services through pursuing new research and development undertakings in order to meet the market requirements for rapid advancement and to improve customer satisfaction and confidence in our Group. The telecommunication network support service industry and ICT integration service industry are filled with new challenges and opportunities. Apart from the process of commercialisation and application of 5G technology, 6G technology is also in a preparatory and inception stage and more resources are expected to be invested by telecommunication-related industry players in its study and development in the coming years. For more information about 6G, please refer to the section headed "Industry overview" in this document. As such, our Directors consider that substantial industry advancements will continue to arise in the future, and it is imperative for market players like our Company to allocate sufficient resources to continuing research and development. Given these rapid advancement of telecommunication technologies, in particular the development of 5G technology in this stage, we need to keep abreast of the new developments and offer modified or upgraded services and software that are compatible with the latest technologies and enhance user experience in order to satisfy customers' correspondingly changing needs and requirements. As such, we plan to continue to invest in various research and development undertakings concerning 5G industry application and telecommunication network optimisation based on end-user data. Given our track record and the experience of our Directors and senior management team in the telecommunication industry and our strength in research and development, our Directors believe that we are well positioned to pursue the new research and development undertakings to improve the capabilities, quality and offering of our services, which may in turn create more business opportunities for us. Our Directors consider that, this will also place us in a more advantageous position to adapt to and leverage future industry advancements.

(III) Expanding the pool of target users of our telecommunication network-related software

Our Directors consider that traditional telecommunication network testing and analytical software are generally designed for personnel with technical knowledge in the field of telecommunication network optimisation. Nevertheless, we believe that there is market demand for more user-friendly telecommunication network testing and analytical software which targets users who may not possess substantial technical knowledge and expertise but nevertheless may purchase such software for different purposes. As such, we plan to invest in the development of wireless telecommunication network testing software which will be positioned as an easy-to-use software and target ordinary non-technical users. Our Directors believe that such software will enable us to expand the pool of target users of our software, which may in turn boost the revenue growth of our software sale business.

(IV) Strengthening our capability in exploring and undertaking new business opportunities

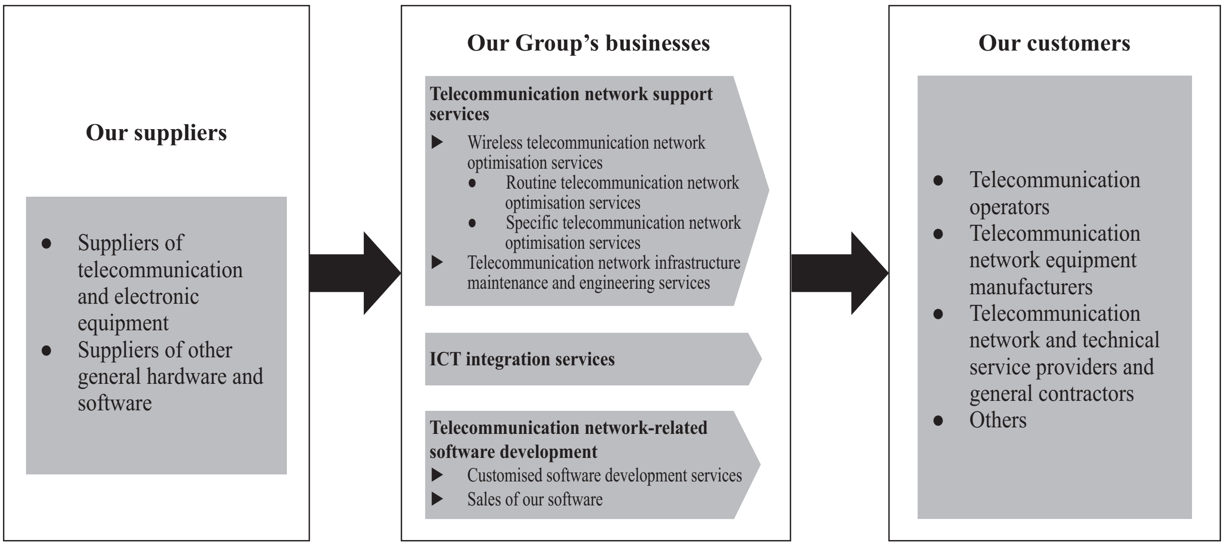
In anticipation of our plans in achieving business expansion and revenue growth in our major business lines which are expected to bring in more new projects, more personnel, especially those who oversee the implementation of a project, will be required. We plan to invest resources in expanding our workforce by employing more project managers whose role will be instrumental in the course of project planning, implementation and coordination.

In addition, during the Track Record Period, our regional managers and regional business departments were mainly responsible for attending to customer enquiries, exploring and identifying business opportunities, and liaising with customers, details of which are set out in the paragraphs headed "Sales and marketing" in this section. To enhance our sales and marketing efforts in promoting the upgraded or new solutions and software expected to be developed from our research and development undertakings as well as our existing services and software, we plan to invest more financial resources in our sales and marketing operations, including to hire more sales and marketing personnel and to fund our sales and marketing activities. Our Directors believe that this strategy will enable us to more effectively explore and identify potential business opportunities from existing and potential customers.

In view of the above, our Group will strive to leverage our various experiences and expertise to implement the above business strategies in order to capture more business opportunities and strengthen our position in the market. For further details of our implementation of the aforementioned business strategies, please refer to the section headed "Future plans and [REDACTED] — Implementation plan" in this document.

OUR BUSINESS MODEL

We provide customised and comprehensive services that cover (i) telecommunication network support services mainly encompassing wireless telecommunication network optimisation services and telecommunication network infrastructure maintenance and engineering services; (ii) ICT integration services; and (iii) software development services. We are also engaged in the sales of software developed by us. The following diagram sets out our business model and position in the service supply chain:



In terms of our roles and focuses in the market, we mainly act as a servicer, integrator and developer, respectively, in provision of our various kinds of services.

(i) Servicer — Provision of telecommunication network support services

Our role as a servicer mainly involves the provision of telecommunication network support services which can be sub-categorised as follows:

(a) *wireless telecommunication network optimisation services:* our wireless telecommunication network optimisation services are intended for customers which require an efficient wireless telecommunication network. It typically involves the collection of telecommunication network data in the area, performance of tests, analysis of test results, diagnosis of problems (e.g. misconfiguration and misallocation of bandwidth usage), and lastly, implementation of optimisation solutions. Hence, this business line is of an *"optimisation"* nature. Our wireless telecommunication network optimisation services mainly include (a) routine telecommunication network optimisation services, which involve optimisation works and testing carried out upon receipt of end-user reports or upon detection of issues in the course of testing, with a view to optimising or restoring the connectivity, quality, coverage, end-user experience, etc. of a telecommunication network; and (b) specific telecommunication network optimisation services, which are intended to tackle specific telecommunication network issues or achieve specific telecommunication network improvement objectives by designing and implementing optimisation solutions tailored to the needs of our customers; and

(b) *telecommunication network infrastructure maintenance and engineering services:* over the course of day-to-day usage, certain components of a telecommunication network infrastructure may malfunction to varying extents. The Group's telecommunication network infrastructure maintenance services mainly target to address problems typically by arranging inspections of the relevant telecommunication network infrastructure (e.g. base stations) to identify issues and testing of performance and functionality; examining and analysing issues (e.g. malfunctioning of base station components) that are discovered, and performing necessary repair or maintenance work to restore performance and functionality. Thus, this business line is of a *"maintenance"* nature. Examples of our maintenance services include inspection and testing of the equipment, cables and power system of base stations, formulation and execution of repair solutions such as restoration and replacement of any malfunctioning components and/or arrangement for subcontractors to carry out emergency repair works.

In addition, we also provide telecommunication network infrastructure engineering services, including the provision of labour and engineering services in projects involving the construction of telecommunication network infrastructure. The Group typically participate in and/or engage suitable subcontractors to perform construction and set-up works (such as excavation, cabling and construction of telecommunications pipeline) with a view to building and setting up new telecommunication network infrastructure. Thus, this business line is of an *"engineering"* nature.

To facilitate our rendering of services, we purchase from our suppliers necessary hardware, such as portable data terminals, and also make use of our own telecommunication network analysis and testing software which serve to gather and analyse telecommunication network parameters.

(ii) Integrator — ICT integration services

Our role as an integrator mainly involves the provision of our ICT integration services. In this respect, we are typically engaged in (i) designing communication network layout with the choice of equipment, hardware and software within a customer's budget; (ii) procuring equipment, hardware and software and engaging of third-party subcontractors; (iii) assembling equipment, hardware, software and other equipment to form a functional and inter-connected system according to the integration plan, which involves physical arrangement of the equipment, hardware, installation of software and ensuring the compatibility of both; and (iv) providing follow-up services such as advising customers on operation and management of the integrated system, which aims to cater for our customers' specific needs or requirements, such as integration of a communication network system for the purposes of e-commerce. Thus, this business line is of an *"integration"* nature. We purchase from suppliers necessary hardware and software (such as servers, storage devices, cables and optical fibers, security software and operating system software), the specifications of which may be designated by our customers.

(iii) Developer — Telecommunication network-related software development

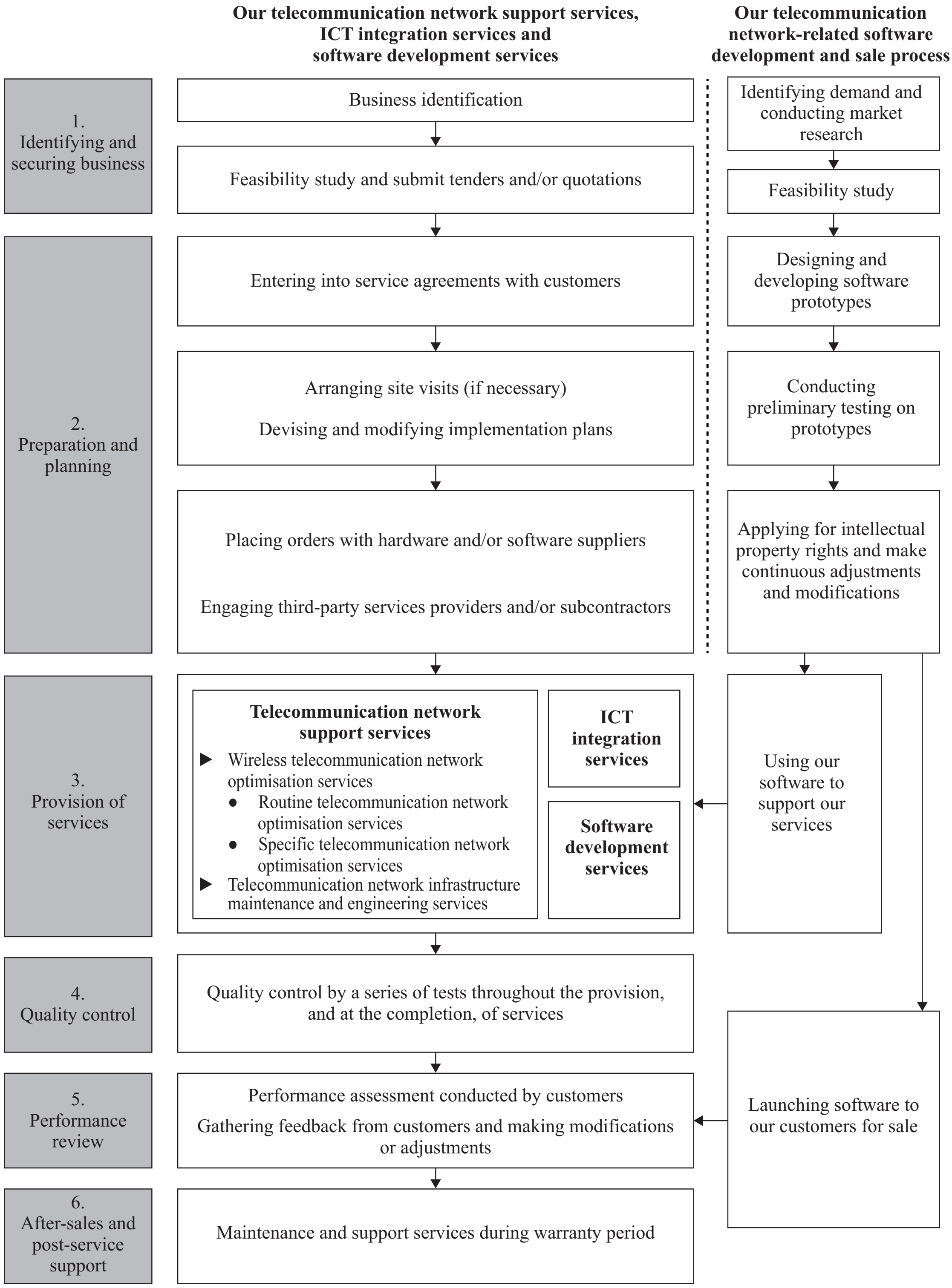
Our role as a developer mainly involves (i) development and sale of software and (ii) provision of customised software development services. Software developed by us is capable of performing various functions (such as collecting data relating to telecommunication network performance and analysing the data collected) for evaluation, optimisation and maintenance of wireless telecommunication networks of telecommunication operators. Apart from complementing our core business in relation to provision of telecommunication network support services and ICT integration services, software developed by us are also sold to customers, including telecommunication operators, telecommunication network and telecommunication equipment manufacturers and telecommunication network and technical service providers and general contractors that use our software to facilitate their analysis, optimisation and maintenance of wireless telecommunication networks. We also develop customised software (including telecommunication network support, platform and application software) for our customers to cater to their specific needs on, for instance, data sharing and management platform. The focus of this business line is therefore on the research, design and programming leading to the development of software. Thus, this business line is of a *"software development"* nature.

For details about the scope, particulars and examples of our various services, please refer to the paragraphs headed "Our services" below in this section.

Our Directors consider that owing to the differences in nature of our various services, there is no material risk of cannibalisation among these services. In fact, our diversified services have expanded our target market by catering to the different demands of our customers — (i) for improving connection quality of existing telecommunication network, we provide wireless telecommunication network optimisation services; (ii) for maintaining and repairing existing telecommunication facilities, we provide telecommunication network infrastructure maintenance services; (iii) for constructing new telecommunication facilities, we provide telecommunication network infrastructure engineering services; (iv) for setting up a digitalised communication network of interconnected devices, we provide ICT integration services; and (v) for customising telecommunication network-related software tailored to serve particular purposes, we provide software development services. Please refer to the paragraphs headed "Our services" below in this section for details about the differences among our services.

OUR BUSINESS OPERATIONAL FLOW

The following diagrams set out our overall business operational flow:



Business identification

We generally identify potential business through browsing tender invitations launched by our existing or potential customers which are publicly available on the internet or through invitations for quotations followed by discussions and negotiations with potential customers. For open tenders, our customers may post the invitation to tender online or through other public means whenever their need for particular services arises. We therefore keep an eye on such open invitations to identify potential new projects. On the other hand, upon expiry of fixed-term agreements in relation to routine telecommunication network optimisation projects and/or telecommunication network infrastructure maintenance projects secured by us through open tenders, the agreement would be open for tender again rather than renewed. In such circumstances, we would generally participate in the tender process and submit our bids. In addition, we may also receive invitations for quotation from (i) existing or past customers which are satisfied with the services we have provided in previous projects, or (ii) new customers introduced or referred to us by our existing customers or business partners, or who learn of us through other means, such as through internet searches. Our revenue generated from projects awarded through open tenders during the Track Record Period amounted to approximately RMB85.1 million, RMB124.7 million, RMB138.8 million and RMB63.6 million, respectively. For each of FY2020, FY2021, FY2022 and 6M2023, a majority of our revenue derived from the provision of telecommunication network support services was generated from projects awarded through open tenders. For our ICT integration services, more revenue was generated from projects obtained through open tenders for each of FY2020 and FY2021 while more revenue was generated through non-tender methods for FY2022 and 6M2023. In contrast, the sale of software normally did not involve any open tender process during the Track Record Period. As for our software development services, revenue generated from projects obtained through open tenders and through non-tender methods was relatively comparable in FY2020, but notably more revenue was generated from projects obtained through non-tender methods than open tenders in FY2021, FY2022 and 6M2023.

According to our PRC Legal Advisers, customers who source and engage service providers for (i) large infrastructure and public utility projects that concern public interest or security; (ii) projects that are invested completely or partly with state-owned funds or financed by the state; or (iii) projects using loans or aid funds from international organisations or governments of other countries, are required under relevant PRC laws and regulations to go through the process of open tenders or requisite non-tender methods such as invitation for quotations. For further details, please refer to the paragraphs headed "Regulatory overview — Laws and regulations in relation to our Group's business in the PRC — Bid invitation and bidding" in this document. Furthermore, in addition to the legal requirements, a potential customer may also opt for sourcing required services by open tender based on its own internal policies.

In the course of business identification, we are usually provided with preliminary specifications, customers' requirements and/or relevant timeframes for completing a project, which are, for instance, contained in a tender invitation. The information that may be contained in tender invitations may vary from customer to customer and from project to project, but a typical tender invitation generally includes: (i) project overview and technical specifications; (ii) the required professional qualifications expected of the tenderer; (iii) tendering procedures and evaluation standards; (iv) documents required to be submitted by the tenderer (typically including its business licence, certificates, technical tender documents, etc.); (v) contract template and salient terms; and (vi) other requirements of the customer.

During the Track Record Period, for some of the projects for which our Group had submitted tenders, no precise contract price was contained in the tender invitations. In such case, an alternative indication of project size, such as the works required to be performed together with the corresponding unit price, would generally be included in the tender invitations instead. Based on the aforesaid indication including the unit price, coupled with our estimation of the scale or volume of works of a potential project on the basis of past dealings with existing customers or the general market practice, we could perform a preliminary assessment on the profitability of the project to decide whether to tender for such project.

Feasibility study and preparation of tenders and/or quotations

After identifying a prospective customer's demand, our management team, primarily led by Mr. Jia, Mr. Cong and Ms. Liu, with the assistance of our technical, sales and finance personnel, will make a preliminary technical and financial assessment of a prospective project based on the specific requirements and other relevant information provided by the potential customer. In considering whether to undertake a prospective project, we generally take into account, among others, the following factors: (i) the budget of the potential customer, if disclosed, and the expected profitability of the project; (ii) the feasibility of undertaking the project with reference to technical requirements and specifications, our capability and expertise, and our capacity with reference to the expected project schedule (including the available workforce and financial resources); and (iii) any relevant risks associated with undertaking the project. If a tender or quotation invitation does not contain a specific contract price, we typically assess the profitability based on the alternative indication of contract size including unit price for required works contained in an invitation.

Before preparing tender or quotation documents, we will hold a meeting among our sales and marketing team and the personnel responsible for preparing tender/quotation documents in relation to each project to discuss key issues. Our business department will supervise, among others, the overall preparation of tender/quotation documents. When the draft tender/quotation documents are ready, they will first be submitted to our Directors for review and approval. If our Directors consider that a project is commercially viable and technically feasible, our sales and marketing team will proceed to submit the tender or quotation to our customers.

Our technical and sales personnel will then prepare a preliminary solution plan with a view to addressing the prospective customer's needs.

After submission of our tender, pursuant to the relevant PRC laws and regulations and typically under the internal control policy of our customer, we are not allowed to contact the customer before the tender selection result is released. In contrast, in relation to a quotation, the prospective customer may raise enquiries or arrange for interviews with us where we may be requested to explain the details of our quotation and solution plan before the project is awarded to us.

Our submitted tenders and successful tenders during the Track Record Period

As an invitation to tender may cover more than one kind of services or one project of the same customer, succeeding in a tender may entail the securing of several projects and contracts. The number of tenders we had submitted and the number of successful tenders secured by us by business line during the Track Record Period are summarised in the table below:

	FY2020	FY2021	FY2022	6M2023
Wireless telecommunication network optimisation services				
Number of tenders submitted	68	67	73	17
Number of successful tenders	39	52	48	12
Success rate *(approximately) (%)*	57.4	77.6	65.8*(Note 3)*	70.6
Telecommunication network infrastructure maintenance and engineering services				
Number of tenders submitted	15	19	39	18
Number of successful tenders	10	13	20	15
Success rate *(approximately) (%)*	66.7	68.4	51.3*(Note 3)*	83.3
ICT integration services				
Number of tenders submitted	2	14	22	20
Number of successful tenders	1	10	15	12*(Note 4)*
Success rate *(approximately) (%)*	50	71.4	68.2*(Note 3)*	60.0
Software development services*(Notes 1 & 2)*				
Number of tenders submitted	13	7	21	4
Number of successful tenders	10	2	17	3
Success rate *(approximately) (%)*	76.9	28.6	81.0	75.0

Notes:

1. Under our software development operation, the sale of our software normally did not involve open tender during the Track Record Period.

2. The decrease in the number of tenders submitted and successful tenders from FY2020 to FY2021 and the decrease in tender success rate in FY2021 for our software development services were mainly attributable to that our Group did not have sufficient capacity to take up more projects at the time, as we had secured a number of projects through non-tender methods for FY2020 and FY2021 and we were constrained from bidding for more tenders for FY2021. Despite the decrease in the number of submitted and successful tenders, the number of our Group's new projects for provision of software development services awarded (through both tender and non-tender methods) increased from nine for FY2020 to 12 for FY2021. The number of tender submitted and successful tenders for our software development services returned to normal in FY2022 and recorded an increase from seven to 21 and two to 17 from FY2021 to FY2022, respectively.

3. The decrease in the tender success rate from FY2021 to FY2022 was mainly attributable to the increase in the number of tenders submitted by our Group for the relevant services from FY2021 to FY2022 in alignment with our business expansion with a view to undertaking more and new business opportunities. Notwithstanding such decrease in the tender success rate, the number of successful tenders for our telecommunication network infrastructure maintenance and engineering services and ICT integration services recorded an increase from FY2021 to FY2022, whereas the number of successful tenders for our wireless telecommunication network optimisation services in FY2022 was comparable to FY2021 and represented an increase of approximate 23% from FY2020.

4. Apart from the 12 successful tenders, there was one tender the results of which had yet to be announced by the customer as at the Latest Practicable Date.

The table below further sets out the number of successful tenders by business line and range of contract amount during the Track Record Period:

	Year/ period	**Contract amount up to RMB1 million**	**Contract amount more than RMB1 million and up to RMB2 million**	**Contract amount more than RMB2 million and up to RMB3 million**	**Contract amount more than RMB3 million and up to RMB4 million**	**Contract amount more than RMB4 million**
		Number of successful tenders	**Number of successful tenders**	**Number of successful tenders**	**Number of successful tenders**	**Number of successful tenders**
Wireless telecommunication network optimisation services	FY2020	29	4	2	—	2
	FY2021	37	3	3	2	3
	FY2022	30	7	6	—	5
	6M2023	9	2	—	—	1
Telecommunication network infrastructure maintenance and engineering services	FY2020	6	2	—	—	3
	FY2021	9	2	—	—	3
	FY2022	15	—	—	2	3
	6M2023	13	1	—	1	—
ICT integration services	FY2020	—	—	—	1	—
	FY2021	4	2	2	—	2
	FY2022	10	1	1	2	1
	6M2023	4	1	1	3	3
Software development services	FY2020	8	2	—	—	—
	FY2021	2	—	—	—	—
	FY2022	12	2	—	1	2
	6M2023	—	1	2	—	—
Total	FY2020	43	8	2	1	5
	FY2021	52	7	5	2	8
	FY2022	67	10	7	5	11
	6M2023	26	5	3	4	4

Note: For certain successful tenders of our Group during the Track Record Period, there were cases where (i) there was no contract amount stipulated in the awarded tender and in such cases, our customers would enter into a framework agreement with us first and placed orders with specific contract amount subsequently; and (ii) the contract amount of certain awarded tenders was an estimated amount with reference to the tender documents as formal agreements had not been signed as at 30 June 2023.

Our submitted quotations and successful quotations during the Track Record Period

The number of quotations we had submitted and the number of successful quotations secured by us by business line during the Track Record Period are summarised in the table below:

	FY2020	FY2021	FY2022	6M2023
Wireless telecommunication network optimisation services				
Number of quotations submitted	44	36	28	9
Number of successful quotations	38	32	25*(Note)*	8
Success rate *(approximately) (%)*	86.4	88.9	89.3	88.9
Telecommunication network infrastructure maintenance and engineering services				
Number of quotations submitted	13	28	20	11
Number of successful quotations	11	21	16*(Note)*	8
Success rate *(approximately) (%)*	84.6	75.0	80.0	72.7
ICT integration services				
Number of quotations submitted	16	30	32	15
Number of successful quotations	14	26	24*(Note)*	13
Success rate *(approximately) (%)*	87.5	86.7	75.0	86.7
Telecommunication network-related software development				
Number of quotations submitted	27	32	22	12
Number of successful quotations	24	27	19*(Note)*	9
Success rate *(approximately) (%)*	88.9	84.4	86.4	75.0

Note: The decrease in the number of successful quotations for our Group's services from FY2021 to FY2022 was mainly attributable to the decrease in the number of quotations submitted by our Group for most of our business lines. Nevertheless, despite such decrease in the number of successful quotations, the aggregate contract amount awarded to our Group under all of our Group's service lines through non-tender methods recorded a significant increase from approximately RMB64.4 million in FY2021 to approximately RMB117.7 million in FY2022.

The table below further sets out the number of successful quotations by business line and range of contract amount during the Track Record Period:

	Year/ period	Contract amount up to RMB500,000	Contract amount more than RMB500,000 and up to RMB1 million	Contract amount more than RMB1 million and up to RMB1.5 million	Contract amount more than RMB1.5 million and up to RMB2 million	Contract amount more than RMB2 million
		Number of successful quotations	Number of successful quotations	Number of successful quotations	Number of successful quotations	Number of successful quotations
Wireless telecommunication network optimisation services	FY2020	18	8	3	3	6
	FY2021	17	10	1	1	3
	FY2022	16	3	1	1	4
	6M2023	3	3	2	—	—
Telecommunication network infrastructure maintenance and engineering services	FY2020	3	2	2	3	1
	FY2021	14	5	—	1	1
	FY2022	5	5	1	3	2
	6M2023	—	2	—	4	2
ICT integration services	FY2020	9	2	—	1	2
	FY2021	15	3	2	3	3
	FY2022	14	2	5	1	2
	6M2023	3	6	1	—	3
Telecommunication network-related software development	FY2020	11	6	1	4	2
	FY2021	16	6	2	2	1
	FY2022	12	6	—	—	1
	6M2023	2	1	1	3	2
Total	FY2020	41	18	6	11	11
	FY2021	62	24	5	7	8
	FY2022	47	16	7	5	9
	6M2023	8	12	4	7	7

Notes: For certain successful quotations of our Group during the Track Record Period, there were cases where (i) there was no contract amount stipulated in the awarded quotation and in such cases, our customers would enter into a framework agreement with us first and placed orders with specific contract amount subsequently; and (ii) the contract amount of certain awarded contracts was an estimate amount with reference to the quotation documents as formal agreements had not been signed as at 30 June 2023.

Contract formation

After a customer has accepted our tender or quotation, we would generally enter into a service agreement with the customer which would set out our scope of services and other terms, details of which are set out under the paragraphs headed "Our customers — Salient terms of our service agreements" below in this section. In cases where the specific contract price is not provided by our customers from the outset of a project, our customers may first enter into a framework agreement with our Group and subsequently award ancillary contracts or orders to us under the framework agreement which will specify the nature, specifications and charges of the works required, and the final contract price for the project is calculated based on the actual works performed by us upon completion of the project and acceptance assessment by our customers.

For our routine telecommunication network optimisation services and/or telecommunication network infrastructure maintenance services, despite the continuous nature of our customers' demand for such services, our customers generally enter into a service agreement with us for a fixed term typically of approximately one to two years and, after the expiration of which, we are generally required to tender for the project again and, if such tender is accepted, enter into a new service agreement for a fresh term. As for our other services, there is no fixed term and the contract term of a project is determined based on the customer's requirements taking into account various factors, including the complexity of the project.

The following table sets out the average and range of duration of our Group's projects commenced and/or completed during the Track Record Period by business line:

	Longest project duration*(Notes 1 & 2)***	**Shortest project duration***(Note 1)***	**Average project duration***(Note 1 & 3)***
	(approximately) (in month(s))	**(approximately) (in month(s))**	**(approximately) (in month(s))**
Wireless telecommunication network optimisation services	57	Less than 1	14
Telecommunication network infrastructure maintenance and engineering services	71	Less than 1	18
ICT integration services	43	Less than 1	10
Telecommunication network-related software development	27	Less than 1	6

Notes:

1. The project duration of a project is the period between (i) the date of commencement as stipulated in the contract awarded to us in that project with the earliest commencement date; and (ii) the actual or expected/estimated date of completion of the contract awarded under the same project with the latest completion date falling in or after the Track Record Period.

2. The longest project duration may be longer than the length of the Track Record Period as certain projects commenced before the Track Record Period are expected/estimated to complete after the Track Record Period.

3. The average project duration is the average amount of time (in months) that our Group takes to complete (or expects/estimates to complete) a project, which is calculated by summing up the durations of individual projects divided by the total number of projects.

Preparation and planning

After entering into a service agreement with our customers, we will form an execution team generally comprising a project manager and supported by engineers and technicians for project execution, the composition of which may vary according to the type and complexity of services to be rendered. Our project managers are mainly responsible for formulating project solutions, implementation plans and contingency plans, as well as project cost and personnel planning, whereas our engineers and technicians are responsible for implementing formulated solutions.

If our execution team considers it necessary, it may arrange for a site visit with our customers to inspect the relevant premises and facilities for designing, reviewing and adjusting the proposed solutions prior to implementation. For instance, for our ICT integration services, our execution team may pay a visit to the premises designated for housing the necessary equipment and devices, for the purposes of devising and modifying a more detailed plan in relation to the setting of the system infrastructure. They would also closely liaise with our customers to discuss, modify and eventually finalise the solutions to be adopted and implemented.

If necessary, our procurement team would place orders with suppliers to procure necessary hardware and equipment, monitor the shipment and logistics progress, and ascertain the quality and quantity of the purchased goods. For our wireless telecommunication network optimisation services and telecommunication network infrastructure maintenance and engineering services, we generally purchase necessary equipment, such as portable data terminals and signal acquisition devices, which can generally be used repeatedly for multiple projects. As for our ICT integration services, we generally purchase equipment, devices and software for setting up ICT systems, such as servers, storage devices, cables and optical fibers, security software and operating systems software, according to individual customers' specifications and requirements for particular hardware, if any.

Some projects may involve work which is out of our usual scope of services, in which case we would engage third-party subcontractors to perform the work. Examples include emergency power supply for our telecommunication network infrastructure maintenance and engineering services, and installation of cabling and associated devices for our ICT integration services.

For further details, please refer to the paragraphs headed "Our suppliers" and "Our subcontractors" below in this section.

Provision of services

After the proposed solutions are finalised and the necessary hardware and software are in place, our project managers would arrange for the logistics for the implementation of the proposed solutions by our engineers and technicians. For more details about the operational flow and scope of our services, please refer to the paragraphs headed "Our services" below in this section.

Quality control and performance review

Throughout the provision of our services, our engineers and technicians will generally conduct a series of quality control tests on services rendered which typically include testing the performance and connectivity of a telecommunication network or ICT system (as the case may be) against the individual customer's specifications and requirements. Furthermore, for our software (both for sale and under software development), quality control is typically conducted through unit testing (testing of individual units and components of the software) and system testing (testing of the software as a fully-integrated system), followed by continuous adjustments and modifications. If any defect or problem is identified during the tests, we will rectify the same before reporting completion of services to our customers. In normal circumstances, at each progress checkpoint or after delivering our report of completion, our customers would conduct their own assessments and may request adjustments to the settings of their telecommunication network or ICT system. Upon confirmation of satisfaction by our customers, a project is deemed to be completed.

As for our routine telecommunication network optimisation services, due to its continuous nature, there is no particular quality control stage at a specific point of time. Our services are constantly performed over the contract period and are thus evaluated based on continuous assessment by our customers for each instance of performance of optimisation service.

After-sales and post-service support

We generally provide a warranty period of approximately one to three years in connection with work delivered under our services, except for our routine telecommunication network optimisation services and telecommunication network infrastructure maintenance services. During the warranty period, depending on the type of services rendered, we may offer remote and/or on-site maintenance and support services to our customers. Customers may also contact us via our hotline, email and through instant messaging. For instance, after we have rendered ICT integration services, customers may contact us for assistance if they encounter a technical issue or require guidance as to the operation and management of the integrated system.

Furthermore, our Directors and members of our management team maintain regular communications with our customers regarding their needs and feedbacks on the quality of our services and through which, our Directors believe that we are able to better understand our customers' needs as well as the latest market trends on a timely basis.

Research and development

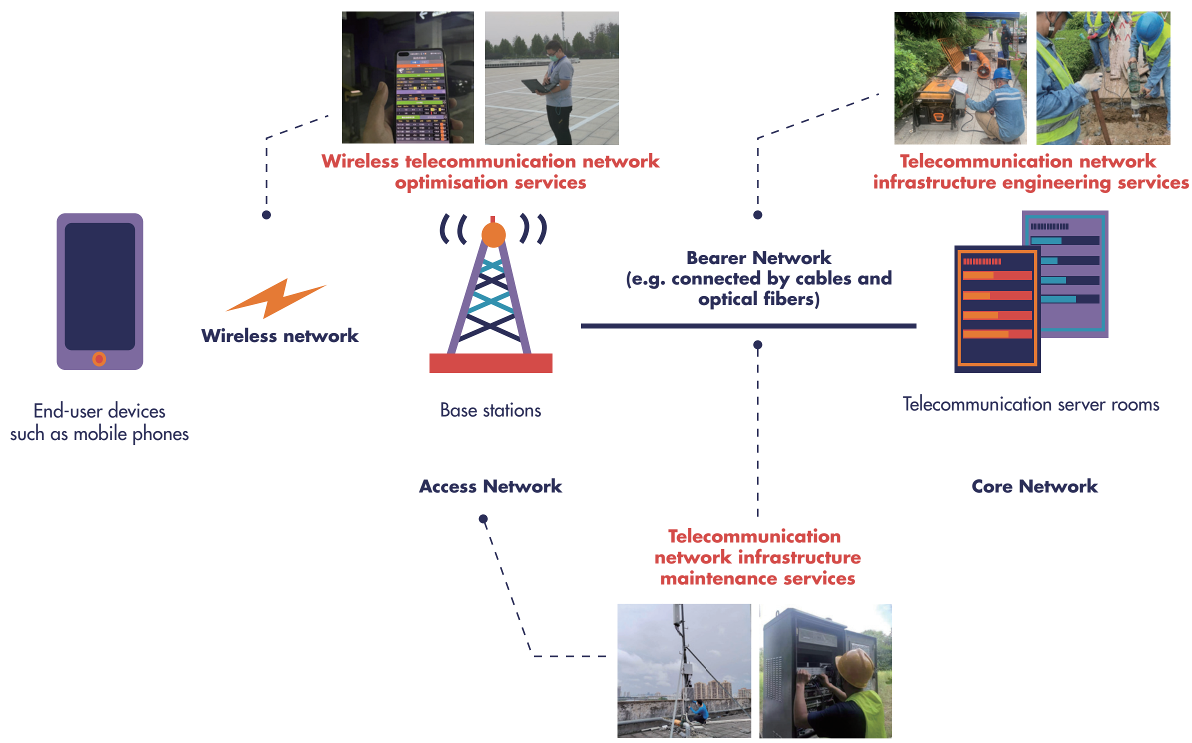
We also design and develop our own software for our provision of telecommunication network support services, in particular, in testing and analysing the performance and connectivity of a telecommunication network in order to identify if there are any technical issues and to resolve the issues. We also develop other software such as platform and application software tailored to the needs of our customers in specific application such as 5G technology. The software developed by us are also made available for sale to customers.

The work flow in relation to the development of new software generally comprises (i) identification of customer or general market demands for software for performing a particular function; (ii) research on whether similar software is available in the market; (iii) examination of the feasibility of developing proposed software by taking into account the commercial value of the software, relevant technical development requirements, our then capacity and expertise, our then available research and development workforce and financial resources, etc.; (iv) development stages, which include preliminary concept design, detailed design and development of functions and features; (v) testing stages, which include unit testing (testing of individual units and components of the software) and system testing (testing of the software as a fully-integrated system), followed by continuous adjustments and modifications; (vi) software launch and application for intellectual property rights; and (vii) continuous modifications to the software with reference to users' feedback.

For further details of our software, please refer to the paragraphs headed "Our software" below in this section and "B. Further information about the business of our Group" in Appendix IV to this document.

OUR SERVICES

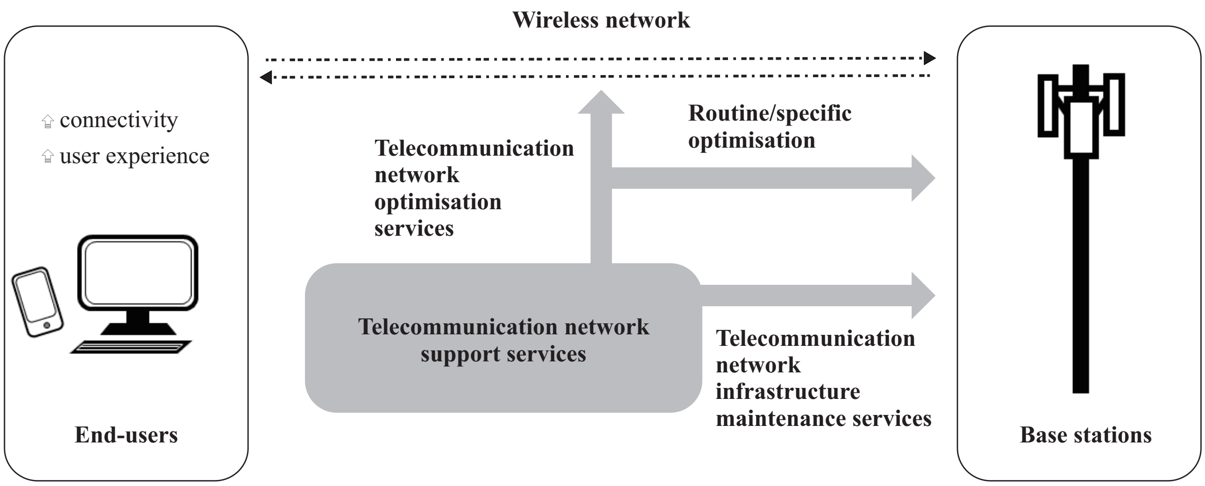
Wireless telecommunication is a method of transmitting information and data from one point to another and comprises, among other things, (i) a core network being the backbone of a telecommunication network supported by communication facilities and maintained by telecommunication operators to provide telecommunication services to end-users; and (ii) an access network which mainly serves to receive and transmit signals between end-user devices and telecommunication operators with the use of base stations and other telecommunication devices. Core network and access network are connected by bearer network which enables data transmission by means of cables, optical fibers and/or any physical medium. Meanwhile, end-user devices are connected to the access network via telecommunications network that spans over a land area and connected wirelessly by transceivers at fixed locations. i.e. base stations. The services of our Group mainly focus on the bearer network, the access network and the wireless network between end-users and base stations. The diagram below illustrates the basic structure of a wireless telecommunication layout and the respective positioning of our Group's services in different parts of the layout.



Based on the nature and scope of works we are engaged by our customers to perform as stipulated in our contracts and orders, our services can be broadly classified into (i) telecommunication network support services, including wireless telecommunication network optimisation services and telecommunication network infrastructure maintenance and engineering services; (ii) ICT integration services; and (iii) software development services. For the distinctions in the primary scope of work among our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services, please refer to the paragraphs headed "Key distinctions among our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services" below.

(I) Telecommunication Network Support Services

The diagram below illustrates the overview of our telecommunication network support services:



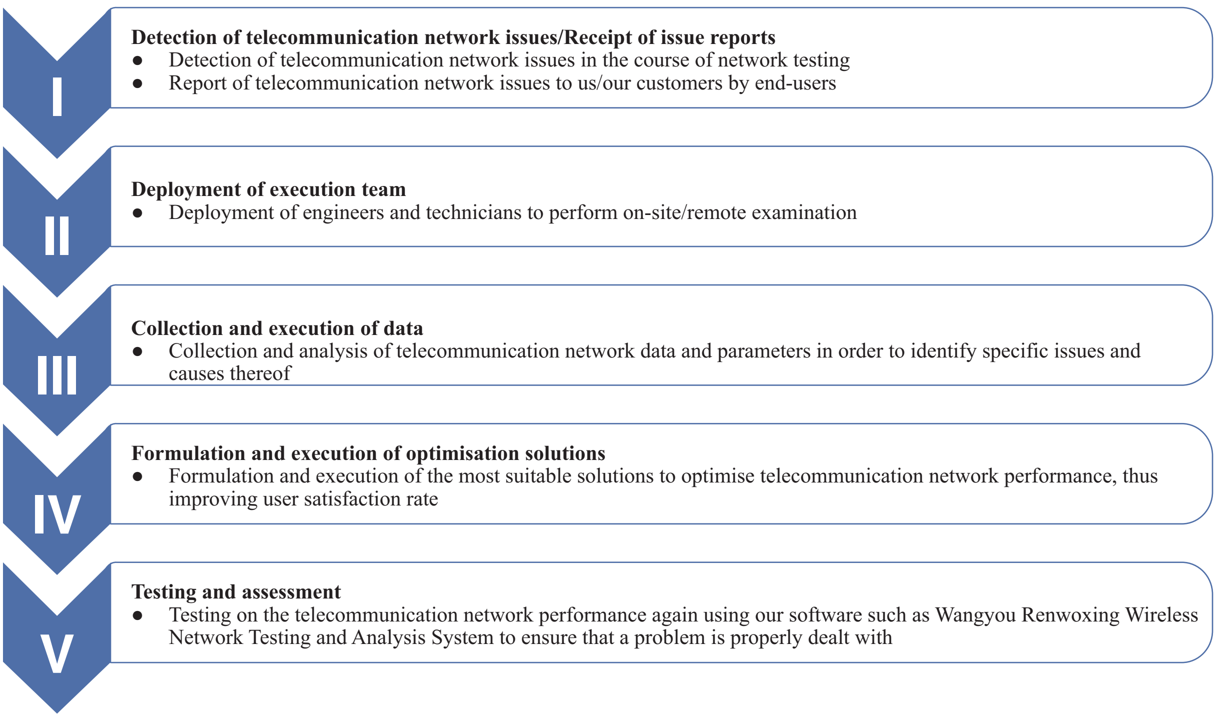
(a) *Wireless telecommunication network optimisation services*

Our wireless telecommunication network optimisation services comprise (i) routine telecommunication network optimisation services and (ii) specific telecommunication network optimisation services.

i. *Routine telecommunication network optimisation services*

Wireless telecommunication network requires optimisation and maintenance from time to time and is affected by various external environmental factors, such as weather, landscape and physical obstructions, and end-user activities, such as business-related activities (email and other instant communication, etc.) and online entertainment (live-streaming, gaming, etc.), each of which may require a different amount of bandwidth and exert different levels of load on a telecommunication network. In their daily course of operations, telecommunication operators may encounter various telecommunication network issues or failures, such as network congestion, interference and coverage holes (areas where no signal can be received from a wireless telecommunication network), which are prone to affect the connection of their end-users. These issues have a number of causes and may recur from time to time. As such, by providing routine telecommunication network optimisation services to our customers over a fixed period and through the deployment of relevant technologies, skills, equipment and personnel, we help our customers identify and react to such issues in a timely manner in order to improve end-user experience and maintain the service quality of our customers.

The chart below illustrates our general operational flow in the provision of routine wireless telecommunication network optimisation services:



By performing testing on different coverage areas of our customers' wireless telecommunication network, we keep a close eye on the real-time conditions of the telecommunication network and report any irregularities detected to our customers. Further, when end-users encounter a telecommunication network issue, they may also report the issue to our customers which would then notify our customer service personnel to respond to such issue. We generally respond to any issue reported on a 24 hours a day and seven days a week basis and then deploy our execution team during working hours. Our execution team, which consists of engineers and technicians, in the proximity will perform an on-site or remote examination of the telecommunication network status, settings and/or relevant hardware, depending on the nature of the issues in question.

In the stage of collection and analysis of data, we would generally collect and analyse, with the assistance of our software such as Wangyou Renwoxing Wireless Network Testing and Analysis System, telecommunication network data and parameters which quantify and reflect the performance of a telecommunication network, such as:

— *Network coverage:* measurement of the geographic coverage of base stations which enable telecommunication network connection;

— *Coverage performance:* measurement of the rate of information transfer and signal level over a wireless telecommunication network by certain indicators, such as SINR (signal-to-interference-plus-noise ratio), which reflects the strength of the received signal relative to the strength of the interference and noise, and RSRP (reference signal received power), which reflects the strength of power received from a single reference signal;

— *Network latency:* measurement of delays that occur in data transmission (i.e. time taken for a picture or sound or text to be transmitted to end-users); and

— *Service performance:* measurement of indicators that suggest the quality of telecommunication network service, such as user download and upload speed, webpage access success and delay rate, etc.; and

— *Performance maintenance:* measurement of whether a connection to a telecommunication network can be maintained without disruption, such as the testing of disconnection rate.

Furthermore, formulation of optimisation solutions would largely depend on the nature of the telecommunication network issues. Some of the common issues and corresponding solutions we provide are set forth in the table below:

Common issues	**Examples of corresponding solutions**
Misconfigured network parameters, such as System Information Block Type 2 (SIB2), Physical Uplink Shared Channel (PUSCH), etc.	Adjusting the relevant parameters to ensure an optimal and efficient setting and configuration. Different brands of telecommunication network equipment may require different settings and configuration.

Common issues	Examples of corresponding solutions
Slow network speed due to failure to handover (transferring an ongoing call or data session from one base station coverage area to another base station as the device connected to the telecommunication network crosses different areas)	Troubleshooting to confirm the reason(s) for the failure to handover; depending on the problems identified, re-enabling the handover by (i) lowering or cancelling the telecommunication network interference that prevents the base stations from receiving reports in relation to movement of the device; and/or (ii) fixing the issues that prevents the base stations from giving instructions to handover, such as irregularities in the transmission route of the telecommunication network.
Network congestion caused by inefficient use of bandwidth	Adopting traffic shaping technique to optimise the bandwidth usage efficiency by prioritising and allocating bandwidth to important functions as designated by customers, thus shortening the response time of such functions. For instance, the amount of bandwidth consumed by entertainment applications can be restricted to improve telecommunication network performance for business and mission critical applications in business and financial districts.
Telecommunication network interference caused by, for instance, excessive overlapping network coverage of multiple base stations in close proximity; and network coverage holes caused by, for instance, insufficient reach of base stations	Modifying the coverage area by various means, such as antenna tilt, sectorisation, etc. Sectorisation refers to a technique whereby omni-directional antennas (with a 360° coverage) are replaced by multi-sector antennas (composed of three or six directional antennas), or upgrading existing multi-sector antennas, to enhance Telecommunication network performance. Multi-sector antennas are better suited for densely populated areas with a larger number of end-users as they minimise interferences from neighbouring base stations and provide flexibility in adjusting tilt angle of antennas and transmission power.
Malfunction of Telecommunication network hardware, such as monitoring module, base station board and antenna, etc.	Resetting, repairing or replacing the relevant hardware depending on the level and nature of malfunction.

Common issues	**Examples of corresponding solutions**
Overload of base stations	Prioritising maintenance and optimisation tasks such as troubleshooting, adjustment of telecommunication network parameters, radio frequency optimisation and so on. For areas where adjustment of parameters cannot alleviate the heavy load of the base station, implementing channelling solutions on the hardware such as adjustment of coverage area, instalment of telecommunication network enhancement equipment such as a remote radio unit to extend the coverage of the base station.
Examples of other general optimisation strategies	• *Data deduplication:* eliminating excessive duplicate copies of repeating data to be sent across a telecommunication network by sending references instead of the actual data; • *Data caching:* a data storage method which speeds up the retrieval of data; • *Data compression:* limiting data size to lower bandwidth usage; • *Data protocol streamlining:* bundling data from various applications into one.

Set out in the table below are some examples of the routine telecommunication network optimisation projects completed or undertaken by us which contributed revenue of over RMB4 million during the Track Record Period and the services rendered by us thereunder:

Project name	Project period	Description of project	Examples of services rendered by us	Revenue accumulated during the Track Record Period	Completion date
				RMB'million (approximately)	
DX Qinghai Routine Network Telecommunication Optimisation Project	FY2020–FY2021	Routine telecommunication network optimisation services for a major telecommunication operator in Qinghai	• overall test, analysis and optimisation of telecommunication network • user complaint analysis and handling. • telecommunication network interference screening	4.1	15 December 2021
DX Shijiazhuang Routine Telecommunication Network Optimisation Project	FY2020–FY2021	Routine telecommunication network optimisation services for a major telecommunication operator in Shijiazhuang	• telecommunication network performance assurance and basic data maintenance • daily telecommunication network test, analysis and basic optimisation • user complaint analysis and handling • telecommunication network interference screening	10.1	15 January 2022

ii. *Specific telecommunication network optimisation services*

Apart from providing routine wireless telecommunication network optimisation services, we also design and execute customised optimisation solutions for telecommunication network issues or improvement objectives which are specifically identified and targeted by our customers.

Some of the common specific issues or objectives to which we had provided solutions during the Track Record Period are set out in the table below:

Specific issues or objectives	Solutions
Inefficient telecommunication network infrastructure (such as base station) affecting the rate of data transmission	Identifying, upgrading, updating and/or modifying substandard components in the base station through collecting and analysing various network parameters, such as bandwidth usage, traffic patterns and connection lag, failure and recovery records, in order to improve telecommunication network performance.
5G energy saving solutions	Through real-time monitoring and prediction of telecommunication network load change and the relevant network parameters, adjusting the operational modes or the functional modules of a base station in order to achieve energy saving.
Base station optimisation	Gathering and analysing various network parameters such as bandwidth usage, traffic pattern, connection lags and faults and records of recoveries to assess telecommunication network performance and identify the substandard components of a base station which may require upgrading, updating or modification for regulatory compliance and enhancement of performance.
Coverage optimisation	Enhancing telecommunication network coverage of a base station by, among other things, (i) optimising signal coverage through ensuring the RSRP and/or SINR in the target network area is up to standard for supporting a wireless telecommunication network; (ii) resolving issues identified through troubleshooting, such as interference and an improper area for triggering a handover.

Upon completion of the implementation of specific solutions, our customers will assess our performance by evaluating the results of the optimisation.

Set out in the table below are some examples of the specific telecommunication network optimisation projects completed or undertaken by us which contributed revenue of over RMB1.5 million during the Track Record Period and the services rendered by us thereunder:

Project name	Project period	Description of project	Examples of services rendered by us	Revenue accumulated during the Track Record Period	Completion date
				RMB'million (approximately)	
DX Guangzhou 5G Network Testing Project	FY2020–FY2021	5G network testing and analysis of 5G commercial applications in Guangzhou and other major PRC cities	• assisting to design testing implementation plans • 5G network coverage testing in specific scenario • experience testing of the customer's mobile network services • data collection and analysis	1.7	Completed in September 2021
DX 5G Mobile Network Testing Project	FY2021–FY2022	5G mobile network data and perception testing and analysis in major cities, expressways and high-speed railway lines in the PRC	• data checking for automatic drive test system • 5G drive test data collection and analysis for PRC major cities • testing of various 5G wireless network management system • 5G network coverage testing in specific scenario • experience testing of the customer's mobile network services	3.2	Completed in December 2022

(b) ***Telecommunication network infrastructure maintenance and engineering services***

i. *Telecommunication network infrastructure maintenance services*

The infrastructure that forms the foundation of a wireless telecommunication network is a base station, which is essentially a transceiver station that facilitates wireless telecommunication between end-user devices and a telecommunication network. A base station is a complicated device and is susceptible to breakdown and failure caused by external environmental factors and internal mechanical problems. If a base station malfunctions or shuts down due to faulty parts or power outage, a telecommunication network served by such base station will inevitably be affected or even disconnected. To prevent or remedy such incidents, our customers mainly engage us to inspect, maintain and/or repair their base stations and relevant equipment.

The chart below illustrates our general operational flow in the provision of telecommunication network infrastructure maintenance services:

I **General inspection or receipt of issue reports**
- Routine inspection of base stations
- Report of telecommunication network irregularities or base station issues to us by our customer

II **Deployment of execution team**
- Deployment of engineers and technicians to perform on-site/remote examination

III **Inspection and troubleshooting**
- Performing inspection of base station functions in order to ensure proper conditions
- Inspection and troubleshooting in order to identify specific issues and causes thereof

IV **Formulation and execution of repair or maintenance solutions**
- If issues are detected, formulation and execution of suitable solutions to maintain or repair the base stations
- Arrangement for subcontractors to perform maintenance and repair, if necessary

V **Testing and assessment**
- Testing on the functionality of the base station again to ensure that a problem is properly dealt with

We generally respond to customers' demand on a 24 hours a day and seven days a week basis and deploy our execution team to render telecommunication network infrastructure maintenance services to our customers during working hours, examples of which include:

Service categories	Particulars and examples
General inspection and maintenance	We carry out regular on-site inspection of base stations and transmission equipment to ensure their proper conditions and operation. Depending on the terms of an agreement, inspection usually takes place on a regular basis (such as monthly, quarterly and semi-annually) or at the request of a customer. Standard inspection procedures generally apply, which typically include running diagnostic software, testing the functionality of hardware such as fibre optical cables and distribution box, connectors, jump cables, feeders, panel, antennas, etc., and examining the status of the power supply system and its backup generator.

Service categories	Particulars and examples
Repair	Upon discovery of, or receipt of report of, base station malfunction, we would deploy our engineers and technicians to perform on-site examination and troubleshooting. After identifying the problem, our engineers and technicians will then follow our repair protocols to formulate and execute a repair plan. Common repair carried out to base stations include adjustment, restoration and replacement of any malfunctioning components, such as monitoring module, base station board and antenna, etc.
Emergency power supply and restoration	Where there is a power failure at a base station which has caused the whole or part of its functions to collapse, we will arrange for power to be temporarily supplied to the base station while power restoration is in progress. This could extend the uptime of a telecommunication network and mitigate any adverse impact caused to end-users. We generally engage a subcontractor to perform this service. For more details, please refer to the paragraphs headed "Our subcontractors" below in this section.

Set out in the table below are some examples of the telecommunication network infrastructure maintenance projects completed or undertaken by us which contributed revenue of over RMB7 million during the Track Record Period and the services rendered by us thereunder:

Project name	Project period	Description of project	Examples of services rendered by us	Revenue accumulated during the Track Record Period	Completion date/Expected completion date
				RMB'000 (approximately)	
CX Heilongjiang Maintenance Project I	FY2019–FY2021	Telecommunication base station and pipeline maintenance services in certain cities in Heilongjiang province	Our services mainly included: • maintenance of wireless telecommunication network base stations • maintenance of ancillary equipment in telecommunication equipment room • maintenance of main optical fibers pipeline	42,534	Completed in May 2022

Project name	Project period	Description of project	Examples of services rendered by us	Revenue accumulated during the Track Record Period	Completion date/Expected completion date
				RMB'000 (approximately)	
ZY Zhuhai Pipeline Alteration Service Project	FY2021–present	Maintenance and modification of telecommunication pipeline	Our services mainly included: • maintenance and adjustment of telecommunication pipeline • modification of telecommunication pipeline • modification of cable TV line, broadband internet line and power cable	8,323	Expected to be completed in December 2023, subject to the final assessment of the customer

ii. *Telecommunication network infrastructure engineering services*

Furthermore, we also provide various kinds of telecommunication network infrastructure engineering services for various parts and sub-tasks of the same project at our customers' request. We have obtained the relevant certification (please refer to the paragraphs headed "Licences, approvals and permits" in the section for further details) to perform such engineering works which typically involve general labour and construction work.

The chart below illustrates our general operational flow in relation to our provision of telecommunication network infrastructure engineering services:

I. **Preliminary logistics and personnel planning**
   - Upon finalisation of the services to be provided, formulating plans as to the logistics, manpower, timetable, etc. in relation to the project

II. **Engagement of subcontractors**
   - Engaging subcontractors for the provision of general labour and/or technical service required for the engineering project

III. **Performance of services**
   - Performance of the specific services as requested by customers under the engineering project

IV. **Monitoring and supervision of subcontractors**
   - Deployment of our in-house engineers as project managers to monitor, inspect and advise on the works being performed by the subcontractors

V. **Assessment and completion**
   - Upon completion of works, assessment of quality and standard of works together with our customers in accordance with the terms and the standards set out in the agreement

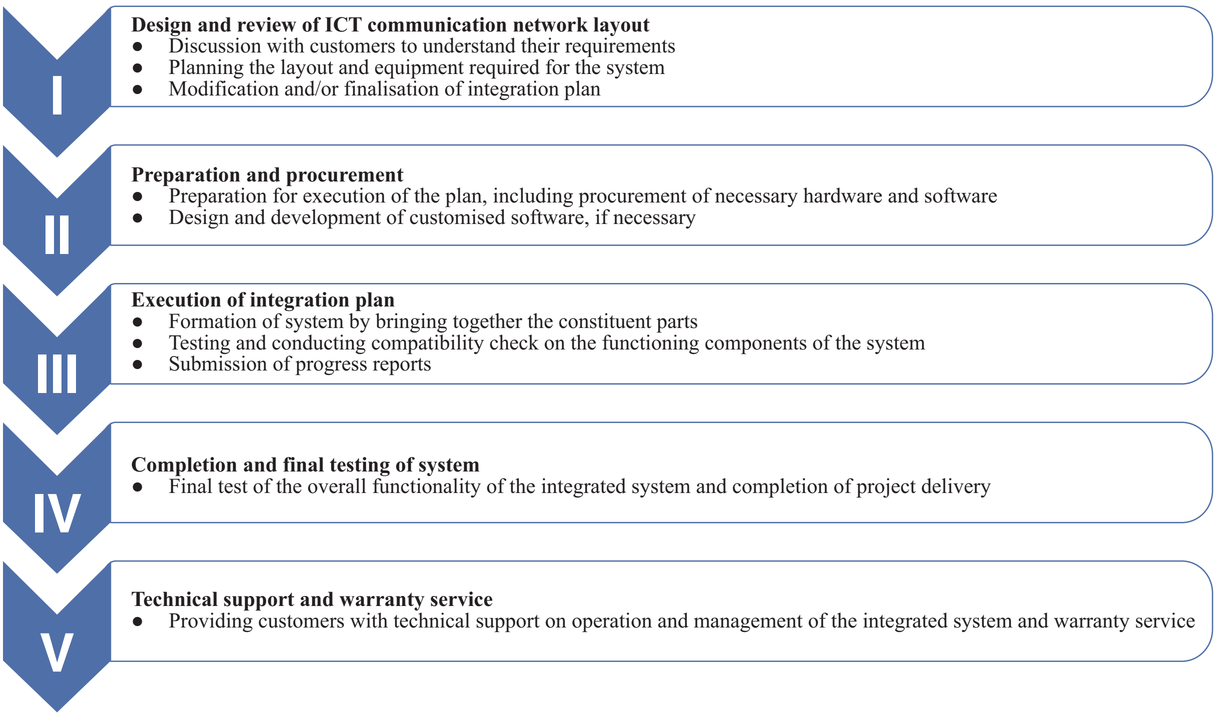
To illustrate the nature of our work in provision of telecommunication network infrastructure engineering services, set out in the table below are some examples of the engineering projects completed or undertaken by us which contributed revenue of over RMB500,000 during the Track Record Period and the engineering services rendered by us thereunder:

Project name	Project period	Description of project	Examples of services rendered by us	Revenue accumulated during the Track Record Period	Completion date/Expected completion date
				RMB'000 (approximately)	
YX Doumen Cables Improvement Project	FY2020–present	Improvement on the setting of electricity, telecommunications and cable television cables of an area involving 14 villages	• performing generic and optical fibre cabling work • installation of optical fiber junction boxes • installation of server racks • performing cement road excavation works	642	Expected to be completed in December 2023, subject to the final assessment of the customer
JY Tangjia Telecommunication System Redevelopment Project	FY2020–present	Redevelopment of telecommunications system of an old district	• dismantling and installation of cables • construction of telecommunications pipeline	1,193	Expected to be completed in December 2023, subject to the final assessment of the customer
YD Guangdong Telecommunication Room Project	FY2020 – FY2022	Provision of supporting services to the construction of telecommunication rooms	• providing supporting services to the construction, expansion and reconstruction of telecommunication rooms and micro base stations • external power access • construction of ground telecommunication network infrastructure	1,542	Completed in June 2022

(II) ICT Integration Services

In addition to wireless telecommunication network support services which focus on optimisation and maintenance, we also offer ICT integration services of which our emphasis is on system design, equipment and material procurement, installation and implementation, and system commissioning. We offer our ICT integration services to businesses and organisations from different fields and industries.

The chart below illustrates our general operational flow in the provision of ICT integration services:



We generally start with a detailed discussion with our customers to understand their objectives and then design the communication network layout and decide the choice of equipment within the customer's budget in relation to the ICT integration system. The integration plan is customised to specifically meet the requirements of our customers. We would then present the integration plan to our customers and if necessary, make modifications as requested before finalisation. After that, we would embark on the practical preparations for executing the plan and setting up the system, such as procurement of hardware and software and engagement of third-party subcontractors (such as subcontractors for carrying out cabling work and for installation of associated devices). The type and combination of system components required by customers vary on a case-by-case basis depending on the application and specifications of the system to be set up. Some common hardware and software required for ICT integration include servers, storage devices, cables and optical fibers, security software, operating system software, etc.

Where the necessary system components are in place, we would assemble and bring together the necessary hardware, software and other equipment together according to the integration plan to form a functional system. This includes physical arrangement of hardware, installation of software and ensuring the compatibility of both, together with ancillary works to enable the functionality of the ICT integrated system, such as cabling works. Our execution team will perform tests on the functions and compatibility between various functional components of the system at each stage of the execution process, and a final test on the system as a whole would be conducted upon completion of the integration. We also provide progress reports to our customers as stipulated under the service agreement.

When all requisite tests have been performed and satisfactory results are achieved, we would arrange a session to explain to our customers the essential functions and principles of ICT system, and advise them on the operation and management of the system, such as allocation of personnel who are to manage the system, how the personnel should operate the system in the course of daily operation and important aspects of the system, etc.

To illustrate the nature of our work in provision of ICT integration services, the table below sets out some examples of the ICT integration projects completed or undertaken by us which contributed revenue of over RMB4 million during the Track Record Period:

Project name	Project period	Description of project	Examples of services rendered by us	Major hardware and/or software used for integration	Revenue accumulated during the Track Record Period	Completion date
					RMB million (approximately)	
CX Dataroom Equipment Procurement and Services Project	FY2020	The ICT project was related to the upgrade of a data server room and relevant technology.	We were engaged to set up the data room infrastructure at the site. Our services mainly included: • research and design of the data room upgrade; • procurement, installation and integration of data room equipment and software; • performing test run of system; and • user training and technical support.	• Servers • Nodes (a device that receives, transmits and distributes information) • Storage devices • Storage controllers (a device that integrates and manages the memory areas in multiple storage devices)	7.5	Completed in November 2020

Project name	Project period	Description of project	Examples of services rendered by us	Major hardware and/or software used for integration	Revenue accumulated during the Track Record Period	Completion date
					RMB million (approximately)	
CX Smart Construction Site ICT Project	FY2020	The ICT project was related to and part of a construction of project involving an event block, an ancillary building together with the open area	We were engaged to set up the communication network infrastructure at the site. Our services mainly included: • procurement and integration of the equipment for an exhibition hall; • performing generic and optical fibre cabling work; • setting up server and network equipment rooms; • setting up a data centre and its management and monitoring platform; • performing test run of system; and • user training and technical support.	• Servers • Monitors • Display screens • Optical fibre and other cables • Network system such as wireless access points (a networking hardware device that allows other Wi-Fi devices to connect to a wired network) and routers • Server room power supply system such as distribution box • Data centre management and monitoring system • Access control system such as electromagnetic locks and security software	9.7	Completed in December 2020
CX Zhongshan E-commerce Management Project	FY2021	In relation to the setting up of a e-commerce zone in a PRC city in support of the e-commerce business in the city, we rendered services for the integration of a e-commerce management platform, which mainly serves to allow standardised exchange of information between customs, taxation and other government authorities on the one hand, and e-commerce and logistics enterprises on the other.	To ensure the functionality of the said platform, our services mainly included: • research and design of the communication network component of the system; • procurement, installation and integration of system equipment and software; • performing test run of system; and • user training and technical support.	• Servers • Monitors • Operating system software • Database software • Antivirus and security software • Server management software	11.5	Completed in March 2021
CX Harbin Ice Rink Project	FY2020–FY2021	The ICT project was related to and part of the construction project of an ice hockey arena	We were engaged to set up the light-current power system of the ice hockey arena. Our services mainly included: • research and design of the intelligent sport facility systems; • procurement and integration of system equipment and software; • installation and adjustment of information and communications system, security system and building and sport facilities management system; • performing test tun of system; and • user training and technical support.	• Network switches; • Television and telephone sockets • Cable	8.8	Completed in June 2021

Project name	Project period	Description of project	Examples of services rendered by us	Major hardware and/or software used for integration	Revenue accumulated during the Track Record Period	Completion date
					RMB million (approximately)	
YD Doumen Integrated Services Project	FY2021	The ICT project was related to and part of the setting up for a local public authority of a real-time management system which serves to ensure the proper operation of the mobile terminal (terminal for mobile access and transfer of safety-related information by public officers).	To ensure the functionality of the said system, our services mainly included: • procurement, installation and integration of system equipment and software; • performing test run of system; and • user training and technical support.	• Mobile terminal devices	4.5	Completed in September 2021
CC IDC Room ICT Project	FY2022	The project was related to setting up of an Internet data centre for a securities company	Our services mainly included: • procurement, installation and integration of network equipment and software; • performing test run of system; and • user training and technical support.	• Servers • Network devices • Storage devices	15.6	Completed in June 2022

In certain instances depending on the nature of the relevant projects (and in particular concerning ICT integration services projects), the cost of acquiring necessary hardware, software or equipment sourced from third-party vendors or suppliers may constitute a material portion of the contract sum of the relevant contracts. For example, a material part of the revenue generated relating to the YD Doumen Integrated Services Project in FY2021 set out above concerned the cost of acquiring mobile phones which we charged on our customer.

Key distinctions among our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services

The table below summarises the key distinctions among our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services:

	Wireless telecommunication network optimisation services	Telecommunication network infrastructure maintenance and engineering services	ICT integration services
Target customers	• Telecommunication operators • Telecommunication network equipment manufacturers • Telecommunication network and technical service providers • Other customers including PRC government departments, universities, research organisations, etc.	• Telecommunication operators • Telecommunication network equipment manufacturers • Telecommunication network and technical service providers	• Telecommunication network and technical service providers • Telecommunication operators • Telecommunication network equipment manufacturers • Other customers including PRC government departments, universities, research organisations, etc.
Primary scope of work	*Routine telecommunication network optimisation services:* • Performing routine examination and enhancement of the quality of a telecommunication network in terms of, for instance, network coverage, data transmission speed and signal interference • Handling end users' request for technical assistance or complaints in respect of telecommunication network connectivity *Specific telecommunication network optimisation services:* • Improving the quality of a telecommunication network from a more particular and in-depth perspective, such as 5G network optimisation and improvement of base station performance	*Telecommunication network infrastructure maintenance services:* • Performing inspection, maintenance and repair of telecommunication network infrastructure (e.g. base stations) to ensure their normal and stable operation *Telecommunication network infrastructure engineering services:* • Participating in the construction works of telecommunication network infrastructure	• Designing and implementing solutions which digitalise and enhance efficiency of business, public or other specific operations by installing various devices and/or software to form a communication network of interconnected devices

	Wireless telecommunication network optimisation services	**Telecommunication network infrastructure maintenance and engineering services**	**ICT integration services**
Case study example of general operational procedures involved	*Routine telecommunication network optimisation services:* Where we are engaged to perform routine telecommunication network optimisation services in respect of the telecommunication network of an area, we will: 1. deploy testing and data collection personnel to collect telecommunication network data in the area, and/or receive end user feedback in respect of connection issues; 2. deploy technical personnel to perform detailed examination and analysis where issues are discovered (e.g. misconfiguration of telecommunication network settings and network congestion due to misallocation of bandwidth usage); 3. perform necessary optimisation solutions (such as adjusting the relevant parameters according to the brand of telecommunication network equipment and reallocating bandwidth to usages in high demand); and 4. perform testing to assess whether the issues are resolved.	*Telecommunication network infrastructure maintenance services:* Where we are engaged to, for instance, maintain a number of base stations in an area, we will: 1. deploy maintenance personnel to perform general inspection of base stations including testing of their functionality, and/or receive report of irregularities; 2. deploy technical personnel to perform detailed examination and analysis where issues are discovered (e.g. malfunctioning of base station components); 3. perform necessary repair or maintenance solutions (such as repair and/or replacement of malfunctioning components); 4. If necessary, arrange for subcontractors to provide specialised services (e.g. emergency power supply and restoration); and 5. perform testing to assess whether the issues are resolved.	Where we are engaged to, for instance, set up a smart facility management system for a building, we will: 1. design and review the ICT communication network layout of the stadium, such as the locations of management devices (e.g. temperature and lighting control devices) and the server room settings; 2. procure the necessary hardware (e.g. control devices, monitors, display screens and servers) and software (e.g. antivirus and security software); 3. install the hardware and software and ensure compatibility; and 4. testing of various parts of the system

Wireless telecommunication network optimisation services	**Telecommunication network infrastructure maintenance and engineering services**	**ICT integration services**
Specific telecommunication network optimisation services: Where we are engaged to perform specific telecommunication network optimisation services in respect of, for instance, a newly established wireless telecommunication network, we will: 1. deploy testing and data collection personnel to collect telecommunication network data in fixed areas to test the network performance of certain areas with heavy network use; 2. deploy testing and data collection personnel to perform drive test (testing along major roads of an area in a moving vehicle) to test the telecommunication network performance of a wider area; 3. analyse testing results to locate areas for improvement and implement optimisation solutions; and 4. perform testing to assess whether the wireless telecommunication network is improved.	*Telecommunication network infrastructure engineering services:* Where we are engaged to, for instance, participate in a project in respect of the redevelopment of telecommunication network cabling system in a town, we will: 1. plan for the logistics, manpower, timetable, etc. in relation to the project; 2. engage suitable subcontractors to perform specific engineering works (e.g. cement road excavation, cabling and construction of telecommunications pipeline); and 3. deploy our project managers to oversee the works of the subcontractors.	

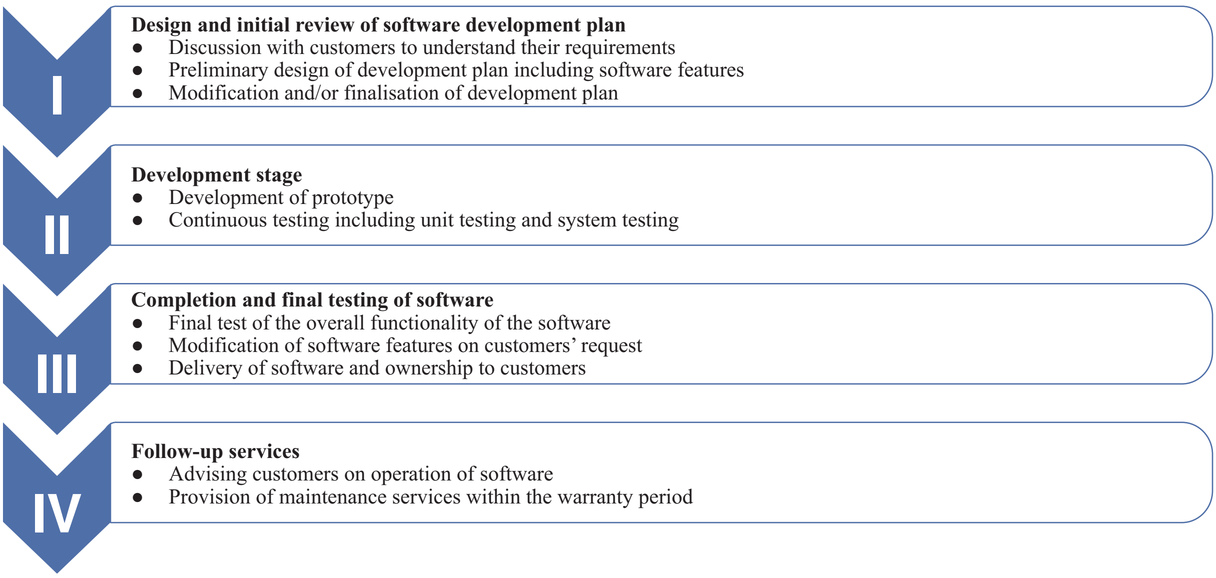
	Wireless telecommunication network optimisation services	Telecommunication network infrastructure maintenance and engineering services	ICT integration services
Major areas of technologies or techniques involved in the provision of services	• Wireless telecommunication network testing and data collection • Analysis of telecommunication network data collected • Knowledge of telecommunication network parameters and how to adjust the parameters • Knowledge of a range of optimisation solutions	*Telecommunication network infrastructure maintenance services:* • Telecommunication network infrastructure inspection, maintenance and repair • Knowledge of base station components, settings and adjustments to perform testing and repair *Telecommunication network infrastructure engineering services:* • Knowledge of the setting of telecommunication network infrastructure • Project planning and management • Supervision of works and services of subcontractors	• Knowledge of various layout for integrating a communication network of interconnected devices • Knowledge of a range of communication network devices and software • Customised software development • Project planning and management • Supervision of works and services of subcontractors
Basic differences with the other business lines	*Unlike telecommunication network infrastructure maintenance services:* • Involve the optimisation of a wider wireless telecommunication network instead of the maintenance of individual base stations • Focus on performance of telecommunication network as a whole instead of performance of base stations and relevant facilities	*Unlike wireless telecommunication network optimisation services:* • Focus more on on-site labour construction and maintenance and less on virtual adjustment of settings	*Unlike wireless telecommunication network optimisation services:* • Focus on formation of new ICT system instead of improvement of existing telecommunication network • Focus on the communication network performance of a fixed site or for a fixed purpose rather than the performance of a wider and more general wireless telecommunication network

Wireless telecommunication network optimisation services	Telecommunication network infrastructure maintenance and engineering services	ICT integration services
Unlike telecommunication network infrastructure engineering services: • Focus on improvement of existing telecommunication network instead of the construction of new infrastructure • Involve more technical and less labour works *Unlike ICT integrations services:* • Focus on improvement of existing telecommunication network instead of the integration of a new communication system • Do not typically involve the design of communication network layout	*Unlike ICT integrations services:* • Do not typically involve the design of communication network layout	*Unlike telecommunication network infrastructure maintenance services:* • Focus on formation of ICT system instead of improvement of existing telecommunication facilities *Unlike telecommunication network infrastructure engineering services:* • Include more industry applications • Involve more technical and usually less labour works

(III) Software Development Services

Since as far back as to 2003, we engaged in the research and development of a wireless network test and analysis software for testing and analytical work concerning PHS. Since then, we have continued to provide software development services for our customers who look for customised software. After the development of a software tailor-made for a customer is completed, ownership of the software would belong to the customer.

The chart below illustrates our general operational flow in the provision of software development services:



We generally start with a detailed discussion with our customers to understand their particular objectives in respect of the software to be developed by us and then design the preliminary features of the software that can fulfil their requirements. After modifying and finalising the design and development plan, we will proceed to the development stage. For details of the workflow in relation to the development of new software, please refer to the paragraphs headed "Our business model — Research and development" above in this section. When the development and testing of the software is completed, we will demonstrate the software to our customers for assessment and modification (if necessary). We also provide customers with user manual for software application, and free maintenance services within the warranty period. Depending on the contract terms, some customers will conduct a trial run of the software and pass signed user acceptance form or report to us.

To illustrate the nature of our work in the provision of software development services, the table below sets forth some examples of the software development projects completed or undertaken by us which contributed revenue of over RMB500,000 during the Track Record Period:

Software development project	Project period	Features of software developed	Revenue accumulated during the Track Record Period	Completion date
			RMB million (approximately)	
YD Zhuhai Information Sharing and Management Platform Project	FY2020	• **Device compatibility:** mobile devices and computers • **Main functions:** — Centralised data management — Cloud-based information sharing — Security management platform • **Main areas of application:** general application for most enterprises	1.7	Completed in December 2020
YD Zhuhai On-site Telecommunication Network Optimisation Platform Project	FY2021	• **Device compatibility:** mobile devices and computers • **Main functions:** — On-site telecommunication network optimisation system — Contract management system — Project management system — Financial management system — Proposal management system — Safety control system — Personnel and training management system — Data summary management system — Data report management system • **Main areas of application:** telecommunication network testing	2.3	Completed in September 2021

Software development project	Project period	Features of software developed	Revenue accumulated during the Track Record Period	Completion date
			RMB million (approximately)	
DX Guangdong Handy Software Development Project	FY2020	• **Device compatibility:** mobile devices • **Main functions:** — Mobile signal testing — Website speed testing — Video testing — Provision of base station information • **Main areas of application:** general application for most enterprises	0.8	Completed in January 2021
LC Mobile Safety Flow Protection Project	FY2021	• **Device compatibility:** mobile devices and computers • **Main functions:** — Cloud security technology that secures cloud computing environments against cybersecurity threats — Cloud deployment • **Main areas of application:** for supporting a customer's IoT and data platform with cloud security and services	2.3	Completed in December 2021
YD Bridge Safety Monitoring and Warning System Development Project	FY2022 — FY2023	• **Device compatibility:** mobile devices and computers • **Main functions:** — Acquisition, analysis and transmission of the data affecting the safety of bridge such as ship course and speed and water level, etc. — Edge computing — AI automatic scheduling and control • **Main area of application:** monitoring the ships sailing close to a bridge, assessing the risks of collision between the ships and the bridge and issuing warnings to the ships to prevent collision	1.7	Completed in November 2022

Interactions, synergies and cannibalisation risk among our services

The services we offer under different business lines are complementary to one another and to our research and development operations. For instance, (i) our self-developed software can be employed in our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services; (ii) our experience accumulated and data collected in the course of providing optimisation, maintenance and ICT integration solutions to our customers can in turn enable us to develop or upgrade testing and analysis software which more accurately address and tackle common issues in day-to-day operations, and facilitate our other research and development activities; and (iii) more generally, since our services on the whole share similar technical foundation in the field of telecommunication, certain knowledge, experience and equipment of one service line may be utilised in others. Our Directors believe such interactions among our services and research and development operations serve to foster the synergistic effects and quality enhancements among them.

Despite sharing similar technical foundation, our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services, ICT integration services and software development services are distinct from one another, especially in terms of focus and scope of work and operational procedures involved as set out in the table above. Thus, our Directors consider that there is no material risk of cannibalisation among these services. On the contrary, the provision of these services has expanded our target market by catering to the different demands of our customers, as evidenced by the fact that we have been able to cross-sell our services to our customers, such as Customer A which engaged us for services under all our business lines during the Track Record Period.

Revenue contribution and movement of backlog of our services

The table below sets out a breakdown of our Group's revenue by the type of services rendered by us during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately) *(unaudited)*	%	RMB'000 (approximately)	%
Telecommunication network support services										
— Wireless telecommunication network optimisation services	93,673	47.9	100,085	49.2	102,136	45.1	39,413	38.2	42,404	37.3
— Telecommunication network infrastructure maintenance and engineering services	39,654	20.3	41,787	20.6	44,516	19.7	21,244	20.6	18,709	16.4
Sub-total	133,327	68.2	141,872	69.8	146,652	64.8	60,657	58.8	61,113	53.7
ICT integration services	38,515	19.7	42,505	20.9	54,592	24.1	34,756	33.6	35,550	31.2
Telecommunication network-related software development										
— Sales of software	11,522	5.9	9,672	4.8	3,524	1.6	2,195	2.1	4,508	4.0
— Software development services	12,206	6.2	9,287	4.5	21,745	9.5	5,629	5.5	12,667	11.1
Sub-total	23,728	12.1	18,959	9.3	25,269	11.1	7,824	7.6	17,175	15.1
Total	195,570	100	203,336	100	226,513	100	103,237	100	113,838	100

Note: figures may not add up due to rounding.

The table below sets out the movement in terms of number of projects undertaken by us during the Track Record Period by business line:

	FY2020	FY2021	FY2022	6M2023
Number of projects outstanding as at the beginning of the year/period*(Note 1)*				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	40	57	56	67
— Telecommunication network infrastructure maintenance and engineering services	17	28	31	37
Sub-total	57	85	87	104
ICT integration services	7	10	14	25
Telecommunication network-related software development				
— Sales of software	3	1	—	4
— Software development services	3	4	3	10
Sub-total	6	5	3	14
Total	70	100	104	143

	FY2020	FY2021	FY2022	6M2023
Number of new projects during the year/period *(Note 2)*				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	52	47	49	22
— Telecommunication network infrastructure maintenance and engineering services	17	17	18	14
Sub-total	69	64	67	36
ICT integration services	11	18	27	21
Telecommunication network-related software development				
— Sales of software	6	12	10	7
— Software development services	9	12	20	8
Sub-total	15	24	30	15
Total	95	106	124	72
Number of projects completed during the year/period *(Note 3)*				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	35	48	38	9
— Telecommunication network infrastructure maintenance and engineering services	6	15	12	1
Sub-total	41	63	50	10
ICT integration services	8	14	16	15
Telecommunication network-related software development				
— Sales of software	8	13	6	7
— Software development services	8	13	13	9
Sub-total	16	26	19	16
Total	65	103	85	41

	FY2020	FY2021	FY2022	6M2023
Number of projects outstanding as at the end of the year/period*(Note 4)*				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	57	56	67	80
— Telecommunication network infrastructure maintenance and engineering services	28	30	37	50
Sub-total	84	85	104	130
ICT integration services	10	14	25	31
Telecommunication network-related software development				
— Sales of software	1	—	4	4
— Software development services	4	3	10	9
Sub-total	5	3	14	13
Total	100	103	143	174

Notes:

1. The number of projects outstanding as at the beginning of the year/period represents the total number of projects carried forward from the last year/period which had not been completed as at the beginning of the year/period indicated.

2. The number of new projects during the year/period represents the total number of new projects awarded to our Group during the relevant year/period indicated.

3. The number of projects completed during the year/period represents the total number of projects which had been completed during the relevant year/period indicated.

4. The number of projects outstanding as at the end of the year/period represents the total number of projects which had not yet been completed as at the end of the relevant year/period indicated.

5. Some of our customers had awarded to us more than one contract under a single project during the Track Record Period.

The table below sets out the movement of contract amount and revenue generated from our projects during the Track Record Period by business line:

	FY2020 (approximately) (RMB'000)	FY2021 (approximately) (RMB'000)	FY2022 (approximately) (RMB'000)	6M2023 (approximately) (RMB'000)
Outstanding contract amount as at the beginning of the year/period(Note 1)				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	40,155	82,082	40,728	47,002
— Telecommunication network infrastructure maintenance and engineering services	46,008	34,654	45,687	63,762
Sub-total	86,163	116,735	86,415	110,764
ICT integration services	17,838	27,299	27,937	23,371
Telecommunication network-related software development				
— Sales of software	2,061	708	—	429
— Software development services	2,056	424	711	6,143
Sub-total	4,117	1,132	711	6,571
Total	108,118	145,166	115,063	140,706
Additional contract amount secured during the year/period(Note 2)				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	135,600	59,127	108,415	34,742
— Telecommunication network infrastructure maintenance and engineering services	28,300	52,424	62,588	29,577
Sub-total	164,229	111,724	171,003	64,319
ICT integration services	47,976	43,443	50,026	51,754
Telecommunication network-related software development				
— Sales of software	10,169	8,965	3,952	4,290
— Software development services	10,574	9,573	27,177	13,364
Sub-total	20,743	18,538	31,129	17,654
Total	232,620	173,232	252,158	133,727

	FY2020	FY2021	FY2022	6M2023
Contract amount recognised as revenue during the year/period *(Note 3)*				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	93,673	100,085	102,136	42,404
— Telecommunication network infrastructure maintenance and engineering services	39,654	41,787	44,516	18,709
Sub-total	133,327	141,872	146,652	61,113
ICT integration services	38,515	42,505	54,592	35,550
Telecommunication network-related software development				
— Sales of software	11,522	9,672	3,524	4,508
— Software development services	12,206	9,287	21,745	12,667
Sub-total	23,728	18,959	25,269	17,175
Total	195,570	203,336	226,513	113,838
Outstanding contract amount as at the end of the year/period *(Notes 4, 5, 6)*				
Telecommunication network support services				
— Wireless telecommunication network optimisation services	82,005	41,048	47,007	39,264
— Telecommunication network infrastructure maintenance and engineering services	34,654	45,291	63,759	74,629
Sub-total	116,659	86,338	110,766	113,893
ICT integration services	23,376	28,014	23,371	39,652
Telecommunication network-related software development				
— Sales of software	708	—	428	211
— Software development services	424	711	6,143	6,839
Sub-total	1,132	711	6,571	7,050
Total	145,166	115,063	140,708	160,595

Notes:

1. The outstanding contract amount as at the beginning of the year/period represents the opening contract amount as at the start of the relevant year/period indicated which was carried forward from the previous year in relation to (i) works which had not yet been completed by our Group; (ii) works which had been completed but not yet been recognised as revenue by our Group; and (iii) variable consideration.

2. Additional contract amount secured during the year/period represents the additional contract amount awarded to our Group during the relevant year/period indicated in relation to (i) new projects and/or new contracts under existing projects awarded by our customers and/or (ii) new and/or varied orders issued by our customers for additional or varied works under existing contracts.

3. Contract amount recognised as revenue during the year/period represents the part of the outstanding contract amount (carried forward from the previous year/period or newly secured during the relevant year/period indicated) which was recognised as revenue during the relevant year/period indicated upon completion of certain projects or part of those projects by our Group.

4. The outstanding contract amount as at the end of the year/period represents the closing contract amount as at the end of the relevant year/period indicated in relation to (i) works which had not yet been completed by our Group; (ii) works which had been completed but not yet been recognised as revenue by our Group; and (iii) variable consideration.

5. The outstanding contract amount as at the end of a year/period also represents the difference between (i) the sum of the outstanding contract amount as at the beginning of that year/period and the additional contract amount secured during the same year/period and (ii) the contract amount recognised as revenue during that year/period.

6. The slight discrepancy between the outstanding amount as at the beginning of a year/period and that as at the end of the immediately previous year was due to the accounting reclassification of our projects under relevant business lines.

7. For certain contracts of our Group during the Track Record Period, there were cases where (i) there was no contract amount stipulated in the awarded contract and in such cases, our customers would enter into a framework agreement with us first and place orders with specific contract amount subsequently; and (ii) the contract amount of certain awarded contracts was an estimate amount with reference to the quotation documents or tender documents as formal agreements had not been signed as at 30 June 2023.

8. Figures may not add up due to rounding.

Subsequent to the Track Record Period and up to the Latest Practicable Date, (i) we had been awarded approximately 21 new projects with an aggregate contract amount (excluding tax) estimated to be more than approximately RMB35.4 million; (ii) we had completed approximately 9 projects, with an aggregate recognised revenue of more than approximately RMB5.4 million; and (iii) we had approximately 182 outstanding projects as at the Latest Practicable Date, with an aggregate outstanding contract amount estimated to be approximately RMB176.6 million. For certain projects awarded during or subsequent to the Track Record Period, there were cases where the relevant contract amounts were estimated amounts with reference to the quotation documents or tender documents as formal agreements had not been signed as at the Latest Practicable Date.

OUR SOFTWARE

For enhancing our efficiency in providing telecommunication network support services and ICT integration services, we have developed software for testing, evaluating, analysing, maintaining and optimising the performance of telecommunication networks. Our software is the result of our extensive research and development and underlines our continuous effort in innovation. Our Directors believe that our ability to upgrade our existing software and introduce new software that adapts to evolving wireless telecommunication network technology standards and customers' needs has contributed to our success in the industry.

Apart from utilising our self-developed software for the provision of our services, we also offer our software for sale to our customers, which from our Directors' point of view. can enhance customers' reliance on and confidence in our services because: (i) the telecommunication network analysis software developed and sold by us enables our customers to carry out network testing and alert them to the needs for optimisation; (ii) although such telecommunication network analysis software can be used by customers as the basis of and a tool for telecommunication network optimisation, input from our technical personnel is still required for completing the implementation of optimisation and maintenance solutions; and (iii) our capabilities can be showcased by the software we develop, which in turn may enhance customers' confidence in our services. During the Track Record Period, our revenue derived from the sale of software amounted to approximately RMB11.5 million, RMB9.7 million, RMB3.5 million and RMB4.5 million for FY2020, FY2021, FY2022 and 6M2023, respectively, the majority of which was derived from four of our software, namely Wangyou Renwoxing Wireless Network Testing and Analysis System V1.0* ("網優任我行"移動網絡測試分析系統V1.0), Smart Bee Network Performance Handy Testing System V1.0* (小蜜蜂Smart-bee網絡性能便捷測試系統V1.0), Wireless Network Real-time Video Control Software V1.0* (無線網絡實時視訊管控軟件V1.0) and Maintenance and Operation Support System based on Wireless Internet Data V1.0* (基於移動互聯網數據的維護和運營支撐系統V1.0).

Our Group will provide remote technical support and training on the operation and maintenance of our software sold to customers. Due to the intangible nature of software, our sale of software is generally not subject to product recall or product return. Our PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no foreseeable or pending legal proceedings or arbitration against our Group or our Directors, including those in relation to product or service liability, that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations.

Set out below are the particulars of the major software available for sale during the Track Record Period:

Principal products	Main functions of products	Target customers
"Wangyou Renwoxing" Wireless Network Testing and Analysis System V1.0 and "Wangyou Renwoxing Wireless Network Testing and Analysis System V3.0*"* ("網優任我行"移動網絡測試分析系統V1.0及"網優任我行"移動網絡測試分析系統V3.0) ("**Wangyou Renwoxing**")	● Collection of data transmitted through 4G/5G network ● Providing a summary of the telecommunication network information with parameter ● Testing and analysis of the data collected in respect of quality of telecommunication network connection ● Generating testing and analysis reports ● Telecommunication network issue diagnosis	Telecommunication operators and other companies in the telecommunication industry

Sample interface:

Principal products	Main functions of products	Target customers
Smart Bee Network Performance Handy Testing System V1.0 and Smart Bee Network Performance Handy Testing System V2.0* (小蜜蜂Smart-bee網絡性能便捷測試系統V1.0) ("**Smart Bee**")	• One-stop handy collection and presentation of optimisation-related information, such as telecommunication network performance, network testing and so on • Providing information on the distribution and operation of base stations in the vicinity • Real-time upload of data collected to servers for back-end analysis in respect of telecommunication network quality	Telecommunication operators and other companies in the telecommunication industry

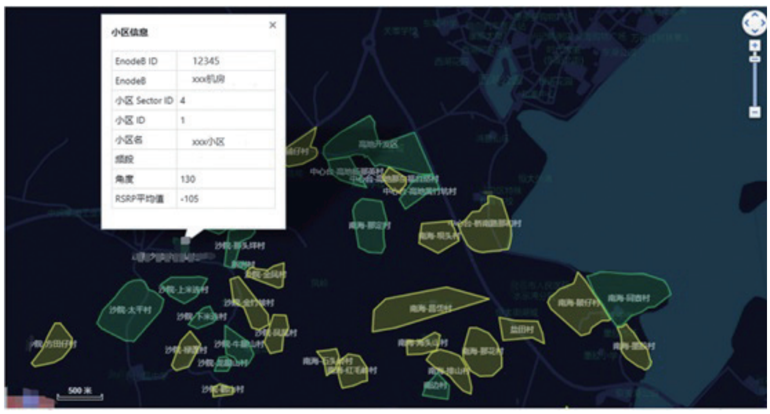
Sample interface:

Principal products	Main functions of products	Target customers
Wireless Network Real-time Video Control Software V1.0* (無線網絡實時視訊管控軟件V1.0) ("**Wireless Network Realtime Video Control Software**")	• Remote control and management of the maintenance progress of base stations by real-time and mobile communication and exchange of data, including on-site photographs and videos • Functions which assist the performance of base station maintenance, including formulation and monitoring of inspection plans, assessment of maintenance services and collecting information on base station engineering parameters	Telecommunication operators and other companies in the telecommunication industry

Sample interface:

Principal products	Main functions of products	Target customers
Maintenance and Operation Support System based on Wireless Internet Data V1.0* (基於移動互聯網數據的維護和運營支撐系統V1.0) ("**Maintenance and Operation Support System**")	• Performing statistical analysis based on the large data sets collected through data mining, telecommunication network traffic conditions and distribution of base stations • Providing information on telecommunication network coverage and quality over a specific district based on the statistical analysis performed • Presentation of the said information in a visualised manner in the form of a map showing the telecommunication network condition of selected districts	Telecommunication operators and other companies in the telecommunication industry

Sample interface:



The table below summarises the key difference among our major software available for sale during the Track Record Period:

	Wangyou Renwoxing	Smart Bee	Wireless Network Realtime Video Control Software	Maintenance and Operation Support System
Main technologies involved	• Collection of data relating to telecommunication network • Testing and analysis of data relating to telecommunication network • Generation of testing and analytic reports	• Collection of data relating to telecommunication network • Testing of data relating to telecommunication network • Collection of data relating to base station	• Monitoring of telecommunication equipment conditions • Process management for maintenance of telecommunication equipment	• Collection and analysis of big data from telecommunication network
Main functions	• Sharing of data collected among different users • On-site collection of telecommunication network data of a specific location • Detailed analysis of telecommunication network performance of a specific location	• On-site examination of base station conditions such as layout and operation status • On-site collection of telecommunication network data of a specific location • Detailed analysis of telecommunication network performance of a specific location	• Remote and real-time monitoring of the operation status of telecommunication equipment • Online designation of relevant maintenance personnel to attend to the maintenance and repair of telecommunication equipment once an issue is identified through remote monitoring	• Collection of mass telecommunication network data in a city or over a large area • Analysis of telecommunication network performance over a large area • Providing information of base stations such as layout and operation status
Summary of key features distinct from the other three major software	• Analysis of telecommunication network at specific locations • Data and results sharing	• Analysis of telecommunication network at specific locations • Providing information on base stations (on-site)	• Monitoring and management of telecommunication equipment such as base station equipment (remote and real-time)	• Analysis of telecommunication network over a large area • Macro-evaluation of telecommunication infrastructure distribution over a large area
Key benefits	• Efficient data sharing • Focus on specific locations	• More comprehensive data collection (telecommunication network and base stations) • Focus on specific locations	• Remote and real-time management of base stations • Facilitating maintenance works	• Analysis of larger data sets and over a wider area
Mode of payment	Purchase price (paid in lump sum or by instalments) rather than subscription based payments			

The software we sell to customers does not typically have an expiry date or specific product life cycle as they are generally designed to be compatible for further upgrade so as to adapt to new broadband technology. For instance, since our software may interact directly with the wireless telecommunication network, the development of broadband technology (e.g. from 4G to 5G) applicable to such network may affect the functionality and applicability of our software. However, we can upgrade our software so that it can adapt to the latest broadband technology. We generally do not charge our customers additional fee for software upgrade unless the software needs to be upgraded to a different generation of broadband technology. During the Track Record Period, our Directors confirm that there is no material change in the major software we offered for sale.

OUR CUSTOMERS

We have established business relationships with various major PRC telecommunication operators, and other prominent customers in the PRC, such as China Comservice and a leading PRC telecommunication tower infrastructure service provider. Our customers during the Track Record Period can be categorised into: (i) telecommunication operators; (ii) telecommunication network equipment manufacturers; (iii) telecommunication network and technical service providers; and (iv) others. All of our customers during the Track Record Period had their principal place of business in the PRC. For FY2020, FY2021, FY2022 and 6M2023, we had a total of 65, 81, 78 and 64 customers, respectively. We have achieved a high customer retention rate, as evidenced by the fact that repeat customers (being customers in a particular year/period during the Track Record Period who have engaged us for our service or purchased our software at least once in the three financial years immediately preceding that particular year) contributed revenue of approximately RMB163.0 million, RMB174.6 million, RMB198.3 million and RMB88.1 million, representing over 83.3%, 85.9%, 87.6% and 77.4%, respectively, of our total revenue during the Track Record Period.

The following table sets forth the breakdown of our revenue by customer type and services, and the respective percentage of our total revenue during the Track Record Period:

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately) *(unaudited)*	%	RMB'000 (approximately)	%
Telecommunication operators *(Note 1)*										
— Telecommunication network support services	41,646	21.3	51,128	25.1	52,295	23.1	22,402	21.7	20,805	18.3
— ICT integration services	—	—	8,684	4.3	12,409	5.5	5,176	5.0	10,801	9.5
— Telecommunication network-related software development	5,238	2.7	5,358	2.6	8,050	3.5	4,583	4.4	2,623	2.3
Subtotal	46,884	24.0	65,170	32.0	72,754	32.1	32,161	31.1	34,229	30.1
Telecommunication network equipment manufacturers *(Note 2)*										
— Telecommunication network support services	8,028	4.1	9,035	4.4	8,364	3.7	2,239	2.2	5,425	4.8
— ICT integration services	—	—	—	—	249	0.1	—	—	—	—
— Telecommunication network-related software development	2,579	1.3	2,727	1.4	526	0.2	526	0.5	—	—
Subtotal	10,607	5.4	11,762	5.8	9,139	4.0	2,765	2.7	5,425	4.8
Telecommunication network and technical service providers and general contractors *(Note 3)*										
— Telecommunication network support services	82,040	41.9	77,185	38.0	83,370	36.8	35,834	34.7	31,646	27.8
— ICT integration services	32,819	16.8	29,462	14.5	40,380	17.8	28,467	27.6	21,016	18.5
— Telecommunication network-related software development	14,556	7.4	10,642	5.2	16,692	7.4	2,715	2.6	14,552	12.8
Subtotal	129,415	66.1	117,289	57.7	140,442	62.0	67,016	64.9	67,214	59.0
Others *(Note 4)*										
— Telecommunication network support services	1,613	0.9	4,524	2.2	2,623	1.2	183	0.2	3,235	2.8
— ICT integration services	5,696	2.9	4,359	2.2	1,555	0.7	1,113	1.1	3,733	3.3
— Telecommunication network-related software development	1,355	0.7	232	0.1	—	—	—	—	—	—
Subtotal	8,664	4.5	9,115	4.5	4,178	1.9	1,296	1.3	6,968	6.1
Total	195,570	100	203,336	100	226,513	100	103,237	100	113,838	100

Notes:

1. Telecommunication operators are companies which provide landline, mobile and Internet access services.

2. Telecommunication network equipment manufacturers are companies which mainly engage in the sale of hardware used for the purpose of telecommunication.

3. Telecommunication network and technical service providers and general contractors are companies which provide telecommunication network support and other technical services.

4. Other customers include PRC government departments, universities, research organisations, etc.

As noted in the table above, we obtained our business from a variety of customers, including general contractors and other service providers and manufacturers. The nature of our customers may indicate the manner in which we undertake projects (e.g. as an individual contractor or a sub-contractor). During the Track Record Period, we mainly undertook our projects in the following manners: (i) we secured the whole project or part of the works in a project directly from end customers such as telecommunication operators; or (ii) after a general contractor secured a project from the project owner and divide it into various sub-projects or works, we may be assigned one or more of such sub-projects or works from the general contractor. In both cases, we generally underwent the same open tender or non-tender process and were subject to assessment by the general contractor and/or the project owner in accordance with the terms of the relevant contract. Accordingly, the capacities in which our Group obtained business or undertook a project (i.e. whether we act as a subcontractor or contractor) did not have a material implication on the operations or standard of services of our Group. The table below sets out a breakdown of our Group's revenue by our service capacity (i.e. whether we act as a subcontractor or contractor) during the Track Record Period:

Our service capacity	**FY2020**		**FY2021**		**FY2022**		**6M2023**	
	RMB'000 (approximately)	**%**	**RMB'000 (approximately)**	**%**	**RMB'000 (approximately)**	**%**	**RMB'000 (approximately)**	**%**
As a subcontractor	88,036	45.0	81,013	39.8	101,115	44.6	38,715	34.0
As a contractor	107,534	55.0	122,323	60.2	125,398	55.4	75,123	66.0
Total	195,570	100	203,336	100	226,513	100	113,838	100

Note: For the purposes of the above classification of our service capacity as a subcontractor or contractor, we are generally regarded as a subcontractor if there is a back-to-back arrangement under which a customer has the right to pay us after collection of payments from a third party end customer; and/or the acceptance assessment for works performed by us shall be conducted by or on behalf of a third party end customer. In the absence of any of the above provision, we will be deemed as a contractor.

Revenue by places of registration of our customers

Our business mainly originated from the provinces city of Guangdong, Beijing, Hebei, Guangxi and Qinghai in the PRC. The table below sets out a breakdown of our Group's revenue by places of registration of our customers during the Track Record Period:

Province/municipal city	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately) *(unaudited)*	%	RMB'000 (approximately)	%
Guangdong	133,786	68.4	129,278	63.6	143,967	63.5	72,994	70.7	66,882	58.7
Beijing and Hebei	18,730	9.6	16,153	7.9	12,671	5.6	5,934	5.8	10,676	9.4
Guangxi	4,529	2.3	12,382	6.1	9,710	4.3	4,015	3.9	6,438	5.7
Shanghai and Jiangsu	6,258	3.2	11,583	5.7	18,763	8.3	6,021	5.8	14,199	12.5
Qinghai	4,896	2.5	4,637	2.3	5,446	2.4	2,255	2.2	1,988	1.7
Others	27,371	14.0	29,303	14.4	35,957	15.9	12,018	11.6	13,655	12.0
Total	195,570	100	203,336	100	226,513	100	103,237	100	113,838	100

The other locations include Guizhou province, Zhejiang province, Sichuan province, etc.

Where a customer requires our services (especially telecommunication network support services) at a designated location, if necessary, our technical personnel or subcontractors will be temporarily stationed at the server rooms or other locations as may be designated by the customer for rendering the services.

Revenue by location of our projects

During the Track Record Period, our telecommunication network optimisation, telecommunication network infrastructure maintenance and engineering and ICT integration projects were mainly located in the Guangdong province, with some of our projects spanning multiple provinces. Set out below is a breakdown of our revenue by project location (in terms of province/city) during the Track Record Period:

Location of our projects (Province/municipal city)	FY2020		FY2021		FY2022		6M2023	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%
Guangdong	61,400	31.4	79,790	39.2	118,926	52.5	62,449	54.9
Heilongjang	28,227	14.4	24,023	11.8	10,538	4.7	47	—
Beijing and Hebei	18,042	9.2	10,333	5.1	10,213	4.5	5,354	4.7
Guangxi	7,939	4.1	16,963	8.4	13,401	5.9	6,438	5.7
Qingahai	4,896	2.5	4,637	2.3	5,285	2.3	1,987	1.7
Hubei	2,046	1.1	4,403	2.2	6,149	2.7	3,172	2.8
Others*(Note 1)*	17,821	9.1	15,687	7.7	15,654	6.9	7,393	6.5
Inter provincial locations*(Note 2)*	31,471	16.1	28,541	14.0	21,078	9.3	9,823	8.6
Unspecified location*(Note 3)*	23,728	12.1	18,959	9.3	25,269	11.1	17,175	15.1
Total	195,570	100	203,336	100	226,513	100	113,838	100

Notes:

1. Other provinces/municipal cities include Shanghai, Jiangsu, Sichuan, Hainan, Guizhou, etc.

2. Some of our projects involved the provision of our services in multiple provinces/cities and it is not practicable to derive further breakdown of the revenue generated from such projects by province/city.

3. Our telecommunication network-related software development business involving software development services and software sale is generally non-location specific due to its virtual nature.

The majority of our projects were located in the Guangdong province where our headquarters is located. While we do not at this stage have any definite target for increasing the proportion of revenue contribution from other provinces, we consider that we are well-equipped and prepared to provide our services in other provinces and cities and are proactively open to such expansion shall such opportunities arise. In particular, our Directors do not anticipate any material difficulties for our Group to carry out our business in locations outside the Guangdong province, taking into account that (i) our Group has historically been providing our services to numerous locations outside Guangdong, including not less than 25 provinces/municipal cities during the Track Record Period; (ii) our solution-focused operation with the use of subcontracting arrangements allows us to undertake projects in locations and regions outside our headquarters, without the need to make mass deployment of our own employees and resources; and (iii) our services to be rendered in different provinces and cities in the PRC are of the same nature and follow the same operational flow since there is no material difference in telecommunication protocol, infrastructure and settings across the PRC.

During the Track Record Period, our telecommunication network optimisation, telecommunication network infrastructure maintenance and engineering and ICT integration projects were located to a larger extent in first and second tier cities in the PRC and to a lesser extent in the third, fourth and fifth tier cities in the PRC, with some of our projects spanning multiple provinces and/or cities. Set out below is a breakdown of our revenue by project location (in terms of city tier) during the Track Record Period:

Location of our projects (city tier)	**FY2020**		**FY2021**		**FY2022**		**6M2023**	
	RMB'000 (approximately)	**%**	**RMB'000 (approximately)**	**%**	**RMB'000 (approximately)**	**%**	**RMB'000 (approximately)**	**%**
First and second tier cities *(Note 1)*	65,095	33.3	66,032	32.5	91,940	40.6	45,525	40.0
Third, fourth and fifth tier cities *(Note 2)*	40,854	20.9	43,568	21.4	49,079	21.7	29,000	25.5
Inter city tier locations *(Note 3)*	65,893	33.7	74,776	36.8	60,226	26.6	22,138	19.4
Unspecified location *(Note 4)*	23,728	12.1	18,959	9.3	25,268	11.2	17,175	15.1
Total	195,570	100	203,336	100	226,513	100	113,838	100

Notes:

1. First and second tier cities (classified based on the city tier ranking published by an urban data research institute operated by a provincial media group where our projects were located during the Track Record Period included more than 20 cities in the PRC such as Beijing, Shanghai, Shenzhen, Guangzhou, Zhuhai, Chengdu, Haerbin and Guiyang.

2. Third, fourth and fifth tier cities (classified based on the city tier ranking published by an urban data research institute operated by a provincial media group where our projects were located during the Track Record Period included more than 60 cities in the PRC such as Shantou, Guigang, Liupanshui, Mianyang, Langfang.

3. Some of our projects involved the provision of our services in multiple cities which are in different city tier categories (i.e. first and second tier category and third, forth and fifth tier category) and it is not practicable to derive further breakdown of the revenue generated from such projects by city tier.

4. Our telecommunication network-related software development business involving software development services and software sale is generally non-location specific due to its virtual nature.

We consider that the concentration of our projects in first and second tier cities in the PRC is consistent with the fact that first and second tier cities are typically more densely populated and with more economic and commercial activities and network usage than cities in other tiers, thus necessitating more sophisticated telecommunication network infrastructure and ICT systems supporting those activities. As a result, the demand for telecommunication support and ICT integration services is correspondingly higher in first and second tier cities.

Our five largest customers during the Track Record Period

As at 30 June 2023, the length of our business relationships with our five largest customers ranged from approximately 2 to 16 years. The revenue generated from our five largest customers in each year/period during the Track Record Period in aggregate amounted to approximately RMB116.8 million, RMB123.9 million, RMB115.6 million and RMB53.3 million, representing approximately 59.6%, 61.0%, 51.0% and 46.8% of our total revenue, respectively. The revenue generated from our largest customer in each year/period during the Track Record Period amounted to approximately RMB41.5 million, RMB48.8 million, RMB53.9 million and RMB25.7 million, representing approximately 21.2%, 24.0%, 23.8% and 22.6% of our total revenue, respectively. The following tables set out brief information concerning our five largest customers in the Track Record Period:

For FY2020

	Customer	Principal business activities of customer	Major services provided by our Group for the year	Credit term(2)	Payment method	Commencement year of business relationship	Revenue generated from the customer	As a percentage of our total revenue
				days			RMB'000 approximately	% approximately
1	Customer A	Provision of fundamental telecommunications businesses including comprehensive wireline communications service, mobile communications service, value added telecommunications service such as Internet access service, information service and other related service	Wireless telecommunication network optimisation service, telecommunication network infrastructure maintenance and engineering service, and software development service	0–180	Bank transfer	2007	41,502	21.2
2	Customer C	Telecommunication network infrastructure maintenance and engineering service	ICT integration service and telecommunication network infrastructure maintenance service	7–60	Bank transfer	2014	38,679	19.8
3	Customer B	Provision of telecommunication network consulting, planning and design, construction service and network communication services	Wireless telecommunication network optimisation service and telecommunication network infrastructure maintenance and engineering service	30–90	Bank transfer	2009	23,163	11.8
4	Guangzhou Chengxiang	ICT integration service, system development and sales renting services of telecommunication equipment	ICT integration service	30	Bank transfer	2012	7,516	3.8
5	China Comservice	Provision of telecommunications infrastructure service, business process outsourcing service	Wireless telecommunication network optimisation service and telecommunication network infrastructure engineering service	Nil	Bank transfer	2018	5,894	3.0
	Total						116,754	59.6

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the customers during the Track Record Period.

For FY2021

	Customer	Principal business activities of customer	Major services provided by our Group for the year	Credit term[2]	Payment method	Commencement year of business relationship	Revenue generated from the customer	As a percentage of our total revenue
				days			RMB'000 approximately	% approximately
1	Customer A	Provision of fundamental telecommunications businesses including comprehensive wireline communications service, mobile communications service, value added telecommunications service such as Internet access service, information service and other related service	Wireless telecommunication network optimisation service, telecommunication network infrastructure maintenance and engineering service and ICT integration service	0–180	Bank transfer	2007	48,768[3]	24.0
2	Customer C	Telecommunication network infrastructure maintenance and engineering service	Wireless telecommunication network optimisation service, ICT integration service and telecommunication network infrastructure maintenance and engineering service	7–60	Bank transfer	2014	39,376	19.4
3	Customer B	Provision of telecommunication network consulting, planning and design, construction service and network communication services	Wireless telecommunication network optimisation service and telecommunication network infrastructure engineering service	30–90	Bank transfer/Bill of exchange	2009	15,141	7.4
4	Customer D	Provision of telecommunication service and sales of telecommunication equipment and other devices	Wireless telecommunication network optimisation service, ICT integration service and software development service	15–30	Bank transfer	2009	12,565	6.2
5	Customer E	Provision of telecommunication, software and information technology services	Wireless telecommunication network optimisation service, telecommunication network infrastructure maintenance and engineering service, ICT integration service and software development services.	30	Bank transfer	2020	8,053	4.0
	Total						123,903	61.0

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the customers during the Track Record Period.

3. Our revenue generated from Customer A increased from approximately RMB41.5 million for FY2020 to RMB48.8 million for FY2021 mainly due to our Group's active efforts in expanding its business in the Guangdong province in FY2021 and an increase in revenue of approximately RMB7.5 million from the projects in relation to 5G.

For FY2022

	Customer	Principal business activities of customer	Major services provided by our Group for the year	Credit term[2]	Payment method	Commencement year of business relationship	Revenue generated from the customer	As a percentage of our total revenue
				days			RMB'000 approximately	% approximately
1	Customer A	Provision of fundamental telecommunications businesses including comprehensive wireline communications service, mobile communications service, value added telecommunications service such as Internet access service, information service and other related services	Wireless telecommunication network optimisation service, telecommunication network infrastructure maintenance and engineering service, ICT integration service and software development service	0–180	Bank transfer	2007	53,917	23.8
2	Customer E	Provision of telecommunication, software and information technology services	Wireless telecommunication network optimisation service	30	Bank transfer	2020	16,112	7.1
3	Guangzhou Chengxiang	ICT integration service, system development and sales renting services of telecommunication equipment	ICT integration services	60	Bank transfer	2012	15,568	6.9
4	Customer D	Provision of telecommunication service and sales of telecommunication equipment and other devices	Wireless telecommunication network optimisation service, ICT integration service, telecommunication network-related software development service	15–30	Bank transfer	2009	15,048	6.6
5	Customer F	Provision of telecommunication, software and information technology services	Wireless telecommunication network optimisation service, ICT integration service and telecommunication network-related software development service	10–30	Bank transfer	2021	14,973	6.6
	Total						115,618	51.0

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the customers during the Track Record Period.

For 6M2023

	Customer	Principal business activities of customer	Major services provided by our Group for the period	Credit term[2]	Payment method	Commencement year of business relationship	Revenue generated from the customer	As a percentage of our total revenue
				days			RMB'000 approximately	% approximately
1	Customer A	Provision of fundamental telecommunications businesses including comprehensive wireline communications service, mobile communications service, value added telecommunications service such as Internet access service, information service and other related services	Wireless telecommunication network optimisation service, telecommunication network infrastructure maintenance and engineering service, ICT integration service and software development service	0–180	Bank transfer	2007	25,710	22.6
2	Customer E	Provision of telecommunication, software and information technology services	Wireless telecommunication network optimisation service	30	Bank transfer	2020	9,276	8.1
3	Guangzhou Chengxiang	ICT integration service, system development and sales renting services of telecommunication equipment	ICT integration service	60	Bank transfer	2012	7,073	6.2
4	Customer G	Provision of network technology services, IoT technology services and telecommunication network infrastructure engineering service	Wireless telecommunication network optimisation service and telecommunication network infrastructure maintenance and engineering service	10	Bank transfer	2021	6,438	5.7
5	Customer H	Provision of mobile network optimisation service	Wireless telecommunication network optimisation service	Nil	Bank transfer	2019	4,804	4.2
	Total						53,301	46.8

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the customers during the Track Record Period.

The amount of revenue generated from Customer B, a long-term customer of our Group in respect of our telecommunication network support services, had gradually decreased from approximately RMB23.2 million in FY2020 to approximately RMB15.1 million in FY2021 and to approximately RMB0.7 million in FY2022 and nil in 6M2023.

Such reduction in revenue was mainly attributable to the conscientious and conscious decision of our Directors to gradually reduce our provision of our services to Customer B taking into account the following:

(i) the services required by Customer B under the awarded contracts were generally labour-intensive in nature, and required significant diversion of our human capital across a vast geographical landscape (given that the telecommunication network support services required the deployment of a material number of personnel across numerous and often distant locations in the PRC). This is costly from the perspectives of logistics in terms of deployment as well as additional administrative work involved; and

(ii) taking into account the above, the Directors consider that it would be more commercially sensible to limit excessive outlay and expenses associated with employing a large number of employees and dedicated staff to serve Customer B across geographical locations requiring service, but rather strategically shift our focus to hiring project managers to supervise a team of dedicated staff to service targeted geographical locations. It is considered that such approach would also be preferable to engaging subcontractors across different geographical locations as such engagement is likely to be more costly, and we may have difficulty supervising work delivery, maintaining service quality and responding promptly and efficiently to client feedback and enquiries.

To the best knowledge of our Directors after making all reasonable enquiries, as at the Latest Practicable Date, all of our Group's five largest customers during the Track Record Period were Independent Third Parties, and none of our Directors, their respective close associates or any Shareholders (who or which, to the best knowledge of our Directors, owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date) has any interest in any of our five largest customers during the Track Record Period.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any major disruption in business due to material delays or defaulting payments by our customers owing to their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers that are in material financial difficulty that may adversely affect our Group's businesses.

Salient terms of our service agreements

Project-based services

Regarding our specific wireless telecommunication network optimisation services, ICT integration services and telecommunication network infrastructure engineering service, we generally enter into service agreements with our customers on a project-by-project basis pursuant to which we are required to provide customised telecommunication network optimisation, integration or engineering solutions to our customers, which comprise telecommunication operators, PRC government departments and other customers. Set out below is a summary of the salient terms of our service agreements for provision of such services:

Contract price	The contract sum of our agreements is mainly a lump sum fixed price, which would include hardware and software procurement costs and other incidental expenses incurred by us such as labour cost and travelling expenses.
Services to be rendered	A brief description of the project and services to be rendered is generally set out in the agreements.
Duration of projects	Both the expected commencement date and completion date of a project are generally set out in the agreements.
Payment and credit terms	A lump sum payment or progress payments by bank transfer within a credit period of generally up to 90 days.
Hardware, software, equipment and labour	Depending on the requirements and specifications of the relevant project or service required, we may be capable of providing all necessary hardware, software, equipment and labour for carrying out required services. In some instances (particularly in connection with the provision of ICT integration services) however, we may procure or acquire necessary hardware, software or equipment from third-party vendors or suppliers, the relevant expenses of which may be covered by, and constitute a material portion of, the contract sum we charge on our customers.
Means of assessment conducted by customers	Assessments of our service are conducted in accordance with the standards specified in the agreements, and generally the customer will issue an assessment form and/or a completion form upon passing of assessment or completion of the project.

Warranty	*ICT projects*: typically ranges from one to three years *Specific telecommunication network optimisation services*: typically no warranty period *Telecommunication network infrastructure engineering services*: typically one-year warranty period
Completion	Services are generally regarded as completed on the completion date set out in the agreement and/or when we meet the requirements of the customers' assessments
Termination clause	*ICT integration services and specific network optimisation services*: may vary from contract to contract — some examples include provisions for termination of agreement by customer upon material default by our Group and/or termination by either party upon events of force majeure. *Telecommunication network infrastructure engineering services*: may vary from contract to contract — some examples include provisions for termination of agreement by the non-defaulting party upon material default by our Group or the customer with/without prior notification.

Fixed-term on-demand services

As to our routine telecommunication network optimisation services and telecommunication network infrastructure maintenance services, we generally enter into fixed-term framework agreements with our customers. Where our services are required, our customers may place separate orders with us which typically include (i) description of the type of services required; (ii) charges of such services; (iii) payment terms; and (iv) service delivery time. Once we have accepted the orders, the terms and conditions thereof will become binding contracts between our Group and the customers. Set out below is a summary of the salient terms and conditions of our fixed-term service agreements with our customers:

Services to be performed	Scope and nature of the services to be provided are generally set out in the agreements and our right to charge for service out of the specified scope is generally reserved.

Contract price	The contract sum is mainly a fixed price, including all incidental expenses incurred by us such as labour cost and travelling expenses.
Duration of projects	The term of the agreements is generally one to two years.
Payment and credit terms	*Routine telecommunication network optimisation services*: progress payments by bank transfer within a credit period of generally up to 30 days *Telecommunication network infrastructure maintenance services*: progress payments by bank transfer within a credit period of generally up to 5 days to 30 days
Hardware, software, equipment and labour	Generally, we will provide all necessary hardware, software, equipment and labour for carrying out our services, except for the hardware, software and devices that are to be installed or set up at a customer's premises or on its system or telecommunication network , which will be at the costs of the customers.
Means of assessment conducted by customers	Assessments of our services by our customers are generally conducted by giving scores to the services rendered. Our customers will evaluate our services according to a list of performance standards, etc., typically based on the functionality and performance of telecommunication network in the course of or after provision of our services.
Warranty	*Routine telecommunication network optimisation services and telecommunication network infrastructure maintenance services*: typically no warranty period
Completion	Services are generally regarded as completed when the contract term ends.
Termination clause	May vary from contract to contract — some examples include provisions for termination of agreement by customer upon material default by our Group and/or termination by either party upon events of force majeure.

Software development services

For our software development services, we generally enter into service agreements with our customers pursuant to which, we are required to provide customised software development services to our customers. Set out below is a summary of the salient terms of our service agreements for software development services:

Contract price	The contract sum of our agreements is mainly a lump sum fixed price.
Services to be rendered	The general requirements for the software to be developed are generally set out in the agreements.
Duration of projects	Both the expected commencement date and completion date of the development are generally set out, which ranged from 3 months to 6 months during the Track Record Period.
Payment and credit terms	A lump sum payment or progress payments by bank transfer, cheque or cash within a credit period of generally up to 30 days.
Means of assessment conducted by customers	Assessment of our services is conducted by our customers in accordance with the standards or procedures as set out in the agreement, and generally the customer will issue an assessment report or certificate to us after passing of assessment upon completion of the project.
Warranty	Warranty period typically ranges from one to three years.
Completion	Services are generally regarded as completed when we have passed the customers assessment and balance of contract price is released.
Termination provisions	May vary from contract to contract — some agreements include provisions for termination by customer if the software developed by us does not conform to the specifications or requirements prescribed in the agreement or if the rendering of services by us is materially delayed and/or termination by either party upon events of force majeure.

Sale of software

For sales of our software, we generally enter into sales agreements with our customers. Set out below is a summary of the salient terms of our sales agreements for the sale of our software:

Product price	The unit price of our software is set out in the agreements.
Products details	The name and specifications of the software and the number of units purchased are set out in the agreements.
Acceptance test	Customers will normally perform acceptance test on the functionality of our software and sign a confirmation upon acceptance of our software.
Payment and credit terms	A lump sum payment or instalment payments by bank transfer or banker's acceptance within a credit period of generally up to 30 days.
Post-sales services	Our Group will provide remote technical support and training on the operation and maintenance of our software.
Termination provisions	Generally no termination provisions.

Entities which are our customers and also our suppliers or subcontractors

Owing to the nature of our business, some of our customers are also our suppliers or subcontractors, from which we have procured various services or products. While none of our major customers was also our suppliers or subcontractors for 6M2023 and none of our major suppliers or subcontractors was also our customer for 6M2023, three of our major customers (namely China Comservice, Customer A and Customer F, two major PRC telecommunication operators) were also our subcontractors and two of our major subcontractors (namely Subcontractor B and Subcontractor F) were also our customers from FY2020 to FY2022. To the best knowledge and belief of our Directors, these overlapping entities and their ultimate beneficial owners are Independent Third Parties. For information about the business activities of the aforementioned customers and subcontractor, please refer to the paragraphs headed "Our customers — Our five largest customers during the Track Record Period" and "Our subcontractors — Our five largest subcontractors during the Track Record Period" respectively in this section.

Major customers which are also our subcontractor or supplier from FY2020 to FY2022

From FY2020 to FY2022, some of our major customers were telecommunication operators and telecommunication network and technical service providers and general contractors which engaged us for our telecommunication network support services, ICT integration services and telecommunication network-related software development services in the course of their daily operations or for their end-customers. During the same period, we had procured certain materials from them or subcontracted the whole or part of our projects to these entities when our capacity was full or when we required their expertise to complete a project. From FY2020 to FY2022, our (i) revenue generated from sales of services and/or software to three of our major customers which are also our subcontractors/suppliers amounted to approximately RMB49.1 million, RMB70.0 million and RMB74.8 million, representing approximately 25.1%, 34.5% and 33.1% of our total revenue, respectively; and (ii) project level profit (calculated by deducting the Major Operating Costs from revenue of the project) generated from the same amounted to approximately RMB16.4 million, RMB18.8 million and RMB23.8 million, representing approximately 29.4%, 35.2% and 36.2% of our total operating profit (which has also taken into account other expenses), respectively. From FY2020 to FY2022, our subcontracting charges and material costs for the same years to these entities amounted to approximately RMB14.2 million, RMB9.4 million and RMB6.5 million, respectively. In particular, the subcontracting charges paid to Subcontractor B for FY2020 and FY2021 amounted to approximately RMB13.3 million and RMB8.9 million, respectively, and were related to two of our projects which, in aggregate, contributed revenue of (i) over RMB5 million during the Track Record Period; or (ii) over RMB3 million during any of FY2020, FY2021, FY2022 and 6M2023 (the "**Major Projects**").

Major subcontractors which are also our customers from FY2020 to FY2022

From FY2020 to FY2022, two of our major subcontractors were also our customers, one of which provided subcontracted services to us in our ICT integration project, had also procured mainly wireless telecommunication network optimisation services from us and the other provided cloud service and research and development services to us while had also procured mainly ICT integration services, telecommunication network related software development services and wireless telecommunication network optimisation services from us. From FY2020 to FY2022, our (i) revenue generated from such entities amounted to approximately RMB43.2 million, RMB61.3 million and RMB53.9 million, respectively; and (ii) project level profit (calculated by deducting the Major Operating Costs from revenue of the project) generated from the same amounted to approximately RMB15.4 million, RMB17.3 million and RMB16.3 million, representing approximately 27.3%, 28.6% and 24.8% of our profit (which has also taken into account other expenses), respectively. From FY2020 to FY2022, our purchase from such major subcontractors which are also our customers amounted to approximately RMB13.8 million, RMB8.9 million and nil, respectively, which were related to two of our Major Projects during the Track Record Period.

One of the major subcontractors above (namely Subcontractor B) is also one of the major customers (namely Customer A) of our Group described under "Major customers which are also our subcontractors" above, but our transactions were conducted with a number of different subsidiaries of the same group company (i.e. Subcontractor B/Customer A) operating in different provinces. The subsidiary which we engaged as our subcontractor had not engaged us to provide any service during the Track Record Period. Our Directors believe that such arrangement is commercially sensible considering that: (i) we procured services from Subcontractor B mainly in relation to two Major Projects in Heilongjiang where we did not have material operations and to subcontract works to Subcontractor B was considered more cost-effective as our management considered that they had the necessary experience and resources in providing the required services and were able to offer competitive trading terms, and the customers in these projects were not Customer A or its subsidiaries; (ii) this group company is a major state-owned telecommunication operator in the PRC which has a large number of subsidiaries operating different businesses in different provinces, including ICT integration service providers (such as the subsidiary under Subcontractor B) and telecommunication service providers (such as the subsidiaries under Customers A), and these subsidiaries generally have separate operations; (iii) due to the different natures of these subsidiaries, they may have the services that we require (e.g. subcontracted services for our ICT integration services) in our operation or may need to procure our services (e.g. wireless telecommunication network optimisation services) in their operations; and (iv) overlapping of sales to and purchases from Customer A/Subcontractor B only took place at the group company level, but no such overlapping existed when considering our transactions with each of these subsidiaries separately.

The other major subcontractor referred to above (namely Subcontractor F) is also one of our major customers (namely Customer D). Our Directors believe that such arrangement is commercially sensible considering that: (i) we procured cloud services from Subcontractor F in relation to a project in Zhuhai where we mainly subcontracted works related to cloud safety service and cloud storage service to Subcontractor F as our management considered that they had the necessary experience and resources in providing the required services and were able to offer competitive trading terms, the arrangement was more cost-effective, and the customers in these projects were not Customer D or its associated companies; (ii) we also procured research and development services mainly in relation to cloud and big data analysis from Subcontractor F as our management considered that they had more research resources and expertise in these areas compared to our Group and the arrangements were more efficient and cost-effective; (iii) this group company is a major state-owned telecommunication operator in the PRC which has a large number of subsidiaries and branch companies operating different businesses in different geographic locations, including ICT integration service providers (such as the branch company under Subcontractor F) and telecommunication service providers (such as the subsidiaries and branch companies under Customers D), and these subsidiaries and branch companies generally have separate operations; and (iv) due to the different natures of these subsidiaries and branch companies, they may have the services that we require in our operation (e.g. cloud service) or may need to procure our services (e.g. ICT integration service and telecommunication network related software development service) in their operations.

According to the CIC Report, it is common in the telecommunication network service industry that a supplier or subcontractor of a market player may also be its customer or vice versa, due to their different specialities, geographical markets and labour resources, and the level of our Group's overlapping of customers and suppliers/subcontractors is not anomalous compared with the industry norm.

Negotiations of the terms of our sales to and purchases from these entities were conducted separately and independently, and the sales and purchases were neither inter-connected nor inter-conditional with each other. Given that (i) the prices of our services are determined by our management team independently on a cost-plus basis; (ii) our service agreements with these overlapping customers and suppliers are in standard forms adopted by these customers and similar to those we entered into with our other major customers; and (iii) the credit period granted to these overlapping entities is in line with the credit period we granted to our other customers, our Directors are of the view that the sales to and purchases from these entities were conducted in the ordinary course of our business under normal commercial terms and on an arm's length basis.

Pricing policy

Our pricing policy aims to achieve a profitable and sustainable growth of our business. We generally determine the pricing of our services on a cost-plus basis, taking into account a combination of a number of factors, which are set out below:

General factors to be considered in pricing

Common factors for determining the pricing of all types of services to be provided by us	• Nature and complexity of the services or software required; • Indicative price range specified by our customers in their invitation of tenders or request for quotation, if any; • Market demand and customer recognition of our services or products; • Prevailing market prices of similar services or software offered by our competitors; and/or • Level of market competition.

Specific factors to be considered in pricing

Wireless telecommunication network optimisation services	
— Routine telecommunication network optimisation services	• Estimated cost of provision of services (such as equipment procurement cost, labour cost and travel expenses).
— Specific telecommunication network optimisation services	• Estimated cost of provision of services (such as equipment procurement cost, labour cost and travel expenses).
Telecommunication network infrastructure maintenance services	• Specific maintenance services required; • Estimated cost of provision of services (such as equipment procurement cost, labour cost and travel expenses); and/or • Whether similar services have been rendered in the past for customers.

Telecommunication network infrastructure engineering services	• National construction fee pricing standards set out in the Code of Bills of Quantities and Valuation for Construction Works* (《建設工程工程量清單計價規範》) published by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局), and other similar standards, which shall be adjusted according to the complexity of the engineering works.
ICT integration business lines	• Estimated cost of the hardware and software specified for an integration project; • Nature of integration procedures, such as extent and proportion of physical (such as setting up of server rooms) and virtual (such as installation of software) integration required; and/or • Estimated cost of provision of services (such as labour cost and travel expenses).
Software development services	• Estimated cost of software development (based on, for instance, the number of personnel designated and resources and time spent for the development taking into account the complexity and variety of the software's functions).
Sale of software	• Our Group's price list for software, each price being fixed mainly based on the cost of development of the software which is determined by, for instance, the number of personnel designated and resources and time to be spent for the development taking into account the complexity and variety of the software's functions.

Save for the sale of software the pricing of which is mainly based on our Group's price list, after identifying prospective business opportunities, our management team, with the assistance of our technical, sales and finance personnel, will make a preliminary financial assessment of a prospective project based on the above general and specific factors in order to either decide the contract price to propose to a customer or evaluate whether a contract price offered by a prospective customer is acceptable. Our Directors confirm that during the Track Record Period, we had not offered any rebate or sales incentive to any of our customers.

Set out below is the average and range of contract sum of projects awarded to our Group during the Track Record Period by business line:

	FY2020	FY2021	FY2022	6M2023
	(approximately) (RMB'000)	(approximately) (RMB'000)	(approximately) (RMB'000)	(approximately) (RMB'000)
Wireless telecommunication network optimisation services				
Highest contract sum awarded	21,781	7,440	10,433	9,268
Lowest contract sum awarded	11	15	1	12
Average contract sum awarded	1,808	1,075	1,571	1,086
Total contract amount awarded *(Note)*	135,600	59,127	108,415	34,742
Telecommunication network infrastructure maintenance and engineering services				
Highest contract sum awarded	6,239	19,565	20,590	6,378
Lowest contract sum awarded	19	44	51	44
Average contract sum awarded	1,489	2,621	2,407	1,344
Total contract amount awarded *(Note)*	28,300	52,424	62,588	29,576
ICT integration services				
Highest contract sum awarded	16,373	11,454	15,568	7,073
Lowest contract sum awarded	105	64	12	97
Average contract sum awarded	3,998	2,054	1,725	1,991
Total contract amount awarded *(Note)*	47,976	43,143	50,026	51,754
Telecommunication network-related software development				
Highest contract sum awarded	3,287	2,312	9,494	3,412
Lowest contract sum awarded	72	47	72	221
Average contract sum awarded	830	662	943	1,038
Total contract amount awarded *(Note)*	20,743	18,538	31,129	17,654

Note: Such amounts included the total contract amount awarded through public tender and non-tender methods, details of which are further summarised below:

Total contract amount awarded through public tender

	FY2020	FY2021	FY2022	6M2023
	(approximately) (RMB'000)	(approximately) (RMB'000)	(approximately) (RMB'000)	(approximately) (RMB'000)
Wireless telecommunication network optimisation services	55,569	43,465	60,701	11,281
Telecommunication network infrastructure maintenance and engineering services	19,038	33,900	43,329	6,174
ICT integration services	31,068	27,574	11,533	24,650
Telecommunication network-related software development	1,004	3,528	18,896	5,926

Total contract amount awarded through non-tender methods

	FY2020	FY2021	FY2022	6M2023
	(approximately) (RMB'000)	(approximately) (RMB'000)	(approximately) (RMB'000)	(approximately) (RMB'000)
Wireless telecommunication network optimisation services	80,550	17,001	19,259	23,461
Telecommunication network infrastructure maintenance and engineering services	9,262	18,524	47,714	23,402
ICT integration services	16,908	13,859	38,493	27,104
Telecommunication network-related software development	19,739	15,010	12,233	11,728

Note: For certain contracts of our Group during the Track Record Period, there were cases where (i) there was no contract amount stipulated in the awarded contract and in such cases, our customers would enter into a framework agreement with us first and place orders with specific contract amount subsequently; and (ii) the contract amount of certain awarded contracts was an estimate amount with reference to the quotation or tender documents as formal agreements had not been signed as at 30 June 2023.

For some of our projects, in particular, those related to our telecommunication network support services, our customers may rate our service performance by way of assessment pursuant to the standards and specifications set out in the service agreements between our customers and us. Some examples of such standards and specifications include: (i) objective telecommunication network quality parameters, such as connection success rate and dropped-calls rate; (ii) performance in project execution, such as efficacy (i.e. whether our solutions are able to resolve the particular issues) and punctuality (i.e. whether solutions are delivered within a specified time) of our service performance and customer complaint handling; (iii) performance in project management, such as whether we have provided on-site trainings to the executive personnel whose knowledge for carrying out relevant services would be tested and graded by our customers, and whether our optimisation data and document management conforms to the standards set out in agreements; and (iv) performance in communication with customers, such as punctual participation in regular and emergency meetings held by customers and submission of satisfactory optimisation plans and progress reports to customers. If our performance in the above areas falls below a pre-set level or score, certain amount of the contract price may be deducted. During the Track Record Period, (i) the number of projects of which the contract price had been deducted by our customers after the said assessment accounted for less than 6% of the total projects completed by us; (ii) the amount of contract price deducted in aggregate amounted to approximately RMB180,000, RMB62,000, RMB201,000 and RMB28,000 for FY2020, FY2021, FY2022 and 6M2023 respectively; and (iii) there had not been any material dispute over the said deduction of contract price between us and our customers.

As a result of our pricing strategy, our Directors believe that our Group was generally able to pass the risks arising from any fluctuation in the costs of the hardware, software or equipment to our customers during the Track Record Period. We will continue to keep ourselves abreast of changes in market price, conduct regular reviews on our pricing policy and pay close attention to our customers' responses to the pricing of our services and software. Our Group may adjust our pricing policy to ensure that we are responsive to market price changes and customer feedback in a timely manner to avoid any material adverse impact on our market position, competitiveness, performance and financial conditions.

Taking into account the revenue which had been recognised and is expected to be recognised by our Group for each project, we did not have any loss-making project during the Track Record Period.

Credit policy

The service fees we charge our customers may be settled in one lump sum upon their acceptance of our services rendered or by instalments according to the payment schedules as set out in the agreements. During the Track Record Period, the credit terms in relation to the settlement of our fees varied from project to project. In general, the credit term typically ranged from 15 to 180 days from the invoice date. The following table sets forth the common payment terms for each of our business lines:

	Common payment terms
Wireless telecommunication network optimisation	
— Routine telecommunication network optimisation services	• Invoices are generally issued after passing periodic acceptance assessments conducted by customers • Credit period: generally 15 to 90 days
— Specific telecommunication network optimisation services	• Invoices are generally issued after passing the acceptance assessment conducted by customers upon completion of services • Credit period: generally 15 to 90 days
Telecommunication network infrastructure maintenance and engineering services	
— Telecommunication network infrastructure maintenance services	• Invoices are generally issued after passing acceptance assessment conducted by customers • A certain amount of the contract sum may be retained by customers as quality assurance deposit and released to us after passing the final acceptance assessment • Credit period: generally 15 days
— Telecommunication network infrastructure engineering services	• Invoices are generally issued after passing the acceptance assessment conducted by customers • Credit period: generally 15 to 60 days
ICT integration services	• Invoices are generally issued after passing the acceptance assessment conducted by customers • Credit period: generally 15 to 60 days
Telecommunication network-related software development	
— Software development services	• Invoices are generally issued after passing the acceptance assessment conducted by customers • Credit period: generally 15 to 90 days
— Sale of software	• Payment shall be made generally within 15 to 30 days after delivery and acceptance of the software • On some occasions, customers are required to pay deposits

We generally accept payment from customers by bank transfer or banker's acceptance. Our Directors confirm that during the Track Record Period, our Group had not experienced any material difficulty in collecting payments from our customers which would cause a significant adverse impact on our business and operation. Our trade receivable turnover days during the Track Record Period were approximately 51.5 days, 52.0 days, 53.9 days and 67.5 days for FY2020, FY2021, FY2022 and 6M2023, respectively. The relatively long trade receivable days of our Group were mainly attributable to the timing difference between recognition of our Group's revenue (i.e. the time when our services for a project are completed) and actual payment of fees by our customers (i.e. after the acceptance assessment is conducted and passed). Furthermore, as our Group usually only undertakes a part of a telecommunication network infrastructure engineering project or ICT integration project, even if we have completed the part of works for which we are responsible and recognised revenue according to our accounting policy, the actual payment by customers generally takes a longer time and is not made until completion and passing of acceptance assessment in relation to the entire project. According to the CIC Report, due to the aforementioned reasons, having a long trade receivables collection period is common in the industry of telecommunication network support services, ICT integration services and telecommunication network infrastructure engineering services.

In relation to collection of overdue trade receivables, our Group's finance department monitors overdue payments closely and prepares aging reports showing the customers' overdue amounts. Where appropriate, we will take follow-up actions to collect the overdue trade receivables from a customer, such as communicating with the relevant department of the customer responsible for processing payments and so on. To discourage overdue trade receivables, our Group may also suspend our services if any of the following events arises: (i) a customer's payments are overdue; (ii) a customer faces financial hardships or operational setback; or (iii) termination of business relationship with a customer.

Customer complaint policy

Our regional managers and regional business departments are responsible for handling external liaisons with customers in different regions. We have adopted a customer complaint policies and procedures to guide the handling of complaints received by our Group. When we receive any complaints of a customer in the course of provision of our services or software, we will attend to such complaints on a timely basis by, among others, communicating with the customer to understand the nature of its complaint, investigating the underlying issues and, where necessary, sending our personnel to the customer's site to identify the cause of the defects or issues in relation to our services and software. Depending on the cause and seriousness of the defects or issues identified, we will (i) carry out remedial actions, such as performing further optimisation and/or maintenance and replacement of defective hardware, etc., and provide technical support to our customers; and (ii) if the customer's complaint relates to matters that require our management's attention, report to the relevant regional manager and/or the management team of our Group for formulating solution or improvement pressures. Our regional managers and personnel of our regional business departments will also conduct regular customer satisfaction review to obtain feedback from our customers. If customers are dissatisfied with our services, we shall invite such customers to express their opinions which will be followed up by us promptly after receipt of opinions. The customer feedback and opinions collected by us will be shared with for the relevant departments and personnel for improvement of our service quality. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not received any material customer complaints. The amount of our contract price deducted after assessment of service performance by our customers, in aggregate, amounted to only approximately RMB180,000, RMB62,000, RMB201,000 and RMB28,000, respectively, during the Track Record Period and approximately RMB20,000 after the Track Record Period and up to the Latest Practicable Date. For further information, please refer to the paragraphs headed "Our customers — Pricing policy" above in this section.

OUR SUPPLIERS

During the Track Record Period, our suppliers mainly included (i) suppliers of telecommunication and electronic equipment (such as portable data terminals and signal acquisition devices) required for the provision of our telecommunication network support services; and (ii) suppliers of other general hardware (such as servers, cables and optical fibers) and software (such as security software and operating system software) required for the provision of our ICT integration services. The Group's suppliers are mainly companies in the PRC.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group did not have any difficulty in procuring hardware and software from our suppliers. As there are plenty of suppliers providing similar goods that we require, our Directors consider that the risk of shortage or delay in the supply of necessary goods is low and we are unlikely to encounter any material difficulty in engaging a substitute supplier on similar terms if need be.

Selection of suppliers

Our Group maintains a list of approved suppliers which is subject to periodic review and update from time to time. We generally purchase telecommunication and electronic equipment such as portable data terminals and general hardware and software from our approved suppliers. To become our approved supplier, a new supplier is required to fill in an application form and provide certain requisite documents (such as its business certificate and licence for opening enterprise's banking accounts) to us for our review and consideration. As at 30 June 2023, there were approximately 119 suppliers for hardware and 23 suppliers for software on our list of approved suppliers.

Our criteria for selection of suppliers mainly include, the reputation of the suppliers, product quality, pricing and supply capability. In general, we either purchase (i) general hardware and software on an as-needed basis for the provision of services; or (ii) specific hardware and software according to the technical specification provided by our customers. In some circumstances and mainly for our ICT integration services, our customers will specify the detailed models, types or specifications of hardware to be used. If we confirm the suitability and quality of such designated hardware for a particular project, we will proceed to purchase the same from the relevant suppliers. The contract price of a project generally includes the procurement cost of such hardware.

We regularly pay attention to the market price of relevant hardware, software or equipment which we typically purchase, and any fluctuations thereof. When there are fluctuations in prices of hardware, software or equipment, these would generally be taken in account when we assess and/or determine the contract price and budget for future projects, or when we evaluate whether a project is worth undertaking in terms of profitability.

Salient terms of our purchase orders for products

During the Track Record Period, to maintain flexibility in supplier selection, we had not entered into any long-term supply agreement with any of our major suppliers. We generally placed purchase orders with our suppliers for procurement. Our Group would issue a standard purchase order or use an order form provided by our suppliers. Our purchase orders generally contain the following salient terms:

Product description	Product code, quantity required and unit price of the ordered products.
Payment and credit terms	A lump sum payment or progress payments by bank transfer or cheque within a credit period of generally up to 30 days.
Place of delivery	Products are generally delivered to premises designated by us (for hardware).
Delivery lead time	Generally not more than seven days (for hardware).
Warranty	Warranty period generally ranges from one to three years (for hardware).

Our five largest suppliers during the Track Record Period

Purchases from our five largest suppliers in each year/period during the Track Record Period in aggregate amounted to approximately RMB17.5 million, RMB11.4 million, RMB23.7 million and RMB9.6 million, representing approximately 70.7%, 54.9%, 79.7% and 88.2% of our total project supplies cost, respectively, while purchases from our largest supplier in each year/period during the Track Record Period amounted to approximately RMB5.4 million, RMB3.0 million, RMB18.2 million and RMB5.2 million, representing approximately 21.8%, 14.6%, 61.4% and 47.5% of our total project supplies cost. The following tables set forth certain information relating to our five largest suppliers during the Track Record Period:

For FY2020

	Supplier	Principal business activities of the supplier	Major equipment provided to our Group for the year	Credit term[(2)]	Payment method	Commencement year of business relationship	Total project supplies cost attributable to the supplier	As a percentage of our total project supplies cost[(3)]
				days			RMB'000 approximately	% approximately
1	Supplier A[(4)]	Distribution of ICT products, mobile devices and provision of ICT service	Server	Nil	Bank transfer/ cheque	2019	5,405	21.8
2	Shanghai Cooltech	Sales of generator set products, and distribution of vehicle power products	Outdoor diesel generator set	Nil	Bank transfer	2020	4,531	18.3
3	Supplier B	Sales of lighting and sound equipment and electronic products	Projection equipment and Liquid crystal display	7	Bank transfer	2020	3,710	14.9
4	Supplier C	Provision of ICT solution and service	Hard drive, liquid crystal display and server	30	Bank transfer	2020	2,175	8.8
5	Supplier D	Provision of ICT service and digital transformation solution	Server	Nil	Bank transfer	2020	1,717	6.9
	Total						17,538	70.7

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the suppliers during the Track Record Period.

3. Project supplies costs include, without limitation, the costs of procurement of hardware and software (such as computers, mobile handsets, operating systems and servers) for projects.

4. In relation to the risk of our Group's potential reliance on Supplier A and other major suppliers to supply necessary equipment, hardware and software for the provision of our services, please refer to the paragraphs headed "Risk Factors — Risks relating to our business — We rely on our major suppliers to supply necessary equipment and hardware for the provision of our services, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation."

For FY2021

	Supplier	Principal business activities of the supplier	Major equipment provided to our Group for the year	Credit term[(2)]	Payment method	Commencement year of business relationship	Total project supplies cost attributable to the supplier	As a percentage of our total project supplies cost[(3)]
				days			RMB'000 approximately	% approximately
1	Zhuhai Dongda	Sales of telecommunication and electronic equipment	Mobile phone	Nil	Bank transfer	2021	3,048	14.6
2	Zhuhai Hongyuan	Sales of telecommunication and electronic equipment	Signal test cards	5	Bank transfer	2016	2,823	13.5
3	Supplier E	Provision of ICT integration service and sales of telecommunication and electronic equipment	Server, switch, and security software	Nil	Bank transfer	2020	2,331	11.2
4	Supplier F	Provision of ICT integration service, software development and distribution of products for ICT service	Storage server and interface card	Nil	Bank transfer	2020	2,183	10.5
5	Supplier G	Sales of telecommunication equipment and software	System hardware and software	Nil	Bank transfer	2021	1,062	5.1
	Total						11,447	54.9

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the suppliers during the Track Record Period.

3. Project supplies costs include, without limitation, the costs of procurement of hardware and software (such as computers, mobile handsets, operating systems and servers) for projects.

For FY2022

	Supplier	Principal business activities of the supplier	Major equipment provided to our Group for the year	Credit term[2]	Payment method	Commencement year of business relationship	Total project supplies cost attributable to the supplier	As a percentage of our total project supplies cost[3]
				days			RMB'000 approximately	% approximately
1	Supplier A[4]	Distribution of ICT products, mobile devices and provision of ICT service	Server, network equipment and data storage equipment	Nil	Bank transfer	2019	18,219	61.4
2	Zhuhai Zhongao	Computer software and hardware development, equipment installation and repair, technical services and engineering	Signal test cards	5	Bank transfer	2019	1,699	5.7
3	Shenzhen Vavitel	Provision of telecommunication network related solution with 4G and 5G base station relocated technology	Repeater system	Nil	Bank transfer	2021	1,549	5.2
4	Guangdong Yuhui	Provision of telecommunication engineering design and construction service and ICT integration service and sales of telecommunication and electronic equipment	Intelligent door lock and outdoor protection box	30–180	Bank transfer	2019	1,101	3.7
5	Supplier H	Telecommunication network repair and maintenance, system integration and engineering, software development and environment related retail and services	Chemical and water quality online analyzer, conductivity detector, video surveillance camera	10	Bank transfer	2021	1,089	3.7
Total							23,657	79.7

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the suppliers during the Track Record Period.

3. Project supplies costs include, without limitation, the costs of procurement of hardware and software (such as computers, mobile handsets, operating systems and servers) for projects.

4. The increase in the Group's purchase from Supplier A from FY2021 to FY2022 was mainly attributable to a Major Project in FY2022 in relation to the provision of ICT integration services which contributed revenue of approximately RMB15.6 million. We were required to procure a number of telecommunication equipment of a particular brand specified in the project and Supplier A was a sales agent of the relevant equipment at the time. In relation to the risk of our Group's potential reliance on Supplier A and other major suppliers to supply necessary equipment, hardware and software for the provision of our services, please refer to the paragraphs headed "Risk Factors — Risks relating to our business — We rely on our major suppliers to supply necessary equipment and hardware for the provision of our services, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation."

For 6M2023

	Supplier	Principal business activities of the supplier	Major equipment provided to our Group for the period	Credit term[(2)]	Payment method	Commencement year of business relationship	Total project supplies cost attributable to the supplier	As a percentage of our total project supplies cost[(3)]
				days			RMB'000 approximately	% approximately
1	Supplier A[(4)]	Distribution of ICT products, mobile devices and provision of ICT service	Servers	Nil	Bank transfer	2019	5,175	47.5
2	Supplier I	Sales of mobile phones, personal computers and tablets, wearables, mobile broadband terminals, home terminals and terminal clouds	Desktop computers and laptop computers	Nil	Bank transfer	2023	2,075	19.1
3	Shenzhen Zhiheng Jinrui	Sales of communication equipment and provision of telecommunication engineering services	Communication equipment	30	Bank transfer	2019	1,575	14.5
4	Zhuhai Zhongao	Computer software and hardware development, equipment installation and repair, technical services and engineering	Signal test cards	5	Bank transfer	2019	509	4.7
5	Shenzhen Vavitel	Provision of telecommunication network related solution with 4G and 5G base station relocated technology	Repeater system	Nil	Bank transfer	2021	265	2.4
	Total						9,598	88.2

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the suppliers during the Track Record Period.

3. Project supplies costs include, without limitation, the costs of procurement of hardware and software (such as computers, mobile handsets, operating systems and servers) for projects.

4. In relation to the risk of our Group's potential reliance on Supplier A and other major suppliers to supply necessary equipment, hardware and software for the provision of our services, please refer to the paragraphs headed "Risk Factors — Risks relating to our business — We rely on our major suppliers to supply necessary equipment and hardware for the provision of our services, and any shortage of, or delay in, the supply may significantly impact on our business and results of operation."

The five largest suppliers of our Group varied for FY2020, FY2021, FY2022 and 6M2023, which was mainly due to the fact that (i) the Group was obliged to select suppliers according to particular projects' needs and customers' requirements, resulting in the selection of different suppliers for different projects; and (ii) we developed and established business relationships with more new suppliers to meet our increasing procurement demand in line with the business expansion of our Group during the Track Record Period.

To the best knowledge of our Directors after making all reasonable enquiries, as at the Latest Practicable Date, all of our Group's five largest suppliers during the Track Record Period were Independent Third Parties, and none of our Directors, their respective close associates or any Shareholders (who or which, to the best knowledge of our Directors, owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers during the Track Record Period.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we had not relied on any single source of supply of equipment, hardware, software, or services; (ii) we had not received any material complaint from our customers on the quality of the equipment, hardware, software and the services provided by our suppliers during the Track Record Period; (iii) we had not experienced any material disruption or dispute in supply that may materially and adversely affect or delay our delivery of services or products to our customers; and (iv) we had not experienced any material delay in making payments to our suppliers.

OUR SUBCONTRACTORS

To free up our resources and capacity to focus on our strengths, such as devising solution plans to tackle telecommunication network issues for our customers and to leverage skills and specialities of our subcontractors that we do not have, we engage subcontractors located in the PRC for carrying out (i) labour services for non-technical works such as installation of cabling and associated devices in our ICT projects, wiring and installation of data collection devices; and (ii) certain technical services such as supplying emergency power supply to base stations and other works which require specific technical skills and knowledge, such as electrical works for telecommunication network infrastructure engineering services.

During the Track Record Period, our subcontracting charges amounted to approximately RMB69.2 million, RMB86.6 million, RMB121.6 million and RMB63.2 million, respectively, representing approximately 42.6%, 51.5%, 64.1% and 69.2% of our total operating expenses (being the aggregate of our employee benefit expenses, subcontracting charges, material, supplies and other project costs, depreciation and amortisation, net impairment losses of contract assets and trade receivables and other operating expenses) in the corresponding years/period, respectively.

In particular, the services provided by our subcontractors, as is consistent with our business lines, can generally be categorised into (i) wireless telecommunication network optimisation services, accounting for approximately 28.5%, 37.0%, 48.4% and 40.6%; (ii) telecommunication network infrastructure maintenance and engineering services, accounting for approximately 39.7%, 33.8%, 24.5% and 20.6%; (iii) ICT integration services, accounting for approximately 24.3%, 25.5%, 13.8% and 26.8%; and (iv) software related services, accounting for approximately 7.5%, 3.8%, 8.6% and 10.7%, respectively, of our total subcontracting charges, during the Track Record Period.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group did not have any difficulty in procuring services from our subcontractors.

Common services required from our subcontractors

Some examples of the services provided to us by our subcontractors during the Track Record Period include (i) telecommunication network testing and data collection services for our wireless telecommunication network optimisation projects; (ii) equipment maintenance, repair and replacement services for our telecommunication network infrastructure maintenance projects; (iii) cabling and installation of associated devices for our telecommunication network infrastructure engineering projects; and (iv) cabling and installation of data collection devices for our ICT integration projects. The table below further sets out the common subcontracted services we required for each of our business lines.

Business lines	Common subcontracted services
Wireless telecommunication network optimisation services	
— Routine telecommunication network optimisation services	• Low-skilled routine maintenance and testing works related to optimisation, such as on-site data and signal collection and analysis, antenna and parameter adjustments
— Specific telecommunication network optimisation services	• Low-skilled routine maintenance and testing works related to optimisation, such as on-site data and signal collection and analysis, antenna and parameter adjustments
Telecommunication network infrastructure maintenance and engineering services	
— Telecommunication network infrastructure maintenance services	• Routine works or services out of our ambit of service, such as routine inspection and emergency power supply
— Telecommunication network infrastructure engineering services	• Construction works to be conducted, such as cabling works, pipeline works, antenna improvement works, works on base station accessory equipment, and other common engineering works

Business lines	Common subcontracted services
ICT integration services	• Construction and relevant labour works involved in an ICT integration project, such as the physical setting up of server rooms, cabling works for transmission system, setting up of data collection equipment (e.g. cameras and sensors)
Telecommunication network-related software development	
— Software development services and sale of software	• Trial run and/or functional testing before delivery to customers • Generally no material subcontracting or outsourcing arrangement

Rationale for and increasing use of our subcontracting arrangement

Along with our business expansion and in order to free up our resources to our solution-focused operations, we had outsourced certain labour works, such as low-skilled routine maintenance and testing works and occasionally some specific technical works which are only required on an *ad hoc* basis to our subcontractors. Given that our projects involve the provision of services of various natures and are often scattered across different regions in the PRC, our Directors consider that the subcontracting arrangement enabled us to lower our costs for labour and other resources and concentrate our resources on solution design and implementation planning and management. Meanwhile, it also allows us to undertake projects in locations and regions where we do not have significant operations and where the mass deployment of own employees and resources will result in unjustified costs and delays arising from, for instance, travel to and from project location, accommodation and potential quarantine requirements and other control measures imposed by the PRC government in certain cities or provinces to combat the spread of COVID-19.

We recorded a steady increase in our subcontracting charges during the Track Record Period, which was mainly attributable to the aforesaid shift in our Group's strategic focus towards the adoption of subcontractors' services to save ongoing operating costs and enhance our flexibility in securing projects in different geographic locations. Although our revenue has grown at a lower rate than the increase of our subcontracting charges, our Directors consider that the benefit of our subcontracting arrangement consists not only in revenue growth but also in, to a larger extent, the saving of operating and management costs by (i) reducing our salary expenses and other employee benefit expenses that would otherwise be incurred in connection with employment of staff; in particular, employees the works of which are either low-skilled or of a specific technical nature (such as technicians qualified and specialised in the conducting for specific types of work, such as working at heights at telecommunication towers or carrying out high voltage electric work) but which is less frequently required and/or is required on an ad hoc on-demand basis, and hence does not justify continuous employment; (ii) reducing incidences of imbalance between the available permanent labour force and the number of projects we have secured at the same location, and providing added flexibility in allocation of our resources and manpower; particularly given that many of our services are provided on a project basis and may be carried out in different geographic locations; (iii) reducing our operating costs in the regions where we have only a small number of our projects on hand, including the costs incurred for deployment of employees from one region to another region; and (iv) minimising management resources and attention required in dealing with matters relating to employment, such as hiring, employee training, appraisal and assessment, resolution of disputes, compliance with relevant laws and regulations.

For instance, we have recorded a decrease in employee benefit expenses from approximately RMB55.7 million for FY2020 to approximately RMB20.0 million for FY2022. While our revenue grew year-on-year at a rate of approximately 4.0% and 11.4% in FY2021 and FY2022 (as compared with FY2020 and FY2021) respectively, our major operating costs (i.e. the aggregate of employee benefit expenses, subcontracting charges, and materials, supplies and other project costs, which amounted to approximately RMB156.7 million, RMB162.2 million and RMB179.9 million respectively for FY2020, FY2021 and FY2022) increased at a lower rate of approximately 3.5% and 10.9% in FY2021 and FY2022 (as compared with FY2020 and FY2021) respectively. Further, without taking into account our [REDACTED] expenses, our net profit margin during the Track Record Period remained relatively stable at the rate of approximately 15.7%, 16.3%, 15.2% and 18.1% respectively. In view of the above, our Directors consider that the increase in our subcontracting charges during the Track Record Period did not have an adverse impact on our financial performance.

In addition to cost saving, our Directors are of the view that subcontracting specific technical works which are only required on an *ad hoc* on-demand basis from our customers and of which we have no expertise would also reduce our risks and potential liabilities arising from the employment of unsuitable personnel.

Although we had relied on subcontracting arrangement during the Track Record Period, our Directors consider that there is no undue reliance on our part considering that (i) we had not relied on any single subcontractor for the provision of subcontracted services during the Track Record Period; (ii) we had not experienced any material disruption in obtaining subcontracted services which may materially and adversely affect or delay our delivery of services or products to our customers during the Track Record Period; and (iii) there are plenty of subcontractors providing similar services in the market and thus the risk of shortage or delay in the provision of necessary services is low and we are unlikely to encounter any material difficulty in engaging a substitute subcontractor on similar terms if needs arise.

Going forward, we expect to continue the subcontracting arrangement in the course of our business in order to focus our resources on devising solutions, project management and quality assurance. As we expand our business scale in accordance with our expansion plan, our subcontracting charges are also expected to increase in the future. Nevertheless, by reason of the aforesaid benefits of our subcontracting arrangement, we expect that our net profit margin (without taking into account any [REDACTED] expenses) will remain at a similar level as that during the Track Record Period.

Quality control

Notwithstanding the subcontracting arrangements, we maintain substantial control on the quality and works performed by our subcontractors. In selecting our subcontractors, we mainly take into account factors including (i) the necessary licences to carry out the relevant services; (ii) their industry reputation; (iii) the pricing of their services; and (iv) their performance in prior engagements (if any). Furthermore, our project managers will closely supervise the services provided by our subcontractors, perform quality check and follow up on any issues or difficulties encountered by the subcontractors. For details, please refer to the paragraphs headed "Quality control — Quality control on our subcontracted services" in this section.

Our value to customers and risk of disintermediation in light of our subcontracting arrangement

While we make effective use of subcontractors to lower operating and management costs and associated risks, our Directors believe we create significant value for our customers by taking up the role of project management and we are unlikely to be disintermediated despite our subcontracting arrangement, having considered the following factors:

(i) ***We are in charge of the design of solutions and execution plans***

As a solution-focused service provider, a significant part of our value consists in our ability to design solutions and execution plans for customers that can fulfill their specific requirements. For instance, (i) we devise implementing strategies for wireless telecommunication network optimisation and infrastructure maintenance solutions in respect of, for instance, locations, frequency and extent of optimisation and maintenance, deployment and allocation of labour (including various types of subcontractors), budget planning, etc.; (ii) we provide ICT integration solutions which involve the design of a communication network layout, choosing or assessing the choice of equipment required, developing customised software to be used in the layout, etc. Meanwhile, our subcontractors, usually providing labour-intensive services, only execute our plans by performing services on their parts in accordance with our instructions.

(ii) ***We serve to ensure the quality and conformity to contractual specifications of the our subcontractors' work***

We maintain substantial control on the quality and works performed by our subcontractors. Selection of subcontractors constitutes the first stage of our quality control. We deliver our value to customers by shortlisting, assessing and selecting quality subcontractors based on their credentials, technical capabilities, experience, past records of service quality, availability of labour resources, reputation and safety compliance.

In addition, through undertaking a project managerial and supervisory role, we oversee and supervise the works performed by our subcontractors in order to facilitate the completion of the projects up to standards, on time and within budget. In particular, we focus on (i) the supervision of the works carried out by our subcontractors to ensure their conformity to the contractual standards and specifications required by our customers; (ii) the overall planning and management of work schedules and logistic arrangements in relation to site workers, hardware, software and other resources required at work sites with a view to ensuring smooth and timely project completion; and (iii) inspection of works completed by our subcontractors in respect of work quality, occupational safety and environmental protection as well as the requirements of our customers.

Without our close management and supervision, end customers may encounter substantial difficulty in managing project standards and schedule, especially in large-scale projects which involve a large number of subcontractors.

(iii) ***Our subcontractors may not have sufficient financial resources for the payment of initial project costs***

We typically incur a substantial amount of costs in advance (including, without limitation, costs of hardware and software and other equipment and subcontracting charges which may be incurred/expensed immediately, or prepaid in advance) for the purpose of carrying out work or performing services for our customers before we are entitled to charge for the work done or services performed. The average percentage of initial project costs (excluding staff cost) to awarded contract value for our ICT integration projects which required initial project costs was approximately 58.9%, 55.7%, 70.6% and 64.0% for FY2020, FY2021, FY2022 and 6M2023, respectively. The service providers have to maintain sufficient reserve for the execution and ongoing operations of the projects. Our subcontractors may not have sufficient financial resources to fund the initial project costs.

(iv) ***We maintain long-term relationship with our major customers and understand our customers' needs***

Over the years, we have developed a wealth of knowledge, experience and understanding on our customers' needs which may not readily be replicated by our subcontractors. As at 30 June 2023, the length of our business relationship with our five largest customers for each of FY2020, FY2021, FY2022 and 6M2023 ranged from approximately two to 16 years and particularly, we have commenced business with our largest customer (i.e. Customer A) for each of FY2020, FY2021, FY2022 and 6M2023 since 2007. Although we have not entered into any long-term agreement with our customers and we are generally required to undergo tender or quotation process to obtain new projects, our Directors are of the view that we are unlikely to be disintermediated by our customers by reason of the following strengths that we have accumulated in the long-term business cooperation with them: (i) our track record and experience in the provision of services including our dedication to understanding our customers' needs and demands, and our ability to respond to their requests; (ii) our delivery of satisfactory services to them; and (iii) the mitigation of their concerns of uncertainties and additional time that would be incurred in selecting and engaging subcontractors directly.

In light of the above, our Directors consider that notwithstanding our continuing subcontracting arrangement, we are able to minimise our risk of disintermediation and our customers will continue to award projects to us instead of directly dealing with our subcontractors.

Salient terms of our subcontracting agreements

Depending on the nature of the services sought, we may enter into a project-based service agreement or a framework agreement or alternatively place individual orders with our major subcontractors for provision of sub-contracted technical services and labour services. Our agreements with subcontractors generally contain the following salient terms:

Contract price	The contract sum of our agreements is mainly a lump sum fixed price inclusive of the subcontractors' fees and the cost for procurement of relevant hardware, software and equipment.
Service to be rendered	General introduction of the project and services to be rendered are set out in the agreements.
Duration of projects	Both the expected commencement dates and completion dates of a project are generally set out.
Payment and credit terms	A lump sum payment or progress payments by bank transfer or cheque within a credit period of generally up to 30 days.
Means of assessment	Assessment is conducted in accordance with the standards specified by our customers under the relevant project, and generally an assessment report or certificate would be issued by our customers.
Warranty	Warranty period generally ranges from one to three years, which shall be consistent with the warranty period we provide to our customers under the relevant project.
Completion	Services are generally regarded as completed when the assessment by customers is passed, balance of contract price is released and warranty ends.

Termination clause	Generally an agreement may be terminated by our Group if the subcontractor fails to deliver services within the agreed time which will or may cause our Group to be penalised by our customer; an agreement may also be terminated by our Group or the subcontractor if the other party materially breaches the agreement and fails to rectify within 30 days after receiving the written notice from the non-defaulting party.

Our five largest subcontractors during the Track Record Period

Subcontracting charges paid to our five largest subcontractors in each year/period during the Track Record Period in aggregate accounted for approximately 57.2%, 54.5%, 56.5% and 61.2%, respectively, of our total subcontracting charges, while subcontracting charges paid to our largest subcontractor in each year/period during the Track Record Period accounted for approximately 21.5%, 21.9%, 19.9% and 22.6%, respectively, of our total subcontracting charges. These subcontracting charges generally covered both the service fees of the subcontractors, the hardware, software, electronic components and equipment procured by the subcontractors and their labour costs. The following tables set forth certain information relating to our major subcontractors during the Track Record Period:

For FY2020

	Subcontractor	Principal business activities	Major services provided to our Group for the year	Credit term[2]	Payment method	Commencement year of business relationship	Total subcontracting charges paid to the subcontractor	As a percentage of our total subcontracting charges
				days			RMB'000 approximately	% approximately
1	Subcontractor A	Provision of human resource management service, business process outsourcing service and labour dispatch service	Wireless telecommunication network optimisation service	10–15	Bank transfer	2019	14,857	21.5
2	Subcontractor B[3]	Provision of ICT integration service	ICT integration service	15–22	Bank transfer	2019	13,317	19.2
3	Guangdong Yizhong	Provision of telecommunication engineering, network engineering and network optimisation services	Wireless telecommunication network optimisation service	5	Bank transfer	2020	3,939	5.7
4	Zhuhai Nade	Provision of telecommunication network infrastructure design and engineering services	Telecommunication network infrastructure engineering service	22	Bank transfer	2018	3,793	5.5
5	Subcontractor C	Provision of telecommunication lines and equipment installation service	Wireless telecommunication network optimisation service	22–60	Bank transfer	2020	3,697	5.3
	Total						39,603	57.2

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the subcontractors during the Track Record Period.

3. Subcontractor B is also Customer A.

For FY2021

	Subcontractor	Principal business activities	Major services provided to our Group for the year	Credit term[2]	Payment method	Commencement year of business relationship	Total subcontracting charges paid to the subcontractor	As a percentage of our total subcontracting charges
				days			RMB'000 approximately	% approximately
1	Subcontractor A	Provision of human resource management service, business process outsourcing service and labour dispatch service	Wireless telecommunication network optimisation service	10–15	Bank transfer	2019	18,991	21.9
2	Subcontractor B[3]	Provision of ICT integration service	ICT integration service	15–22	Bank transfer	2019	8,899	10.3
3	Subcontractor D	Provision of human resource management service and software outsourcing service	Wireless telecommunication network optimisation service	Nil	Bank transfer	2020	6,845	7.9
4	Zhuhai Nade	Provision of telecommunication network infrastructure design and engineering services	Telecommunication network infrastructure engineering service	22	Bank transfer	2018	6,444	7.4
5	Guangzhou Luyue	Provision of ICT integration service	ICT integration service	22	Bank transfer	2021	6,059	7.0
	Total						47,238	54.5

Notes:

1. Figures may not add up due to rounding

2. Credit term of each of the subcontractors during the Track Record Period.

3. Subcontractor B is also Customer A.

For FY2022

	Subcontractor	Principal business activities	Major services provided to our Group for the year	Credit term(2)	Payment method	Commencement year of business relationship	Total subcontracting charges paid to the subcontractor	As a percentage of our total subcontracting charges
				days			RMB'000 approximately	% approximately
1	Subcontractor D	Provision of human resource management service and software outsourcing service	Wireless telecommunication network optimisation service	Nil	Bank transfer	2020	24,181	19.9
2	Subcontractor A	Provision of human resource management service, business process outsourcing service and labour dispatch service	Wireless telecommunication network optimisation service	15	Bank transfer	2019	23,839	19.6
3	Zhuhai Nade	Provision of telecommunication network infrastructure design and engineering services	Wireless telecommunication network optimisation service	22	Bank transfer	2018	8,270	6.8
4	Subcontractor E	Design, planning, construction and operation of smart industrial parks	Telecommunication network-related software development service	15	Bank transfer	2020	6,566	5.4
5	Subcontractor F(3)	Provision of telecommunication service and sales of handsets, ICT equipment and other smart devices	Wireless telecommunication network optimisation service and research and development service	20	Bank transfer	2009	5,886	4.8
	Total						68,742	56.5

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the subcontractors during the Track Record Period.

3. Subcontractor F is also Customer D.

For 6M2023

	Subcontractor	Principal business activities	Major services provided to our Group for the period	Credit term[2]	Payment method	Commencement year of business relationship	Total subcontracting charges paid to the subcontractor	As a percentage of our total subcontracting charges
				days			RMB'000 approximately	% approximately
1	Subcontractor D	Provision of human resource management service and software outsourcing service	Wireless telecommunication network optimisation service	Nil	Bank transfer	2020	14,293	22.6
2	Subcontractor A	Provision of human resource management service, business process outsourcing service and labour dispatch service	Wireless telecommunication network optimisation service	15	Bank transfer	2019	9,094	14.4
3	Zhuhai Pengyuan	Provision of building intelligent system design service and software development	ICT integration service	10	Bank transfer	2023	7,622	12.1
4	Subcontractor H	Provision of professional management consulting services and information technology solutions for enterprises	Software development service	7	Bank transfer	2023	4,073	6.4
5	Zhuhai Nade	Provision of telecommunication network infrastructure design and engineering services	Wireless telecommunication network optimisation service	22	Bank transfer	2018	3,602	5.7
	Total						38,684	61.2

Notes:

1. Figures may not add up due to rounding.

2. Credit term of each of the subcontractors during the Track Record Period.

To the best knowledge of our Directors after making all reasonable enquiries, as at the Latest Practicable Date, all of our Group's major subcontractors during the Track Record Period were Independent Third Parties, and none of our Directors, their respective close associates or any Shareholders (who or which, to the best knowledge of our Directors, owned more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our major subcontractors during the Track Record Period.

IMPACT OF THE COVID-19 OUTBREAK ON OUR BUSINESS

The outbreak of COVID-19 was first reported in late 2019 and has spread within the PRC and globally. In January 2020, the PRC government announced a series of interim measures including restricting travel, suspending or limiting business operations and lockdown of certain cities and regions to combat the spread of the pandemic. With the effective COVID-19 control measures in the PRC, the business operations of our Group gradually returned to normal from the second quarter of 2020. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the COVID-19 outbreak including the recent emergence of Omicron variant did not have any material adverse impact on our business and results of operations.

Our business operations

Our Group was subject to the PRC government's requirement to extend the final day of the Chinese New Year Holidays from 30 January 2020 until 9 February 2020 (the "**Extension of Chinese New Year Holidays**") and had temporarily suspended our operations during the period. We resumed operations gradually starting from 10 February 2020. Further, according to the Guidelines on the Prevention and Control of COVID-19 for migrant workers returning to Guangdong* (外來務工人員返粵新型冠狀病毒感染的肺炎預防控制指引) issued by the Health Commission of Guangdong Province (廣東省衛生健康委員會), our migrant staff, who returned from places where COVID-19 pandemic occurred, were subject to the arrangement of home quarantine for 14 days. Nevertheless, our Directors confirm that the above measures had no material adverse impact on our project schedule because (i) according to the CIC Report, the period around the Chinese New Year Holidays is a relative low season for telecommunication network support service industry and ICT integration service industry; and (ii) we had reduced the number of employees and, in substitute of which, increased the use of external subcontractors in the vicinity of our projects for provision of technical and labour services. This could avoid possible delays and inconvenience that may be caused by quarantine requirements, and has effectively enhanced our Group's ability to mobilise workforces (including our own employees and subcontractors) whilst mitigating adverse impact that may be brought on our Group by the pandemic. According to the CIC Report, government in China has implemented systematic prevention measures to combat the spread of COVID-19, including restrictions of crowd gathering and health QR code system, and such measures are widely applied nationwide and have proven effective in pandemic control and therefore, the COVID-19 pandemic in China is generally under control. In 2022, there were further waves of recurrence of COVID-19 cases in certain cities across China, attributed to the Delta and Omicron variants, which lead to the imposition of certain travel restrictions and other limitations in various places across China (the "**2022 PRC Outbreak**"). Our Directors consider that the 2022

PRC Outbreak had not resulted in material adverse impact on our business and financial performance up to the Latest Practicable Date because: (i) the 2022 PRC Outbreak has been largely contained since December 2022; (ii) the progress of our projects engaged by our customers had not been materially and adversely affected as most of our services were not delivered in the provinces or cities where the lockdown restrictions were imposed; (iii) our Group had not received any request from our customers to terminate our services up to the Latest Practicable Date; (iv) up to the Latest Practicable Date, there had been no material impact on the provision of supplies or services by our suppliers and subcontractors to us as a result of the 2022 PRC Outbreak and none of our suppliers and subcontractors had informed us of any material impact on their operations; and (v) up to the Latest Practicable Date, the Guangdong Province, where our headquarter is located, had not been imposed on long-time or stringent lock-downs despite the 2022 PRC Outbreak. Our Directors confirm that as at the Latest Practicable Date, our Group had resumed our businesses in full operation and all our workforce had returned to work as the COVID-19 pandemic has been effectively controlled in the PRC.

Our customers

During the Track Record Period, all our customers were located in the PRC. During the Track Record Period and up to the Latest Practicable Date, we have not received any request from our customers to cancel their orders or to terminate our services due to the outbreak of COVID-19 or its variants. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material delay in discharging our obligations under any projects or orders from our customers due to the COVID-19 outbreak and we had not been subject to any late charges or penalties imposed on us by our customers due to any delay caused by the COVID-19 outbreak. Furthermore, the outbreak of COVID-19 and its variants did not have any material adverse impact on our billing progress or collection of trade and bills receivables from customers. As at the Latest Practicable Date, approximately 36.8% of our contract assets as at 30 June 2023 had been billed and reclassified to trade receivables and approximately 56.6% of our trade and bills receivables as at 30 June 2023 had been subsequently settled.

Our procurement from suppliers or subcontractors

As our suppliers and subcontractors are predominantly located in the PRC, they were therefore subject to the Extension of Chinese New Year Holidays and other quarantine measures imposed by their local governments, and had temporarily suspended their services from 30 January 2020 until 10 February 2020. To the best knowledge and belief of our Directors, the operations of our major suppliers and subcontractors in relation to their provision of supplies or services to us had not been materially affected during the Track Record Period and up to the Latest Practicable Date. Apart from the said short-term disruption, we had not encountered any material disruption in procuring products or services from our suppliers or subcontractors which had a material adverse impact on our business.

Our financial position

Even in the worst-case scenario where our business has to be suspended due to the prolonged outbreak of COVID-19 or its variants, our Directors estimate that we will be financially viable for not less than 12 months, taking into account (i) our cash and cash equivalents as at 30 June 2023; (ii) the estimated [REDACTED] from the [REDACTED] expected to be used for working capital purpose; and (iii) our prudent estimates of the settlement of trade receivables and trade payables, based on the historical settlement pattern; and based on the key assumptions that: (i) we will complete the projects in respect of which we had already received an order from, or entered into a service agreement with, our customers on or before 30 June 2023 and the relevant customers will settle the payments under the projects accordingly; (ii) save for the payments from customers under item (i), we will not generate revenue due to any suspension of businesses; (iii) we will not incur purchase cost due to any suspension of businesses; (iv) we will incur fixed costs including staff costs and operating lease rentals to maintain our operations at a minimal level; (v) our outstanding bank borrowings as at 30 June 2023 is repaid and pledged bank deposits are released upon repayment; (vi) the outstanding trade payables, other payables, accruals and contract liabilities as at 30 June 2023 are settled when they are due; and (vii) there will not be any internal or external financing from banks or Controlling Shareholders. Our Directors believe that the impact of the COVID-19 outbreak on our financial results would be short term and the above analysis under the worst-case scenario is for illustrative purpose only.

As we mainly engage in providing telecommunication network support services, ICT integration services and telecommunication network-related software development to our customers, particularly those in the telecommunication industry, our Directors believe the COVID-19 outbreak will not have a long-term impact on our customers or their demand for our services. According to the CIC Report, the outbreak of COVID-19 and its variants had no material adverse effect on the construction of 5G network in the PRC. In alignment with the rapid 5G development in the PRC, our revenue for FY2022 increased by 15.8% compared to FY2020. Based on the aforementioned factors including (i) the absence of material adverse impact on our business operations subsequent to the Extension of Chinese New Year Holidays; (ii) the absence of any material delay due to the COVID-19 outbreak in our project delivery schedule subsequent to 31 January 2020; (iii) the absence of material difficulties in collecting trade and bills receivables from our customers; (iv) the absence of material disruption in procuring services and products from our suppliers and subcontractors; and (v) the worst-case scenario analysis as demonstrated above, our Directors are of the view that the outbreak of COVID-19 and its variants did not and are not expected to have any material adverse impact on our business and results of operations.

SALES AND MARKETING

Our Directors believe that our continuous efforts to maintain high quality services, competitive prices and timely delivery are the key to our strong relationship with our customers.

As at 30 June 2023, we had a sales and marketing team of approximately 10 personnel who were responsible for processing service orders, overseeing our project progress as well as arranging customer visits and communications with customers. During the Track Record Period, our staff costs for our sales and marketing team and other related expenses incurred amounted to approximately RMB2.2 million, RMB2.9 million, RMB2.7 million and RMB1.3 million, respectively.

Our regional managers and regional business departments are responsible for handling external liaisons with customers in different regions and their duties mainly involve (i) attending to query or request from existing or potential new customers in relation to potential business opportunities (for business secured through non-tender methods); (ii) exploring the market to identify and communicate with potential new customers and arranging for visit and presentation in order to promote our services and software (for business secured through non-tender methods); (iii) regularly paying attention to available open tenders posted online or otherwise advertised in order to identify new business opportunities (for business secured through open tenders); and (iv) communicating with our existing customers to collect and understand their feedback on the quality, preferences, improvements, service or product demands. They will then report potential business opportunities identified to our sales and marketing department which will then, with the assistance of our regional managers, prepare a quotation or tender with the proposed solution, quotations and bidding documents.

INVENTORY CONTROL

Our Group generally places orders for necessary hardware, equipment and software with our suppliers on a project-by-project basis upon signing of service agreements with our customers or confirming their purchase orders. Our Group did not maintain inventory or stock of supplies during the Track Record Period.

QUALITY CONTROL

Our Directors consider service and product quality to be critical to the success of our Group's business. We have a quality control team responsible for overseeing the quality control of our services, our software and hardware and services procured from our suppliers and subcontractors. As at 30 June 2023, our quality control team (headed by Mr. Jia, chairman and chief executive officer of the Company) consisted of 31 employees.

We devote significant efforts and emphasis to our quality control system, which complies with ISO 9001: 2015 and requires that our services be implemented through procedures and processes which allow our Group to monitor performance and control output quality.

During the Track Record Period and up to the Latest Practicable date, we had not encountered any material issues or disputes concerning the safeness or quality of our products and services.

Quality control on hardware procured from our suppliers

During the Track Record Period, our principal hardware procurement included equipment and devices used for our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services, such as portable data terminals and signal acquisition devices. We generally first seek quotations from not less than two suppliers on our list of approved suppliers and compare their terms and offers. Before engaging any suppliers or placing orders with them for the first time, we will obtain and examine their business licence(s), requisite certifications and credit information to our satisfaction. Furthermore, the hardware and equipment procured will be directly delivered to project site and subject to inspection by our on-site execution team to ensure their conformity with the agreed specifications set out in the purchase orders or service agreements. For instance, our on-site execution team will check if there is any damage to the physical packaging of the products received. We will also check and ensure that all hardware come with proper warranty and/or a back-to-back return policy arrangement such that any products that are defective or do not comply with stated product specifications within the warranty period will be replaced by the suppliers.

Quality control on our services

We primarily control service quality through standardising our service procedures and specifications, strict compliance with project acceptance guidance as well as carefully selecting suppliers. Please refer to the paragraphs headed "Our business model — Quality control and performance review" above in this section for details of our own quality control tests. We will also use our own developed software Wangyou Renwoxing Wireless Network Testing and Analysis System to carry out on-site test and data collection for performing optimisation work.

Quality control on our software

Our quality control procedures for software development involve continuous testing, adjustment and improvement made in the course of the development process. For details about the development of our software, please refer to the paragraphs headed "Our business model — Research and development" above in this section. Upon installation of our software on a customer's system, our execution team will generally perform an integration test to ensure compatibility of our software with the customers' infrastructure and/or the quality of connectivity. We seek customer feedback during the testing stage of our software and while we perform after-sale maintenance and upgrading services. Based on the customer feedback, we re-evaluate and improve our software design and quality control standards, in order to ensure customer satisfaction.

Quality control on our subcontracted services

Our Group maintains a list of approved subcontractors which is subject to our review and update from time to time and we generally select subcontractors from our approved list. If we find it necessary to engage a new subcontractor which is not in our approved list, the new subcontractor is required to fill in an application form and provide certain requisite documents (such as its business certificate and licences) to us for our review and approval. Our subcontractors for technical services and labour services are required to carry out services that meet relevant governmental and industrial standards in the PRC and/or such other quality standards as agreed between our Group and our customers. The services provided by our subcontractors, together with those provided by us on our own, are subject to our customers' acceptance assessments. Our subcontractors for services are responsible for rectifying any quality defects as identified by our customers arising from the services they provide. Our project manager for each project will also oversee and coordinate the project process including the services provided by our subcontractors.

RESEARCH AND DEVELOPMENT

We believe one of our main strengths is our research and development capability. In order to keep up with fast-changing market demand in alignment with the mature application of 4G technology, the gradual application of 5G technology and the study of 6G in the PRC, and diversified customers' needs for ICT integration services and telecommunication network-related software development, we place emphasis on our in-house research and development capabilities. We adopt a research and development system with collaborations of multiple departments of the Company, which is led by Mr. Xian Zhigang, who has about 12 years of experience in research and development in software design and system architecture, to ensure that our research and development results are consistent with the market demands and industry developments. As at 30 June 2023, our research and development operation consisted of 69 technical and support personnel such as engineers and technicians. Most of our engineers hold a bachelor's degree or have received tertiary education in the field of computer network technology, computer science, communication engineering and technology, etc. In addition to developing solutions and software for internal use (such as to complement our optimisation services), our research and development personnel are also responsible for developing software for sale to customers as well as software tailored to the needs of our customers under our software development services.

Our Group has over 19 years of experience in research and development in the field of wireless telecommunication network since the establishment of our in-house research and development operation in 2003. The main research focus of our Group includes (i) application of 5G and IoT; (ii) wireless telecommunication; and (iii) big data and signal and data analysis, details of which are set out in the table below:

	Area of research focus	Examples of research and development	Research timeline	Software developed
(1)	Research and development on the application of 5G and IoT(Note 1), such as the development of related software and platforms, the results of which can mainly be utilised in our ICT integration services.	• a mobile traffic violation snapshot system capable of automatically identifying incidences of traffic violations, taking photographs as evidence and uploading the same online;	(i) Project feasibility study and project establishment: December 2017 (ii) Commencement of development: January 2018 (iii) Software testing: November 2018 (iv) Completion: December 2018	• Software copyright: Mobile Traffic Violation Snapshot System V1.0* (可移動式交通違法抓拍系統V1.0)
		• research on integrating the technology of wireless network data analysis and transmission into the law enforcement system to enable the real-time upload of terminal location and audio and video taken during law enforcement, and transmission of distress signal.	(i) Project feasibility study and project establishment: December 2017 (ii) Commencement of development: January 2018 (iii) Software testing: July 2018 (iv) Completion: December 2018	• Software copyright: Mobile Network Data Analysis and Transmission System V1.0* (移動網絡數據分析和傳輸系統V1.0)
(2)	Research and development on wireless communication, such as the development of wireless testing software and applications, the results of which can be utilised in our wireless telecommunication network optimisation services and telecommunication network infrastructure maintenance services.	• a mobile wireless network testing application which replaces the traditional signal testing devices which are more bulky;	(i) Project feasibility study and project establishment: January 2018 (ii) Commencement of development: January 2018 (iii) Software testing: November 2018 (iv) Completion: December 2018	• Software copyright: Handheld Portable 5G Wireless Network Quality Testing and Analysis System V1.0* (手持便攜式5G無線網絡質 量測試及分析系統V1.0)
		• an integrated telecommunication network management system which can monitor and manage small and micro base stations and affiliated equipment and monitor and analyse the operation condition of telecommunication network and equipment in a centralised manner.	(i) Project feasibility study and project establishment: February to March 2019 (ii) Commencement of development: March 2019 (iii) Software testing: October 2019 (iv) Completion: December 2019	• Software copyright: LTE Integrated Micro Base Station Network Management System V1.0* (LTE一體化小微基站綜合網管系統V1.0)

	Area of research focus	Examples of research and development	Research timeline	Software developed
(3)	Research and development on big data and signal and data analysis.	• a telecommunication network maintenance and operation support system which can analyse the base station coverage, regional telecommunication network quality and other information based on the massive data uploaded on the telecommunication network, and display the information geographically on a map.	(i) Project feasibility study and project establishment: December 2018 (ii) Commencement of development: January 2019 (iii) Software testing: August 2020 (iv) Completion: August 2020	• Software copyright: Maintenance and Operation Support System based on Wireless Internet Data V1.0* (基於移動互聯網數據的維護和運營支撐系統V1.0)

Note:

1. Physical objects connected to a communication network so as to allow them to transmit and receive data through sensors, software, etc., often to enable remote access, control and management.

As at the Latest Practicable Date, attributable to the research, design and development efforts of our Group, we have obtained 73 software copyrights, two invention patents in the PRC. For further details, please refer to the paragraphs headed "Intellectual property" in this section.

Our expenditure relating to research and development mainly comprises salary of our research and development staff and materials, and hardware and software used in research and development activities. The research and development expenditure incurred in the research stage is recognised as expense, and among other things, when our research and development activities come to a stage where they become more feasible and our Directors believe they are able to bring us certain economic benefits, the expense will be capitalised. Based on the above, our expenditure on research and development was recognised as expense during the Track Record Period.

During the Track Record Period, our research and development expenses amounted to approximately RMB16.3 million, RMB10.8 million, RMB16.6 million and RMB5.4 million, respectively. The decrease in our Group's research and development expenses in FY2021 compared with FY2020 was mainly attributable to the facts that (i) an R&D project in relation to 5G and IoT application testing and analysis system (i.e. our software 5G Wireless Network Testing and Analysis System V1.0* (5G無線網絡測試分析系統V1.0)), which commenced in 2018, was completed in FY2020 (expenses relating to which amounted to approximately RMB4.4 million for FY2020); (ii) certain amount of expenditures in FY2021 arising from performing groundwork testing involving data acquisition for R&D purposes was recognised, after audit, as the cost incurred under several projects which had also utilised the data collected, rather than as R&D expenses; and (iii) approximately RMB1.6 million of R&D expenses was capitalised in FY2021, while the amount of such capitalisation in FY2020 was approximately RMB501,000.

According to the CIC Report, China will accelerate the construction of telecommunication network industry and encourage the commercial use of 5G internet. Along with the construction of 5G base stations and related facilities and the growing demand from downstream markets, the market size of telecommunication network optimisation service, the telecommunication network infrastructure maintenance and engineering service and third-party ICT integration service industry, respectively, is expected to further increase to RMB15.5 billion, RMB598.7 billion and RMB254.0 billion in 2027, representing a CAGR of 4.9%, 8.3% and 8.5% over the period from 2022 to 2027, respectively. On the other hand, the market participants in the telecommunication network service industry will have to upgrade their knowledge, technology and software to adapt to the transition of telecommunication network technology from 4G to 5G. Our Directors believe that with our research and development capabilities and experiences, the Group is not only able to continue to provide our customers with high quality services, but also to explore various plausible solutions through 5G to better serve our customers' needs.

INSURANCE

Our Group maintains social security insurance for our employees and personal accident and injury insurance for the employees who engage in dangerous works (such as working at height on telecommunication towers). We also maintain insurance for motor vehicles, to cover third-party losses or liabilities as well as impairment on motor vehicles in case of motor accidents. We have not purchased any insurance in connection with claims concerning our services. Our Directors confirm that our Group's insurance coverage is adequate for our operations and is in line with industry practice.

During the Track Record Period, our total insurance expenses amounted to approximately RMB37,000, RMB117,000, RMB150,000 and RMB36,000, respectively. During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we had not made, or been the subject of, any material insurance claim or product liability claims.

MARKET AND COMPETITION

There are various entry barriers for new market players to enter the telecommunication network service industry in the PRC. According to the CIC Report, these include the need to obtain specific licenses and qualifications, the requirements for technology and research and development capabilities, the need to establish a stable and large-scale professional service team with technical experience and the need to keep good relationship with downstream customers.

Please refer to the section headed "Industry Overview" in this document for further information on the competitive landscape of the telecommunication network service industry in the PRC.

SEASONALITY

Our Directors believe that the industry in which we operate does not exhibit any significant seasonality. As such, our business is not tied to any seasonal factors.

EMPLOYEES

As at 30 June 2023, we had a total of 145 full-time employees based in the PRC a breakdown by function of which is set out below:

Functions	Number of employees
Directors and senior management	6
Administration	9
Accounting and finance	7
Research and development	69
Technical services	13
Quality control	31
Sales and marketing	10

Relationship with employees and recruitment policies

Our Directors believe that loyalty, professional knowledge and expertise of our employees is of the essence to our business and operation and hence a crucial asset of our Group. Therefore, we place great emphasis on our management policies, working environment, employee development opportunities and employee benefits to maintain good employer-employee relations and attract talents.

We generally recruit employees in open market by placing recruitment advertisements online. We select suitable applicants based on a number of factors such as their working experience, professional qualification, educational background and vacancy needs. During the Track Record Period, we had not recruited any employees through employment agents.

Our Directors consider that we have maintained good relationships with our employees. As at the Latest Practicable Date, we had a workers' union which was set up with a view to safeguarding the rights and welfare of our employees and for organising team building and entertaining activities for our employees. Our workers' union consists of our employees only and is chaired by our employee. Our Directors confirm that we have not experienced any significant problems with our employees or any disruptions to our operations due to labour disputes nor have we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

Employee training

In order to strengthen the overall competitiveness of our employees, to attract and retain talents and to strengthen their knowledge and skills, we place strong emphasis on training employees. We provide trainings to our employees across different levels and areas, including induction training for new employees and on-the-job trainings to enhance our employees on the safety measures when performing their work. We also provide ongoing training and development programmes which cover technical and functional courses to our employees.

Remuneration policy

We entered into a labour contract with our employees in accordance with the applicable labour laws of the PRC, which cover matters such as wages, employee benefits and grounds for termination. Our employees are generally remunerated by way of combination of fixed salary, discretionary bonuses and allowances. In general, we determine an employee's salary based on each his/her qualifications, experience and capability and the prevailing market remuneration rate. Our Group adopts an appraisal system for our employees and considers the appraisal results of individual employees when conducting their salary reviews, making promotion decisions and determining the amount of bonuses. Our employees are also entitled to paid leave and various subsidies.

Social Welfare Scheme and Housing Provident Funds

According to the Law of Social Insurance of the PRC (中華人民共和國社會保險法), our major operating PRC subsidiaries, namely WellCell Technology and WellCell Intelligent, are required to make social insurance fund contributions for their employees in the PRC, which shall cover basic pension insurance, basic medical insurance, maternity insurance, worker related injury insurance and unemployment insurance. WellCell Technology and WellCell Intelligent are also required under the Regulation on Management of Housing Provident Fund* (《住房公積金管理條例》) to deposit housing provident funds to its employees in the PRC. For further details, please refer to the paragraphs headed "Regulatory overview — Laws and regulations in relation to our Group's business in the PRC — Labour Protection" in this document.

HEALTH AND WORK SAFETY

Our Group's operations do not involve any manufacturing process and hence would not result in production of any harmful products. Our Group has established policies to provide our staff with a safe and healthy working environment by providing work safety rules for our staff to comply with. Such work safety rules relate to, amongst others, procedures regarding the proper installation and usage of IT products and equipment. We have provided our employees with guidance and training on work safety laws and regulations from time to time to ensure that our employees are well acquainted with our safety procedures and policies. Our Group believes that high standards in these areas do not only protect our employees from injuries, but also mitigate our Group's risk of loss and enhance our competitiveness and employee loyalty and commitment.

Owing to the nature of our services, in particular telecommunication network support services and ICT integration services, our employees may have to work in or visit outdoor environments such as rural areas or construction sites. In view of the inherent risks of accidents and injuries, we have implemented a system in recording and handling accidents during our business operations. We require our employees to report any accidents to their supervisor in a timely manner. The supervisor should then report the same to the project manager and our human resources department, which will then make record of the accidents and follow up on the condition of the injured employee. During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material accident or work safety incident in the course of our operations, nor had we received any material claim from our employees in relation to any personal or property damage.

In view of the spread of the COVID-19 and its variants in the PRC since December 2019, as part of our Group's risk management regarding the COVID-19 pandemic, in order to minimise the risk of contagion among our employees and to mitigate the adverse impact of the COVID-19 pandemic that may cause to our business and operations, we had implemented the following preventive measures to monitor the health conditions of our employees and maintain a hygienic working environment in our offices:

(i) ensuring that we have sufficient stock of personal protective equipment, hand sanitizer and disinfection products, etc.;

(ii) requiring all employees to wear surgical masks at all times in our offices;

(iii) requesting employees to avoid visiting areas with serious outbreak of COVID-19;

(iv) forbidding employees who have fever, cough, fatigue, trouble breathing or any respiratory disease symptoms from entering into our offices and requiring such employees to see doctors;

(v) taking temperature of all employees and keeping a register of the temperature taken before they are allowed to enter into our offices and keep records on the attendance of our employees;

(vi) if we find it necessary, requesting our employees to have COVID-19 tests on a regular basis;

(vii) forbidding communal meals, social gathering and celebration events; and

(viii) carrying out daily disinfection work inside our offices.

ENVIRONMENTAL COMPLIANCE

Our Directors believe that our business activities and operations generally do not result in the production of pollutants. The impact of our operations on the environment is minimal.

As confirmed by our PRC Legal Advisers, we do not have construction projects that require environmental impact assessment and/or approval, and we do not currently have any environmental liabilities and do not expect to incur any environmental liabilities that could have any material impact on our financial condition or business operations.

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

Our Directors recognise environmental protection, social interest and corporate governance as important social responsibilities of our Group. Hence, we strive to adhere to the environmental, social and governance ("**ESG**") directions that target to effectively identify and manage material ESG issues and risks, and assess our ESG policies and measures accordingly.

Identification, management and assessment approaches

Our Directors consider that establishing and implementing an ESG policy will enhance the investment value of our Group and is in the long-term interest of our stakeholders in general. Our Board is principally responsible for overseeing the formulation and reporting of our ESG directions and strategies, determining the ESG-related risks, and monitoring and reviewing our ESG performances. Furthermore, our Board also closely follows the latest ESG-related laws and regulations and correspondingly updates our ESG measures to ensure that we comply with the latest regulatory regime. Upon the [REDACTED], we will establish an ESG management committee (the "**ESG Management Committee**") to support our Board in formulating and implementing ESG policies and preparing the ESG report.

Our Board will adopt the following approaches to identify, manage and assess material ESG issues:

Identification. Our Directors, with the assistance from the ESG Management Committee, will discuss major ESG issues with key stakeholders, including our major customers, major suppliers, our management team and other employees, and collect their views on our existing or proposed ESG measures and practices. We expect that this will help us better identify, understand and prioritise the ESG issues and risks inherent in our business operations and formulate new or enhanced ESG measures to mitigate those risks. Our Directors believe that open dialogue with stakeholders will play a significant role in maintaining our business sustainability.

Management. As the environmental and social conditions and the regulatory regime evolve, our ESG policies may have to be adjusted or modified accordingly. Likewise, any changes to our business operations may also necessitate such adjustment or modification. In this connection, the ESG Management Committee will remain watchful of the latest developments both within our Group and in the overall business and regulatory environment when reviewing our ESG measures and policies, major plans of actions, and budget in implementing our measures, policies and business plans, and, where appropriate, recommend to the Board the suitable amendments to be made to our measures and plans in light of these developments.

Assessment. Apart from assessing the performance of our ESG measures through discussions among our Directors and our stakeholder, if our Board deems it necessary, we may also engage an independent ESG consultant to assist our Group in assessing our level of compliance with the ESG-related laws and regulations, identifying specific risks and areas for improvement, and recommending courses of action which target such risks and areas, if any.

Environmental policies

Since our founding, we have been committed to environmental, social and corporate responsibility matters. Given that the majority of our operations are service offerings and software development, our business and operations have limited impact on the environment. As at the Latest Practicable Date, our Group had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection.

Although our business had not had material impact on the environment during the Track Record Period, in preparation for any possible changes in our operations in the future which may require greater attention and commitment to environmental protection from us, our Board will adopt the following policies and measures:

(a) the ESG Management Committee will assist our Board to oversee and monitor the implementation of our environmental strategies and directives and report to our Board regularly;

(b) the ESG Management Committee will also regularly review the nature of the projects we undertake and our Group's responsibilities therein to assess whether our operations have any material impact on the environment;

(c) in the event the ESG Management Committee considers it appropriate, we may engage an independent ESG consultant to advise us on compliance matters in respect of environmental protection covering, for instance, discharge of industrial waste, air pollution and climate changes, if applicable to our business; and

(d) we will continue to explore ways to further improve energy efficiency and environmental protection, such as the possibility of using more environmentally friendly raw materials and equipment from suppliers with a commitment to carbon emission reduction.

Social policies

Our Group are committed to corporate social responsibilities. We have put in place a set of social policies to promote equality and diversity in our recruitment and promotion as follows:

(a) we have a policy of providing equal opportunities in employment and career development regardless of gender, marital status, disability, family status, race, age and religion;

(b) we have strictly abided by the requirements of the Labour Law of the PRC (《中華人民共和國勞動法》). It is our policy and we also require our suppliers to avoid any hiring of child or forced labour in our business operations and firmly insist on a zero-tolerance approach to child or forced labour in any form; and

(c) we provided various functions of trainings to our employees on safe use of machinery and performing their work, such as induction training for new employees and on-job trainings.

For details, please refer to the paragraph headed "Employees" above in this section.

Corporate Governance policies

Anti-corruption and anti-bribery

We adopt a zero-tolerance approach to corruption and bribery and are committed to acting fairly and with integrity in all our business dealings and relationships. In order to comply with the applicable laws and regulations in relation to anti-corruption and anti-bribery, we have established and implemented anti-corruption and anti-bribery policy and measures to prohibit all forms of acts related to corruption and bribery or intention of such acts. Examples of such acts include:

(a) soliciting or accepting any advantages from others as a reward for or inducement to doing any act in relation to our Group's business;

(b) offering any advantages to an agent of another as a reward for or inducement to doing any act in relation to the latter's business;

(c) offering any advantages to a government or public servant as a reward for or inducement to performing any act in his/her official capacity, or while having business dealings with the government department or public body he/she belongs to;

(d) our Directors or staff soliciting or accepting advantages from persons having business dealings with them (e.g. suppliers and contractors); and

(e) the offering of advantages to the directors or staff of other companies having business dealings with our Group.

The policy also sets out the approach of dealing with any potential conflicts of interest, the requirements of a company-wide anti-bribery-and-corruption training and disciplinary actions to be taken in situation of violation of the policy and/or relevant laws and regulations, including termination of employment/service and bringing forward to legal proceedings.

During the Track Record Period, there was no legal proceedings regarding corrupt practices brought against us or any of our directors and employees.

Corporate governance

We will comply with the Corporate Governance Code. We [have established] three board committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. In particular, one of the primary duties of the Audit Committee is to review the effectiveness of our internal audit activities, internal controls and risk management systems. For further details of the three board committees, please refer to the paragraphs headed "Directors, senior management and employees — Board committees" in this document. Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code every financial year.

PROPERTIES

Owned properties

Our Group did not have any owned property as at the Latest Practicable Date.

Leased properties

Details of the property we leased as at the Latest Practicable Date are set out as follows:

Address	Use of property	Gross floor area (sq.m.) (approximately)	Term of the tenancy
Rooms 2101, 2102, 2105, 21st Floor, Building 2, Meixi Commercial Plaza, 168 Lvyou Road, Xiangzhou District, Zhuhai, PRC* (珠海市香洲區旅遊路168號梅溪商業廣場2棟21層2101、2102、2105室)	Office	583	From 21 March 2021 to 20 March 2024
2321-1, Area C, 23rd Floor, 108 Huitong Third Road, Hengqin New District, Zhuhai, PRC (珠海市橫琴新區匯通三路108號23樓C區2321-1)	Office	32	From 1 January 2023 to 31 December 2026

Our right-of-use assets recognised in relation to the above leased properties as at 31 December 2020, 2021 and 2022 and 30 June 2023 amounted to approximately RMB0.5 million, RMB0.4 million, RMB44,000 and RMB0.2 million, respectively and depreciation charged for our right-of-use assets were approximately RMB0.3 million, RMB0.3 million, RMB0.2 million and RMB0.1 million for FY2020, FY2021, FY2022 and 6M2023, respectively.

On the other hand, our property rentals and related expenses in relation to the short-term property leased by us were approximately RMB0.1 million, nil, RMB0.1 million and RMB2,000 for FY2020, FY2021, FY2022 and 6M2023 respectively.

INTELLECTUAL PROPERTY

Our Directors believe that the copyrights for our software, our patents and other intellectual property rights are critical to our success. We rely on a combination of laws and regulations including but not limited to copyright, patent and trademark laws, as well as confidentiality agreements signed by our senior management and key staff to protect our intellectual property rights. As at the Latest Practicable Date, we had successfully registered five trademarks, two domain names, two patents and 73 copyrights in the PRC. For details of our intellectual property rights, please refer to the paragraphs headed "Statutory and general information — B. Further information about the business of our Group — 2. Intellectual property rights of our Group" in Appendix IV to this document.

Our Directors confirm that we were not involved in any dispute or claim concerning any infringement to our intellectual property during the Track Record Period. During the Track Record Period, the Directors confirmed that we had not received any infringement claims nor had we filed any infringement claims against any third parties. Please refer to the paragraphs headed "Risk factors — Risks relating to our business — We may not be able to adequately protect our intellectual property rights" in this document for the possible risk in relation to infringement of intellectual property rights.

LITIGATION AND NON-COMPLIANCE

Our PRC Legal Advisers confirmed that during the Track Record Period and up to the Latest Practicable Date, there was no foreseeable or pending legal proceedings or arbitration against our Group or our Directors that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations. Our Directors have confirmed that, during the Track Record Period and as at the Latest Practicable Date, there was no legal proceedings or claim pending or threatened against us or our Directors that could, individually or in aggregate, have a material adverse effect on our business, financial condition or results of operations.

Pursuant to the applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, social insurance and housing provident fund. WellCell Technology has failed to made full social insurance and housing provident fund contributions for its employees as required by relevant PRC laws in FY2020 and FY2021. The unpaid amount for FY2020 and FY2021 was (i) approximately RMB0.7 million and RMB1.0 million, respectively, with respect to social insurance payments and (ii) approximately RMB0.4 million and RMB0.3 million, respectively, with respect to housing provident fund contributions. To the best knowledge of our Directors, the non-compliance incidents were primarily due to the shortfall in contributions made in line with the will of relevant employees. According to the Social Insurance Law of the PRC* (中華人民共和國社會保險法) and other relevant regulations, the relevant government authority may require a non-compliant company to make up the outstanding contribution with an additional late payment fee at a daily rate of 0.05% of the outstanding contribution from the due date within a given period, and if the company fails to do so, a fine may be imposed on the company ranging from one to three times of the total amount of the outstanding contribution. Our Directors confirm that we will make up for the previously underpaid contributions within the prescribed time upon request by the relevant PRC authorities, and on this basis, we estimate that our maximum late payment fee for exposure for the aforesaid non-compliance incidents in relation to social insurance contributions is approximately RMB3.0 million as at 30 June 2023. Meanwhile, according to the Regulations on Management of Housing Provident Fund* (住房公積金管理條例) of the PRC, if a company fails to pay or does not contribute to the housing provident fund within the prescribed time period, the relevant government authority may order it to make up the outstanding contributions within the prescribed time limit, failing which the relevant authority may apply for compulsory enforcement by a People's Court. According to our PRC Legal Advisers, interviews had been conducted with the supervisory authorities for labour-related issues of WellCell Technology, namely Zhuhai Social Insurance Fund Management Center* (珠海市社會保險基金管理中心) ("**ZSIFMC**") and Zhuhai Housing Provident Fund Management Center* (珠海市住房公積金管理中心) ("**ZHPFMC**"), which confirmed that (i) they would not initiate any request for payment of the outstanding balance of the social insurance and housing provident fund; (ii) they would not administer any penalties in relation to the above non-compliance incidents; (iii) WellCell Technology and its directors, legal representative and members of its management team would not be held liable for the above non-compliance incidents; and (iv) WellCell Technology had not been subject to any administrative penalty for violation of the laws and regulations relating to social insurance or housing provident fund during the Track Record Period. According to our PRC legal advisers, (i) ZSIFMC, as the subordinate organisation of Zhuhai Human Resources and Social Security Bureau* (珠海市人力資源和社會保障局), is responsible for implementing the national, provincial and municipal laws, regulations and policies in relation to social insurance; (ii) the ZSIFMC officer with whom our PRC legal advisers had the said interview is in charge of, among other things, matters related to social insurances laws and regulations including consultation made in that regard; (iii) ZHPFMC is tasked with the enforcement of administrative penalties in connection with housing provident fund laws and regulations; and (iv) the ZHPFMC officer with whom our PRC legal advisers had the said interview is in charge of, among other things, matters related to registration and collection of housing provident fund contributions. In light of the above, our PRC legal advisers are of the view that ZSIFMC and ZHPFMC are the competent authorities, and the officers with whom our PRC legal advisers had the said interview are the competent persons, to opine on the non-compliance of our Group as concerns social insurance contributions and housing provident fund contributions, respectively, and to make the aforementioned confirmations. Based on the above, our PRC Legal Advisers are of the view that the risk of WellCell Technology being punished or claimed by reason of the above non-compliance incidents is remote. Our Group has fully complied with all applicable PRC laws and regulations in relation to social insurance and housing provident fund since November 2021.

To minimise the legal and financial implications of the above non-compliance on our Group, we have obtained written confirmation of the relevant employees confirming that they have no dispute or claim with WellCell Technology in respect of the applicable PRC laws and regulations on labour matters including social insurance and housing provident contributions. In addition, Mr. Jia and Mr. Lin will also undertake to indemnify our Group against any damages, liabilities, claim or losses suffered by our Group as a result of the above non-compliance incidents.

In view of the remote risk of penalty and claim and the undertaking of indemnity by Mr. Jia and Mr. Lin as more fully set forth above, no provision was made in the financial statements of our Group in respect of the aforementioned non-compliance.

In order to prevent potential future non-compliance incidents in relation to social insurance and housing provident fund contributions and procedures, the following enhanced internal control measures will be adopted by us:

i. we have consulted our PRC Legal Advisers on the contribution basis of social insurance and will have regular consultation and, if necessary, will seek legal advice on this matter in the future;

ii. require that our financial controller, Ms. Chen, to review and approve the amount of contributions to be made on a monthly basis; and

iii. advise our employees on the policy and procedures of social insurance and housing provident fund contribution and the relevant legal requirements.

Considering (i) the nature of and the circumstances pertaining to such incidents as discussed above, which did not give rise to indication that our Directors and senior management members had a wilful tendency to operate the business of our Group in a non-compliant manner, and which did not involve any intentional misconduct, fraud, dishonesty or corruption on the part of our Directors; (ii) the remedial actions (grant of indemnity by our Controlling Shareholders and employees' confirmation as described above) taken; (iii) the amount of the maximum aggregate penalties that may be imposed on us; and (iv) the view of our PRC Legal Advisers that the risk of WellCell Technology being punished or claimed by reason of the above non-compliance incidents is remote, our Directors and the Joint Sponsors are of the view that the above non-compliance incidents do not cast any doubt on the suitability of our Directors under Rules 3.08 and 3.09 of the Listing Rules or our Company's suitability for [REDACTED] under Rule 8.04 of the Listing Rules.

Our PRC Legal Advisers confirmed that we had obtained all relevant licences, permits and approvals required for our business operation in the PRC, and such licences, permits and approvals were valid and remained in effect as at the Latest Practicable Date. Further, save as disclosed above, as advised by our PRC Legal Advisers, there had not been any material or systemic non-compliance with respect to PRC laws and/or regulations applicable to our Group during the Track Record Period and as at the Latest Practicable Date.

LICENCES, APPROVALS AND PERMITS

As at the Latest Practicable Date, our PRC Legal Advisers confirmed that our Group had obtained the requisite governmental licences, approvals and permits and renewal which are material to our operations. Details of our key licences, approvals, permits and recognitions are as below:

Name of licence/ approval/permit	Issuing authority	Type(s) of works and/or services covered/level of certification	Expiry date
Permit for Installation (Repair, Trial) of Electric Power Facilities* (承裝(修、試)電力設施許可證)	National Energy Administration Southern Regulatory Bureau* (國家能源局南方監管局)	(Installation Level 4, Repair Level 4, Trial Level 4* (承裝類四級，承修類四級、承試類四級)	30 December 2027
Construction Enterprise Qualification Certificate* (建築業企業資質證書)	Housing and Urban-Rural Development Bureau of Zhuhai City* (珠海市住房和城鄉建設局)	Construction labour* (施工勞務不分等級)	21 November 2027
Work Safety Permit* (安全生產許可證)	Housing and Urban-Rural Development Department of Guangdong Province* (廣東省住房和城鄉建設廳)	Construction work	29 March 2024
Certificate of Service Capability Assessment for Communication Network Optimisation Enterprise* (通信網絡優化企業服務能力評定證書)	China Association of Communication Enterprises (中國通信企業協會)	Network Optimisation Capability Level B* (網路優化能力乙級)	17 August 2027
Certificate of Service Capability Assessment for Telecommunication Network Maintenance Enterprise* (通信網絡代維企業服務能力評定證書)	China Association of Communication Enterprises (中國通信企業協會)	Base station (main, auxiliary and accessory equipment) Professional Level C* (基站(主設備，配套設備，附屬設備)丙級)	17 August 2027
Certificate of Service Capability Assessment for Telecommunication Network Maintenance Enterprise* (通信網絡代維企業服務能力評定證書)	China Association of Communication Enterprises (中國通信企業協會)	Line Capability Level C* (綫路能力等級丙級)	17 August 2027

Name of licence/ approval/permit	Issuing authority	Type(s) of works and/or services covered/level of certification	Expiry date
Construction Enterprise Qualification Certificate* (建築業企業資質證書)	Housing and Urban-Rural Development Department of Guangdong Province* (廣東省住房和城鄉建設廳)	General Contractor for Telecommunication Engineering Construction Level 3* (通信工程施工總承包三級)	31 December 2023
Guangdong Province Safety Technology Preventive System Design, Construction and Maintenance Qualification Certificate* (廣東省安全技術防範系統設計、施工、維修資格證)	Zhuhai City Public Security Bureau Safety Technology Preventive Management Office* (珠海市公安局安全技術防範管理辦公室)	Design, construction and maintenance of safety technology preventive system, Level 4	20 December 2024
Construction Enterprise Qualification Certificate* (建築業企業資質證書)	Housing and Urban-Rural Development Bureau of Zhuhai City* (珠海市住房和城鄉建設局)	Professional Contractor for Electronic and Intelligent Engineering Level 2, Professional Contractor for Steel Structure Engineering Level 3 (電子與智能化工程專業承包二級、鋼結構工程專業承包三級)	31 December 2023

RECOGNITIONS, AWARDS AND CERTIFICATIONS

We have received a number of recognitions, awards and certifications over the past years, among which are the followings:

Award/Recognition	Issuing authority/institution	Year of latest award	Expiry date
2021–2022 Zhuhai Communication Network Application and Testing Optimisation Engineering Technology Research Center* (2021–2022年度珠海市通信網絡應用及檢測優化工程技術研究中心)	Zhuhai Science & Technology Innovation Bureau* (珠海市科技創新局)	2022	—
High and New Technology Enterprise Certificate* (高新技術企業證書)	Department of Science and Technology of Guangdong Province* (廣東省科學技術廳), Department of Finance of Guangdong Province* (廣東省財政廳), Guangdong Provincial Tax Service, State Taxation Administration* (國家稅務總局廣東省稅務局)	2021	19 December 2024
Certificate of Enterprise Credit Grade (Grade AAA)* (企業信用等級證書(AAA級))	China Association of Communications Enterprises (中國通信企業協會)	2022	9 May 2025

Award/Recognition	Issuing authority/institution	Year of latest award	Expiry date
Guangdong Telecommunication Network Application and Testing Optimisation Engineering Technology Research Center 2021* (2021年度廣東省通信網路應用及檢測優化工程技術研究中心)	Department of Science and Technology of Guangdong Province (廣東省科學技術廳)	2021	—
Zhuhai Enterprise Famous Brand Top 100* (珠海企業知名品牌100強)	Zhuhai Enterprise and Entrepreneur Union* (珠海市企業與企業家聯合會), Zhuhai Economic Development and Promotion Association* (珠海市經濟發展促進會)	2021	—
Title of Zhuhai Outstanding Enterprise* (珠海市優秀企業)	Zhuhai Enterprise and Entrepreneur Union* (珠海市企業與企業家聯合會), Zhuhai Economic Development and Promotion Association* (珠海市經濟發展促進會)	2021	—
Title of Zhuhai Advanced Unit of Science and Technology Innovation* (珠海市科技創新先進單位)	Zhuhai Enterprise and Entrepreneur Union* (珠海市企業與企業家聯合會), Zhuhai Economic Development and Promotion Association* (珠海市經濟發展促進會)	2020	—
Title of Zhuhai Outstanding Enterprise* (珠海市優秀企業)	Zhuhai Enterprise and Entrepreneur Union* (珠海市企業與企業家聯合會), Zhuhai Economic Development and Promotion Association* (珠海市經濟發展促進會)	2020	—
Zhuhai Integrity Operation Demonstration Unit* (珠海市誠信經營示範單位)	Zhuhai Enterprise and Entrepreneur Union* (珠海市企業與企業家聯合會), Zhuhai Economic Development and Promotion Association* (珠海市經濟發展促進會)	2020	—

Award/Recognition	Issuing authority/institution	Year of latest award	Expiry date
Top 50 Growing High and New Technology Enterprises in Xiangzhou District 2019* (香洲區2019年高新技術企業成長50強)	Guangdong R&D Center for Technological Economy (廣東省技術經濟研究發展中心), Science and Technology and Industrial Information Bureau of Xiangzhou District, Zhuhai city, Guangdong Province* (珠海市香洲區科技和工業信息化局)	2020	—

Certificate	Issuing authority	Certification	Expiry date
CMMI Maturity Level 3	CMMI Institute	Maturity level 3 Defined (CMMI-DEV), version 2.0 Staged Representation	4 December 2024
Quality Management System Certificate* (質量管理體系認證證書)	Guangdong Zhongqi Certification Service Co., Ltd.* (廣東中企認證服務有限公司)	GB/T 19001-2016/ idt ISO 9001:2015	2 January 2026
Environmental Management System Certificate* (環境管理體系認證證書)	Guangdong Zhongqi Certification Service Co., Ltd.* (廣東中企認證服務有限公司)	GB/T 24001-2016/ idt ISO 14001:2015	2 January 2026
Occupational Health and Safety Management System Certificate* (職業健康安全管理體系認證證書)	Guangdong Zhongqi Certification Service Co., Ltd.* (廣東中企認證服務有限公司)	GB/T 45001-2020 idt ISO 45001:2018	2 January 2026
Information Technology-Service Management Certification of Conformity (信息技術服務管理體系認證證書)	Beijing Zhongan Quality and Environmental Certification Center Co., Ltd.* (北京中安質環認證中心有限公司)	ISO/IEC 20000-1:2018	26 December 2024

INTERNAL CONTROL AND RISK MANAGEMENT MEASURES

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an internal control consultant (the "**Internal Control Consultant**") to conduct a review of our internal control system and have implemented (or will implement no later than the [REDACTED]) the relevant suggestions proposed by our internal control consultant. From April to May 2021, the Internal Control Consultant conducted an internal control review and recommended remedial actions in relation to the weaknesses or deficiencies identified during the review process, and the management of our Group had implemented a series of remedial controls based on the comments of the Internal Control Consultant. The Internal Control Consultant conducted five follow-up reviews from August to September 2021 and January to February 2022 and in September 2022, February 2023 and August 2023, respectively, and confirmed that these rectifications are in place. In particular, the Internal Control Consultant also reviewed the implementation status of the internal control measures taken by our Group to prevent recurrence of the non-compliance incidents as stated under the paragraphs headed "Litigation and non-compliance" in this section. Based on the findings, recommendations and follow-up reviews of the Internal Control Consultant, our Directors evaluated the status of the remedial actions and results of the Internal Control Consultant's follow-up reviews, and consider that the remedial actions have been fully implemented and are sufficient to remediate the relevant deficiencies, the enhanced internal control measures are adequate and effective, and our Group's internal control system is sufficient and effective for our operation. As our business continues to expand, we will review, refine and enhance our internal control system on an ongoing basis to respond to the evolving requirements of our business operations and to ensure due compliance with the applicable laws and regulations.

Further, we have decided to adopt the following measures to ensure on-going compliance with the applicable laws and regulations and to strengthen our internal control upon the [REDACTED]:

(i) our Board will continuously monitor, evaluate and review our internal control system to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance our internal control system as appropriate;

(ii) our Board includes three independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. Our independent non-executive Directors contribute to the enhancement of our corporate value by providing advice and insights based on their extensive experience and specialised knowledge;

(iii) internal control policies and procedures on corporate governance, employees, auditing, etc. will be established, setting out the internal approval and review procedures pursuant to which our employees at relevant departments shall comply with, and the policies and procedures shall be reviewed periodically and approved by the Board;

(iv) the Audit Committee comprising our independent non-executive Directors will provide an independent view of the effectiveness of the financial reporting process, supervise and provide guidance on the internal control and risk management systems of our Group, and oversee the audit process, etc.; and

(v) external professional advisers (including the Compliance Adviser with effect from the [REDACTED]) will be engaged to provide professional advice and guidance to our Group to ensure compliance with the Listing Rules and the applicable laws and regulations.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and that the internal control measures are adequate and effective for our business operations.

In addition, our risk management process starts with identifying the major risks associated with our corporate strategy, business operation, finance and assets and compliance with applicable laws and regulations. We have adopted risk management policies to assess our risks in terms of their likelihood and potential impacts, and then prioritise and pair each risk with a risk response plan. We provide training to our employees and encourage an all-embracing culture of risk management ensuring that all employees are aware of and responsible for managing risks. Each of our operating departments is responsible for identifying and analysing risks associated with its function under the supervision of our risk management committee, audit department and ultimately our Directors. Our risk management measures for some of the more particular risks include the following:

- Liquidity risk management
    - Our Directors believe that we might face liquidity risk from time to time as a result of the mismatch of our operating cash flow arising from significant net cash outflow during the early stages of a project, where our cash outflow for our payables have not yet been recovered by our receivables for a prolonged period of time, until the accumulated progress payments received from our customer can materially cover the aggregate cost we have incurred. For details, please refer to the paragraphs headed "Risk factors — Our inability to manage cash flow mismatch arising from the incurring of material initial project costs for projects/work performed before these are recoverable/recovered may damage our financial position and prospects and give rise to liquidity or insolvency risks" in this document. In order to mitigate our liquidity risk which may intensify along with our anticipated business growth, we have put in place the following internal control measures and procedures to strengthen our liquidity management:

        i. we would closely monitor our liquidity position and ensure sufficient working capital for our business operation, in both the short run and long run, through consistently reviewing our revenue projection on a regular basis and budgeting the initial project costs required for each of our projects in the pipeline from time to time;

ii. in the course of preparing tenders and/or quotations, we would consider the nature and size of business of a customer and the number of trade receivable turnover days with the customer (if ascertainable) as compared with our overall trade payable turnover days, which aims at maintaining our liquidity position while preserving the growth in our business;

iii. we would closely monitor our cash and bank balance through constantly reviewing our internal records and banking account. When we identify any potential shortfall in our cash position, we would strive to negotiate for earlier settlement from our customers and/or request a longer credit period from our suppliers and subcontractors in order to mitigate the cash flow mismatch;

iv. we would perform aging analysis of both trade receivables and payables at the end of each month, which will be regularly submitted to our management members for review and approval;

v. where appropriate, we would take follow-up actions to collect the overdue trade receivables from customers, such as actually communicating with the relevant department of the customer responsible for processing payments; and

vi. if any receivables past due cannot be recovered and if our Group does not possess sufficient working capital to pay our suppliers or subcontractors on a timely basis, our Group will consider to obtain banking facilities.

- Operational risk management
  - We have set up examination and approval procedures for operational issues such as contract signing with our customers, suppliers and subcontractors, employees' attendance management and repair and maintenance of fixed assets.
  - Our whistle blower policy provides a channel for our employees to report and investigate any suspected misconduct, malpractice, irregularity, unlawful or improper incidents.
  - For details of our risk management measures in relation to quality management, please refer to the paragraphs headed "Quality control" in this section.
- Credit risk management
  - Our finance department is responsible for monitoring overdue payments closely and prepares aging reports showing the customers' overdue amounts. We monitor and evaluate overdue payments on a case-by-case basis and consider appropriate follow-up actions such as actively communicating with customers and temporarily suspending the provision of services until payment. We also have an internal assessment system in place to assess the credit rating of our customers.

- Market risk management

  - We are exposed to general market risks related to changes in macroeconomic policy, technical evolution, market demand, competitive landscape and other market changes. Our executive Directors are responsible for identifying and assessing potential market risks and from time to time discussing with other operating departments to formulate policies and measures to mitigate these market risks.

The risk management committee consists of three members, namely Mr. Jia, Ms. Chen and Mr. Yao Min. The chairman of the risk management committee is Mr. Jia. For details of qualifications and experience of Mr. Jia, Ms. Chen and Mr. Yao Min, please refer to the section headed "Directors, senior management and employees" in this document. The risk management committee of our Group is primarily responsible for the establishment and supervision of the risk management system, assessment of significant risks that we may be exposed to, allocation of our human resources for implementation of our risk management policies and arrangement of related trainings and reporting to our Directors any significant risk management matters identified. Our Audit Committee, internal finance personnel and senior management team together will monitor the implementation of our risk management policies on an ongoing basis to ensure that our policies and implementation are effective and sufficient.

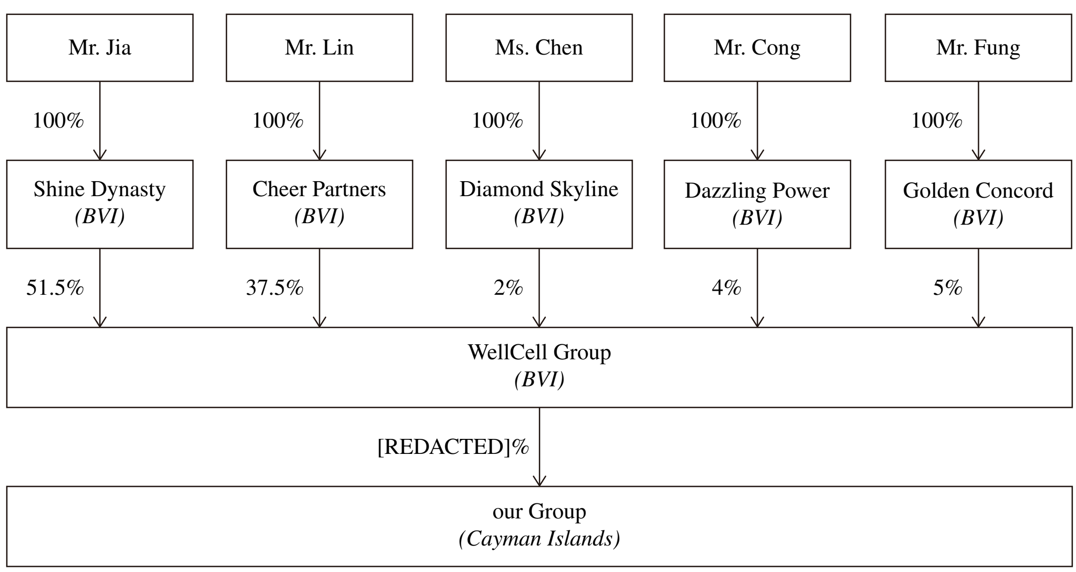
We strive to foster a strong compliance culture among our employees. To achieve and maintain such compliance culture and set the expectations for individual behavior across our Group, we will regularly conduct internal compliance checks and inspections and conduct compliance training to ensure the compliance with our internal control and risk management policies.

CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following completion of the Capitalisation Issue and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), WellCell Group will be interested in approximately [REDACTED]% of the issued share capital of our Company and will accordingly be a Controlling Shareholder within the meaning of the Listing Rules.

Furthermore, WellCell Group is owned as to 51.5%, 37.5%, 5%, 4% and 2% by Shine Dynasty, Cheer Partners, Golden Concord, Dazzling Power and Diamond Skyline, respectively, which are in turn wholly owned by Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, respectively. Since Shine Dynasty, Cheer Partners, Golden Concord, Dazzling Power and Diamond Skyline have decided to restrict their ability to exercise direct control over our Company by holding their interests through WellCell Group, they and their respective ultimate beneficial owners are regarded as a group of Controlling Shareholders of our Company together with WellCell Group under the Listing Rules based on relevant guidance of the Stock Exchange. For details of the background of the Controlling Shareholders, please refer to the section headed "History, reorganisation and corporate structure" in this document.

The following diagram illustrates the ultimate beneficial interest of our Controlling Shareholders immediately following the completion of the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme):



Among our Controlling Shareholders, Mr. Jia and Mr. Cong are our executive Directors, whereas Mr. Lin is our non-executive Director. For further information about them, please refer to the section headed "Directors, senior management and employees" in this document.

Save as disclosed above, there is no other person who will, immediately following the completion of the Capitalisation Issue and the [REDACTED] (assuming that the [REDACTED] is not exercised and without taking into account Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any significant transactions between our Group and our Controlling Shareholders and their respective close associates upon or shortly after the [REDACTED]. Having considered the following factors, our Directors believe that our Group is capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the [REDACTED].

Management independence

The day-to-day management and operation of our Group will be the responsibility of all our executive Directors and senior management of our Company who possess the requisite expertise and experience to lead our operations, implement our business plans as well as achieve our business objectives. The Board consists of seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Jia, Mr. Cong, Mr. Lin and Ms. Chen, being the Controlling Shareholders, also hold directorship or senior management position in our Company, we consider that our Board and senior management team will function independently from our Controlling Shareholders, taking into account the following factors:

(a) each Director is aware of his or her fiduciary duties as a Director which require, among others, that he or she acts for the benefit and in the best interest of our Company and Shareholders as a whole (but not merely in the interest of the Controlling Shareholders) and does not allow any conflict between his or her duties as a Director and his or her personal interests;

(b) Mr. Lin is a non-executive Director of our Company. He does not take part in the day-to-day management and operation of our Group but oversees the performance of our senior management team, especially with regard to the progress made towards achieving our business strategies and objectives from time to time;

(c) the decision-making mechanism of our Board as specified in our Articles of Association has set out relevant provisions to avoid conflicts of interest, including but not limited to (i) disclosure of conflicting interest to the Board; and (ii) that if the relevant proposal causes conflicts of interest between our Group and our Controlling Shareholder(s), the Director(s) associated with our Controlling Shareholders should abstain from voting and should not attend or be included in the quorum of the meeting of the Board;

(d) our three independent non-executive Directors have sufficient and competent knowledge and experience, and will bring independent judgment to the decision-making process of the Board; and

(e) save for Ms. Chen, our senior management members are independent from our Controlling Shareholders and have served our Group for a sufficient length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Based on the above, our Directors are of the view that the Board is capable of managing our Group's business independently of the Controlling Shareholders after the [REDACTED].

Operational and administrative independence

Our Group has established our own organisational structure comprising individual departments, such as the research and development department, business operation department and financial department, each with specific areas of responsibilities. Our Group has not shared our operational resources or general administration resources with the Controlling Shareholders and/or their respective close associates. We have our own and independent access to customers, suppliers and subcontractors who are not related to our Controlling Shareholders or their respective close associates. Our Group has also established a set of internal controls to facilitate the effective operation of our business.

In light of the above, our Directors are of the view that our Group is capable of operating its business independently of the Controlling Shareholders upon and after the [REDACTED].

Financial independence

Our Group has its own financial management and accounting systems and functions and makes financial decisions according to our own business needs. Further, we maintained our own bank accounts, make our own tax filings and makes our own financial decision according to our business need. As such, our Directors consider that our Group has the ability to operate independently of the Controlling Shareholders from a financial perspective.

During the Track Record Period, our Group had certain amounts due to our Controlling Shareholders and related parties for funding the Reorganisation of our Group and payment of [REDACTED] expenses and other corporate expense. Such amounts will be settled before the [REDACTED]. In addition, during the Track Record Period, Mr. Jia, one of our Controlling Shareholders, and his spouse had provided personal guarantees and charged a land-use-right held by them for obtaining bank borrowings used by our Group. As at the Latest Practicable Date, all such personal guarantees and pledge had been released. For details of the above, please refer to notes 23 and 26 to the Accountant's Report set out in Appendix I to this document. It is expected that the financial needs of the Group following [REDACTED] will be satisfied by income generated from our ordinary course of business, the [REDACTED] from the [REDACTED] and, where necessary, from capital raising activities on a stand-alone basis without reliance on our Controlling Shareholders.

Save as disclosed above, our Directors are of the view that our Group is not financially dependent on the Controlling Shareholders or their respective close associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required without reliance on the Controlling Shareholders after the [REDACTED].

Having considered the above factors, our Directors consider that our Group is able to maintain financial independence from the Controlling Shareholders and their respective close associates after the [REDACTED].

NON-COMPETITION UNDERTAKINGS

In order to avoid any future competition between our Group and the Controlling Shareholders, the Controlling Shareholders as covenantors (each of them, a "**Covenantor**" and collectively, the "**Covenantors**") [executed] the Deed of Non-competition in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries).

In accordance with the Deed of Non-competition, the respective undertakings of each Covenantor shall be conditional upon [REDACTED]. Set out below is a summary of the principal undertakings and provisions under the Deed of Non-competition:

1. Non-competition

[Each of the Covenantors shall irrevocably and unconditionally, jointly and severally, warrant and undertake that they will not, and will procure that its/his/her close associates (except any member of our Group) will not, either on its/his/her own account or in conjunction with or on behalf of any person, firm or company, joint venture or other contractual arrangement directly or indirectly, among other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on or contemplated to be carried on by any member of our Group in the PRC or any place where our Group has conducted business as at the date of the Deed of Non-competition or may conduct business from time to time in the future (the "**Restricted Business**").

2. New business opportunity

Neither it/he/she nor any of its/his/her close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

Each of the Covenantors further undertakes to refer to our Company within 10 days any and all new opportunities in connection with the Restricted Business (the "**New Business Opportunity**") which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of Non-competition does not apply where:

(i) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Group by written notice, and that the offer should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute any Restricted Business; and (ii) it is in the interest of our Group and the Shareholders as a whole to pursue such opportunity, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with the Covenantor and/or its/his/her close associate(s), provided that the principal terms under which that Covenantor (or its/his/her close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company. A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute the Restricted Business (the "**Non-acceptance Notice**"); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company, or such longer period of time, not longer than 180 days to be specified by our Company by notice in writing to the Covenantor, where our Company's acceptance of the New Business Opportunity is subject to the approval of the Stock Exchange or the independent Shareholders or governmental or regulatory authorities;

(ii) the Covenantors have interest in the shares or other securities of a company whose shares are listed on a recognised stock exchange (the "**Relevant Company**") provided that:

    (a) any Restricted Business conducted or engaged in by the Relevant Company (and its assets relating thereto) accounts for less than 10% of the Relevant Company's consolidated turnover or consolidated assets, as shown in its latest audited accounts; or

    (b) the total number of the shares held by a Covenantor and/or its/his/her respective close associates in the Relevant Company or in which they are together interested does not exceed 5% of the issued shares of that class of the Relevant Company, provided that (1) the total number of the Covenantor's representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to the Covenantor's shareholding in the Relevant Company; and (2) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) with a larger percentage of the shares in question than the aggregate percentage of shareholding of the Covenantor and its/his/her respective close associates; or

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to take up the New Business Opportunity. Any Directors who have an interest shall abstain from voting. In assessing whether or not to exercise the right to acquire the New Business Opportunity, our Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, our Group's business and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of our Shareholders and our Group as a whole.

3. Further undertakings

Pursuant to the Deed of Non-competition, each Covenantor [has further undertaken], among other things, that it/he/she:

(i) shall not make use of any confidential or proprietary information of our Group to any person or use any of such information without our written consent;

(ii) shall, upon request of our independent non-executive Directors, provide our independent non-executive Directors with all information necessary for their review of the compliance with and implementation of the Deed of Non-competition by our Controlling Shareholders and their respective close associates;

(iii) shall keep us informed of and provide all information required by our Board to assist our Directors in their consideration of any New Business Opportunities;

(iv) agrees that our Company will disclose the decisions made by our independent non-executive Directors on the compliance with and implementation of the Deed of Non-competition in our annual reports or announcements;

(v) shall provide a confirmation annually on compliance with the terms of the Deed of Non-competition to our Company to facilitate our making of relevant disclosure in our annual reports; and

(vi) shall indemnify our Group against any loss resulting from any breach of the non-competition undertakings by it/him/her or its/his/her respective close associates.

4. Termination

The Deed of Non-competition shall continue to be effective until the earlier of the occurrence of the following events:

(i) the date on which each Covenantor and its/his/her subsidiaries, in aggregate, directly or indirectly hold less than 30% of the entire issued share capital of our Company;

(ii) the date on which the Covenantors beneficially own or become interested in the entire issued share capital of our Company; or

(iii) the date on which the Shares cease to be [REDACTED] on the Stock Exchange.

5. Corporate Governance Measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

(i) as required by our Company, provide all information which is necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance with the terms of the Deed of Non-competition and the enforcement thereof;

(ii) procure our Company to disclose to the public either in the annual report of our Company or by issuing a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance with the terms of the Deed of Non-competition and the enforcement thereof;

(iii) where our independent non-executive Directors shall deem fit, make a confirmation in relation to the compliance with the terms of the Deed of Non-competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement thereof is in accordance with the requirements of the Listing Rules; and

(iv) during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warranty or undertaking made under the Deed of Non-competition.]

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the [REDACTED] granting the [REDACTED] of, and the permission to [REDACTED], the Shares, as described in this document, and (b) the [REDACTED] and [REDACTED] in the Shares on the Stock Exchange taking place.

As the Covenantors [have given] the non-competition undertakings in favour of our Company, and none of them has interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors upon and following the [REDACTED].

RULE 8.10 OF THE LISTING RULES

To the best of their knowledge, information and belief having made all reasonable enquiries, our Controlling Shareholders, our Directors and their respective close associates do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets out certain information concerning our Directors:

Name	Age	Position	Date of appointment	Date of joining our Group	Role and responsibilities	Relationships amongst Directors and senior management
Executive Directors						
Mr. Jia Zhengyi (賈正屹)	50	Executive Director, chairman of our Board and chief executive officer	14 September 2021	March 2003	Responsible for overall business strategic direction, planning and execution of our Group	None
Ms. Liu Ping (劉萍)	48	Executive Director	14 September 2021	March 2003	Responsible for overseeing the business in the western region of the PRC	None
Mr. Cong Bin (叢斌)	43	Executive Director	14 September 2021	March 2008	Responsible for overseeing the business in the northern region of the PRC	None
Non-executive Director						
Mr. Lin Qihao (林啟豪)	42	Non-executive Director	14 September 2021	September 2018	Responsible for providing strategic advice to our Group and developing business strategy	None
Independent non-executive Directors						
Mr. Wu Wing Kuen, *B. B. S.* (胡永權)	66	Independent non-executive Director	[●]	[●]	[Providing independent advice to the Board, advising on corporate governance matters and serving as a [member] of each of the Audit Committee, Remuneration Committee and Nomination Committee]	None
Dr. Leung Kwong Sak (梁廣錫)	68	Independent non-executive Director	[●]	[●]	[Providing independent advice to the Board, advising on business and strategic matters and serving as a [member] of each of the Audit Committee, Remuneration Committee and Nomination Committee]	None
Mr. Yu Chi Wing (于志榮)	40	Independent non-executive Director	[●]	[●]	[Providing independent advice to the Board, advising on corporate accounting and financial matters and serving as the [chairman] of each of the Audit Committee, Remuneration Committee and Nomination Committee]	None

The following table sets out certain information concerning our senior management:

Name	Age	Position	Date of joining our Group	Role and responsibilities	Relationships amongst Directors and senior management
Ms. Chen Shenmao (陳申茂)	41	Vice general manager and financial controller of WellCell Technology	March 2016	Responsible for supervising finance, administration and human resources functions of WellCell Technology and WellCell Intelligent	N/A
Mr. Yao Min (姚敏)	37	Vice general manager of WellCell Technology	April 2008	Responsible for overseeing the business of central region of the PRC	N/A
Mr. Xu Shengjian (徐聖堅)	40	Supervisor and regional manager of WellCell Technology	March 2008	Responsible for overseeing the business of Hunan Province of the PRC	N/A

DIRECTORS

Our Board of Directors consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Board of Directors is responsible for and has general powers for the management and conduct of our business. The functions and duties of our Board include, but are not limited to, convening Shareholders' meetings, reporting the Board's work at Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, setting strategic directions of our Group, determining our business and investment plans as well as exercising powers, functions and duties as conferred by the Articles of Association of our Company.

We [have entered into] a service contract with each of our executive Directors and a letter of appointment with each of our independent non-executive Directors. Pursuant to our Articles of Association, our Directors shall be subject to retirement by rotation at least once every three years, who shall then be eligible for re-election. Each of the service contracts with our executive Directors is for an initial term of [three] years commencing from the [REDACTED], renewable upon re-election and re-appointment and subject to the applicable provisions of the Listing Rules and/or other applicable laws and regulations.

The biographies of our Directors are set out below:

Executive Directors

Mr. Jia Zhengyi (賈正屹), aged 50, was appointed as our executive Director on 14 September 2021 and as our chairman of the Board and chief executive officer on 31 May 2022. Mr. Jia is the co-founder of our Group and is primarily responsible for overall business strategic direction, planning and execution of our Group. As at the Latest Practicable Date, Mr. Jia was the chairman of the board of directors and general manager of WellCell Technology and a director of all subsidiaries of our Group.

Mr. Jia has more than 20 years of experience in the information technology and telecommunication industry. Before establishing our Group, Mr. Jia had worked in various positions in the information technology sector. From April 1998 to April 1999, he worked as an electrical technician at China Construction Seventh Engineering Bureau Installation Engineering Co., Ltd (Fuzhou Branch) (中國建築第七工程局安裝工程有限公司福州分公司). From June 2000 to April 2002, he served as a sales engineer at Zhuhai Wanhe Technology Limited* (珠海萬禾技術有限公司) ("**Zhuhai Wanhe**"). In March 2003, Mr. Jia co-founded WellCell Technology, an indirect wholly-owned subsidiary of our Group, and successively served as chairman and general manager since May 2009.

Mr. Jia obtained a bachelor's degree in applied physics from Northeastern University（東北大學）in the PRC in July 1997. He was awarded a certification of certified project manager (IPMA Level C) issued by the China Certification Management Board of the Project Management Research Committee ("**CPMRC**") from June 2016 to June 2021. He also hold electronic technology engineer (intermediate) competency certificate* (電子技術工程師(中級)職稱證書) issued by Zhuhai Human Resources and Social Security Bureau* (珠海市人力資源和社會保障局) in December 2018.

Mr. Jia was a director of the following PRC companies prior to their respective dissolution:

Name of company	Nature of business	Date of dissolution	Means of dissolution
Guizhou WellCell Communication Technology Co., Ltd.* (貴州經緯天地通訊技術有限公司) ("**Guizhou WellCell**")	Provision of telecommunication network support services	12 February 2018	Deregistration
Zhuhai Yuanpeng Communication Technology Co., Ltd.* (珠海市遠鵬通訊技術有限公司)	Development and maintenance of software; development and application of geographic information systems, wholesale of electronic products and telecommunication equipment (excluding mobile communication terminal equipment)	5 January 2023	Deregistration *(Note 1)*

Note 1: The business license of Zhuhai Yuanpeng Communication Technology Co., Ltd.* (珠海市遠鵬通訊技術有限公司) had been automatically revoked in November 2004 prior to its deregistration, since it did not conduct the required annual review procedures within the time limit. As confirmed by our PRC Legal Advisers, the revocation of the business license of such company did not and will not affect Mr. Jia's qualification to act as a director, supervisor or senior management of a PRC company. Mr. Jia confirmed that (i) the Company had no business operation immediately prior to its revocation of business license; (ii) he was not responsible for company secretarial matters such as the conduct of annual review procedures of the company, which was assigned to certain specified staff of the company; and (iii) there was no wrongdoing, dishonest or fraudulent act on his part in respect of the said revocation. Mr. Jia further confirmed that up to the Latest Practicable Date, he had not received, in relation to the revocation, any (i) claims or legal proceedings made or commenced against him by any creditors of the above mentioned company or any third parties; (ii) notice or sanction by any relevant government authorities against him imposing any penalty or order for rectification or alleging that he is personally liable for the revocation; or (iii) notice of disqualification by relevant authorities requiring him to cease to act as director of any PRC companies.

Mr. Jia confirmed that there was no wrongful act on his part leading to the revocation or deregistration of the companies above, which were solvent prior to their respective deregistration, and he is not aware of any actual or potential claim that has been or will be made against him as a result of the revocation or deregistration of these companies.

For more details about Guizhou WellCell (a former subsidiary of WellCell Technology prior to its deregistration), please refer to the paragraphs headed "History, Reorganisation and Corporate Structure — Establishment and development of our Company and our major subsidiaries — Guizhou WellCell (deregistered)" in this document.

Ms. Liu Ping (劉萍), aged 48, was appointed as our executive Director on 14 September 2021. Ms. Liu is the co-founder of our Group and is responsible for overseeing the business of western region of the PRC. As at the Latest Practicable Date, Ms. Liu was a director, vice general manager and secretary of the board of directors of WellCell Technology and the general manager responsible for the business in the western region of the PRC.

Ms. Liu has more than 20 years of experience in the information technology and telecommunication industry. In April 1998, she worked at Zhuhai Wanhe and left in February 2003 with her last position as a marketing manager. In March 2003, Ms. Liu co-founded WellCell Technology, an indirect wholly-owned subsidiary of our Group, and successively served as a secretary of the board, vice general manager and director of WellCell Technology since April 2016.

Ms. Liu obtained a bachelor's degree in international trade from Sichuan University (四川大學) (formerly known as Sichuan United University* (四川聯合大學) in the PRC in July 1996. She was awarded a certification of certified project manager (IPMA Level C) by the CPMRC from June 2016 to June 2021.

Mr. Cong Bin (叢斌), aged 43, was appointed as our executive Director on 14 September 2021. Mr. Cong is primarily responsible for overseeing the business in the northern region of the PRC. As at the Latest Practicable Date, Mr. Cong was a director, the vice general manager and the general manager responsible for the business in the northern China region of WellCell Technology, and the general manager of WellCell Intelligent.

Mr. Cong has more than 19 years of experience in the information technology and telecommunication industry. From November 2003 to March 2008, he worked at Zhuhai Hart Technology Co., Ltd* (珠海哈特科技有限公司), as a sales manager, where he was primarily responsible for conducting market research, implementing sales plans, tracking project progresses and providing solutions for the company's image and video products. In March 2008, he joined our Group as regional manager of the eastern region of the PRC, and has been the general manager responsible for business in the northern region of the PRC since April 2011. Mr. Cong has been a director and vice general manager of WellCell Technology since April 2016 and November 2018, respectively.

Mr. Cong obtained a diploma in communication engineering from Jilin University (吉林大學) in the PRC in December 2002. He was later awarded a certification of certified project manager (IPMA Level C) by the CPMRC in June 2017. He was awarded a qualification of telecommunication professional in terminal and business profession at the intermediate level (通信專業技術人員職業資格(終端與業務)(中級)) by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and Ministry of Industry and Information Technology of the PRC* (中華人民共和國工業和信息化部) in October 2018, and an electronic engineer (intermediate) competency certificate* (電子技術工程師(中級)職稱証書) by Zhuhai Human Resources and Social Security Bureau* (珠海市人力資源和社會保障局) in December 2018. In May 2019, Mr. Cong obtained a qualification of associate constructor (level 2) * (二級建造師執業資格) by the Department of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) and Department of Housing and Urban-Rural

Development of Guangdong Province (廣東省住房和城鄉建設廳). In October 2019, Mr. Cong was selected as an Industrial Young Talent in "Cultivation Program for Industrial Young Talent in Zhuhai City" by Zhuhai Human Resource Leading Group Office (珠海市人才工作領導小組辦公室). In September 2020, Mr. Cong obtained a qualification of constructor (level 1)* (一級建造師執業資格) by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部).

Non-executive Director

Mr. Lin Qihao (林啟豪), aged 42, was appointed as our non-executive Director on 14 September 2021. Mr. Lin is responsible for providing strategic advice to our Group, and developing and implementing our business strategies. As at the Latest Practicable Date, Mr. Lin was a director of all subsidiaries of our Group.

Mr. Lin has more than 23 years of experience in the electronic technology industry. He was a director of Zhuhai Special Economic Zone Lijia Electronic Development Co., Limited* (珠海經濟特區利佳電子發展有限公司) from 1999 to August 2016, and has been a supervisor since August 2016, responsible for supervision of company operations. In June 2005, Mr. Lin began working at Zhuhai Qishuo Electronic Development Co., Limited* (珠海啟爍電子科技有限公司) where he was a director and manager, primarily responsible for overall management. In September 2018, Mr. Lin joined our Group as a director of WellCell Technology.

Mr. Lin was a director of the following company which was incorporated in Hong Kong prior to its respective dissolution:

Name of company	Nature of business	Date of dissolution	Mean of dissolution
Zhuhai Shi Chuang Import and Export Company Limited (珠海世創進出口有限公司)	Trading	13 July 2018	Deregistration under section 751 of the Companies Ordinance[Note 1]

Note 1: Under section 751 of the Companies Ordinance, deregistration refers to the process whereby a private company or a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Registrar of Companies in Hong Kong of Hong Kong for deregistration. Such application can only be made if (a) all members of the company agree to the deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

Independent Non-executive Directors

Mr. Wu Wing Kuen, ***B.B.S.*** **(胡永權)**, aged 66, was appointed as our independent non-executive Director on [●]. He is a [member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee]. He is primarily responsible for [providing independent advice to the Board and advising on corporate governance matters].

Mr. Wu has more than six years of experience in corporate management and governance of listed companies. He is currently the director of Jet View Investment Limited, which he joined in December 1991, and Jade Mind Investment Limited, which he joined since October 2004. Mr. Wu is also an independent non-executive director of (i) Nanfang Communication Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1617) since November 2016; (ii) HG Semiconductor Limited (formerly known as HongGuang Lighting Holdings Company Limited), a company listed on the Main Board of the Stock Exchange (stock code: 6908) since December 2016; and (iii) EFT Solutions Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8062) since March 2019. Mr. Wu was an independent non-executive director of (i) Million Cities Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2892), from June 2018 to December 2021; and (ii) Palinda Group Holdings Limited (formerly known as Food Idea Holdings Limited), a company listed on the GEM of the Stock Exchange (stock code: 8179) from January 2019 to December 2022.

Mr. Wu was a director of the following Hong Kong companies prior to their respective dissolution:

Name of company	Nature of business	Date of dissolution	Means of dissolution
Frankie Development Limited (富僑發展有限公司)	Property investment	29 May 2020	Deregistration under section 751 of the Companies Ordinance *(Note 1)*
Honest Supreme Limited (洪寶有限公司)	Trading	10 July 2009	Deregistration under section 291AA of the Predecessor Companies Ordinance *(Note 2)*
Janie Michele (H.K.) Knitters Limited	Manufacturing of garment	19 May 2006	Deregistration under section 291AA of the Predecessor Companies Ordinance *(Note 2)*
Jenzon Investment Limited (真誠投資有限公司)	No active business activities	5 January 2007	Deregistration under section 291AA of the Predecessor Companies Ordinance *(Note 2)*

Name of company	Nature of business	Date of dissolution	Means of dissolution
Join Profit Industrial Limited (三豐實業有限公司)	No active business activities	17 November 2006	Deregistration under section 291AA of the Predecessor Companies Ordinance(Note 2)
Joint Victory Holdings Limited	No active business activities	28 December 2012	Deregistration under section 291AA of the Predecessor Companies Ordinance(Note 2)
Joy Luck International Limited (喜運國際有限公司)	No active business activities	9 November 2007	Deregistration under section 291AA of the Predecessor Companies Ordinance(Note 2)
Joy Point Development Limited (向欣發展有限公司)	No active business activities	4 January 2019	Deregistration under section 751 of the Companies Ordinance(Note 1)
Joy Profit (Hong Kong) Limited (利欣(香港)有限公司)	No active business activities	1 February 2019	Deregistration under section 751 of the Companies Ordinance(Note 1)
Joy Treasure Development Limited (怡寶發展有限公司)	No active business activities	1 March 2019	Deregistration under section 751 of the Companies Ordinance(Note 1)
King Brain Investment Limited (帝聰投資有限公司)	No active business activities	20 July 2001	Deregistration under section 291AA of the Predecessor Companies Ordinance(Note 2)
Land Treasure Limited (田珍有限公司)	No active business activities	8 June 2001	Deregistration under section 291AA of the Predecessor Companies Ordinance(Note 2)

Notes:

1. Under section 751 of the Companies Ordinance, deregistration refers to the process whereby a private company or a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Registrar of Companies in Hong Kong for deregistration. Such application can only be made if (a) all members of the company agree to the deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the 3 months immediately before the application; (c) the company has no outstanding liabilities; (d) the company is not a party to any legal proceedings; (e) the company's assets do not consist of any immovable property situate in Hong Kong; and (f) if the company is a holding company, none of its subsidiary's assets consist of any immovable property situate in Hong Kong.

2. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made by the company, a director of the company or a member of the company if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Wu confirmed that there was no wrongful act on his part leading to the dissolution of the companies above, which were solvent immediately prior to dissolution, and 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 these companies.

Mr. Wu was awarded a Bronze Bauhinia Star by the HKSAR Government in July 2012. Mr. Wu is currently a voting member of the Hong Kong Jockey Club and the president of the Sha Tin District Community Fund. He was a member of the Appeal Tribunal Panel of the Appeal Tribunal (Buildings) constituted under section 48 of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong).

Dr. Leung Kwong Sak (梁廣錫), aged 68, was appointed as our independent non-executive Director on [●]. He is a [member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee]. He is primarily responsible for [providing independent advice to the Board and advising on business and strategic matters].

Dr. Leung has more than 30 years of experience in computer science and engineering. Dr. Leung joined the Chinese University of Hong Kong ("**CUHK**") as a full-time lecturer of the department of computer science and engineering in August 1985, and served as a senior lecturer from August 1990 to December 1995. Dr. Leung was the chairman of the department of computer science and engineering of CUHK from August 1999 to July 2005. Between January 1996 and July 2002, Dr. Leung served as a reader (carrying the academic title of "Professor I") of the department of computer science and engineering, and from August 2002, he was a professor of computer science and engineering until July 2018. Dr. Leung retired from CUHK in August 2018, and was subsequently appointed by CUHK as a research professor serving his tenure until July 2021. From January 2014 to July 2021, he was appointed by CUHK as an associate director of the Institute of Future Cities concurrently. Dr. Leung was awarded the title of emeritus professor by CUHK with effect from August 2018. Dr. Leung has been a distinguished professor of Department of Applied Data Science of Hong Kong Shue Yun University since November 2022.

Dr. Leung obtained a bachelor of science (engineering) degree in electrical and electronics engineering and a degree of doctor of philosophy from the University of London in the United Kingdom in August 1977 and December 1980, respectively. He was one of the chairpersons of the Association for Computing Machinery — Hong Kong Chapter and a council member of the Hong Kong Computer Society from 1993 to 1996. He was one of the distinguished fellows of Hong Kong Computer Society in 2000. He is also a fellow of The Hong Kong Institution of Engineers, a member of both The Institution of Engineering and Technology and Association for Computing Machinery, and a life senior member of The Institute of Electrical and Electronics Engineers, Inc.. Dr. Leung was registered as a chartered engineer by The Engineering Council (UK) in July 1986, and was admitted as a member of and has been a Chartered Electrical Engineer of The Institute of Electrical Engineers (currently known as The Institution of Engineering and Technology (UK)) since January 1986.

Dr. Leung was a director of the following entity which was incorporated in Hong Kong before its dissolution:

Name of entity	Nature of business	Date of dissolution	Means of dissolution
Well Giant Investment Limited 鉅佳投資有限公司	No active business activities	29 August 2014	Struck off

Dr. Leung confirmed that there was no wrongful act on his part leading to the dissolution of the entity above, which was solvent immediately prior to dissolution, and 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.

Mr. Yu Chi Wing (于志榮), aged 40, was appointed as our independent non-executive Director on [●]. He is the [chairman of each of the Audit Committee, the Remuneration Committee and the Nomination Committee]. He is primarily responsible for [providing independent advice to the Board and advising on corporate accounting and financial matters].

Mr. Yu has more than 15 years of experience in advisory, accounting, taxation and auditing. From June 2005 to June 2014, Mr. Yu worked at RSM Hong Kong, with his last position as manager. From June 2014 to May 2015, he worked as the financial controller at Niche-Tech (Hong Kong) Limited. Since June 2015, he has worked as the financial controller of Tactful Building Company Limited. Mr. Yu commenced his business of audit and assurance services under his name in March 2015 and founded JR & Co., Certified Public Accountants in September 2016, and later co-founded Emerald Capital CPA & Co. in May 2021. He has also been an independent non-executive director of Fameglow Holdings Limited (stock code: 8603) since September 2018, Wah Wo Holdings Group Limited (stock code: 9938) since January 2020 and GC Construction Holdings Limited (stock code: 1489) since October 2022.

Mr. Yu obtained a bachelor of arts degree with a major in accountancy from The Hong Kong Polytechnic University in December 2005. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in January 2012 and is currently a practising member.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this section and the section headed "Relationship with our Controlling Shareholders", each of our Directors confirms with respect to himself or herself that: (i) he or she is independent of and had no other relationships with any Directors, members of our senior management, Substantial Shareholders or Controlling Shareholders as at the Latest Practicable Date; (ii) apart from our Company, in the last three years leading up to and as at the Latest Practicable

Date, he or she was not holding, nor had he held directorships in any other public company the securities of which are listed on any securities market in Hong Kong and/or overseas; (iii) he or she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (iv) he or she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the section headed "Substantial Shareholders" of this document; (v) he or she does not have any interests in any business which competes or is likely to compete, directly or indirectly, with our Group's business, which is disclosable under the Listing Rules and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matters with respect to their appointments that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management members are responsible for the day-to-day management and operation of our business and report to our Directors. The biographies of our senior management team are set out below:

Ms. Chen Shenmao (陳申茂), aged 40, is the vice general manager and financial controller of our Group and primarily responsible for supervising finance, administration and human resources functions of WellCell Technology and WellCell Intelligent.

Ms. Chen has over 16 years of experience in the accounting and financing field. She started her career in AAFUD Industry (Zhuahai) Co., Ltd* (珠海雅富興源食品工業有限公司) (formerly known as Zhuhai Special Economic Zone Kanglong Xingyuan Food Industry Co., Limited* (珠海經濟特區康龍興源食品工業有限公司)) in July 2005 and left as an accounting supervisor of the finance department in February 2009. From February 2009 to July 2012, she worked as a finance manager in Zhuhai Heyi Decoration Engineering Co., Limited* (珠海市合藝裝飾工程有限公司) where she was primarily responsible for accounting and tax filing. She then served as a finance manager in Zhuhai Jindian Cinema Co., Limited* (珠海今典影院有限公司) from December 2012 to May 2015, where she was responsible for the overall accounting and tax operation management. In March 2016, she joined our Group as a finance manager of WellCell Technology and has been the vice general manager and a director of WellCell Technology since November 2018.

Ms. Chen Shenmao obtained a diploma in computerised accounting from Hunan Economic Management Cadre Institute*（湖南經濟管理幹部學院）in the PRC in June 2003 and a bachelor's degree in accounting from Hunan University (湖南大學) in the PRC in June 2008. Ms. Chen was recognised as an intermediate accountant (中級會計師) and a senior accountant (高級會計師) by Guangdong Human Resources and Social Security Bureau* (廣東人力資源與社會保障廳) in May 2010 and May 2020, respectively. She was awarded a Certificate of Zhuhai Industrial Young Talent (珠海市產業青年優秀人才證書) by Zhuhai Human Resource Leading Group Office (珠海市人才工作領導小組辦公室) in December 2020. She was elected as a representative of 10th People's

Congress of Xiangzhou District, Zhuhai, Guangdong Province ("**Xiangzhou People's Congress**") in October 2021 and was appointed as a member of Meihua Sub-district Work Committee of Xiangzhou People's Congress in April 2022.

Mr. Yao Min (姚敏), aged 37, is the vice general manager of our WellCell Technology and primarily responsible for overseeing the business of central region of the PRC.

Mr. Yao has over 13 years of experience in the network computing and telecommunications industry. He joined our Group in April 2008 as a telecommunication network optimisation engineer and successively worked as a project manager for business of central region from April 2010 to April 2012, a regional manager for business of central region from May 2012 to November 2018, an employee supervisor of WellCell Technology from April 2016 to September 2018, and a vice general manager of WellCell Technology and general manager responsible for business of central region of the PRC since November 2018.

Mr. Yao Min obtained a diploma in software technology from Guangdong Vocational College of Science and Technology* (廣東科學技術職業學院) in the PRC in June 2008. He was awarded a Certificate of Zhuhai Industrial Young Talent (珠海市產業青年優秀人才證書) by Zhuhai Human Resource Leading Group Office (珠海市人才工作領導小組辦公室) in December 2020.

Mr. Xu Shengjian (徐聖堅), aged 40, is the supervisor and regional manager of WellCell Technology and primarily responsible for business of Hunan Province of the PRC.

Mr. Xu has over 13 years of experience in the network computing and telecommunication industry. He joined our Group in March 2008 as a manager of Beijing office of WellCell Technology and worked as a manager of the engineering department of WellCell Technology from January 2011 to December 2014. Mr. Xu was the chairman of the supervisory board of WellCell Technology from April 2016 to September 2018, and has been a regional manager and supervisor of WellCell Technology since March 2015 and September 2018, respectively.

Mr. Xu Shengjian obtained a bachelor's degree in compute science and technology from Beijing Normal University (Zhuhai Campus) (北京師範大學(珠海校區)) in the PRC in July 2006.

Saved as disclosed above, as at the Latest Practicable Date, none of our senior management had any directorships in any listed company over the past three years and none of our senior management had any relationship with any Director, senior management, Substantial Shareholders or Controlling Shareholders.

COMPANY SECRETARY

Mr. Yiu Chun Wing (姚俊榮) (formerly known as Yiu Ka Wai (姚家煒)), aged 41, is our company secretary, primarily responsible for financial reporting, financial planning, financial control and the overall secretarial matters of our Group. He joined our group in July 2021.

Mr. Yiu has over 15 years of experience in auditing, accounting and financial management. Prior to joining our Group, he had been a semi-senior auditor at Lau Leigh Choi Consultants Limited from August 2004 to October 2005, an accountant at HLB Hodgson Impey Cheng from November 2005 to December 2007 where his last position was a senior accountant, and a deputy assistant audit manager of ZYCPA Company Limited from August 2008 to December 2010. He later worked successively as an audit supervising senior and an audit supervisor at Moore Stephens Associates Limited from December 2010 to November 2012. In February 2014, he was a senior officer of accounts and finance department of Promise (Hong Kong) Co., Limited until April 2015, when he then immediately took up the role of financial controller and company secretary of Zhejiang United Investment Holdings Group Limited (formerly known as Fraser Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 8366) until June 2017. He then joined Ming Kee Cargo Company Limited from July 2017 to November 2017 and Unite Intelligence Control Limited from February 2018 to July 2018, both as the financial controller. He was an independent non-executive Director of B&D Strategic Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1780) from April 2019 to January 2020. From November 2018 to June 2021, he was the financial controller and company secretary of Tin Shing Group Holdings Limited. He has been an independent non-executive director of China Wah Yan Healthcare Limited, a company listed on the Main Board of the Stock Exchange (stock code: 648) since December 2022.

Mr. Yiu obtained a bachelor of business administration degree in accounting from the Hong Kong University of Science and Technology in November 2004. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in May 2010.

COMPLIANCE ADVISER

We have appointed Halcyon Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. We will consult with and seek advice from the compliance adviser in the following circumstances:

(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 if the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Group under the Listing Rules regarding unusual movements in the price or [REDACTED] of the Shares.

The term of appointment of the compliance adviser shall commence on the [REDACTED] and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [REDACTED] and such appointment may be subject to extension by mutual agreement.

BOARD COMMITTEES

Audit Committee

Our Company established the Audit Committee on [●] with written terms of reference in compliance with paragraphs D.3.3 and D.3.7 of Part 2 of the Corporate Governance Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of our Group. The Audit Committee comprises three members, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing. Mr. Yu Chi Wing is the chairman of the Audit Committee.

Remuneration Committee

Our Company established the Remuneration Committee on [●] with written terms of reference in compliance with paragraph E.1.2 of Part 2 of the Corporate Governance Code. The Remuneration Committee comprises three members, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing. Mr. Yu Chi Wing is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to our Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management, and on our Group's policy and structure for all remuneration of our Directors and senior management.

Nomination Committee

Our Company established the Nomination Committee on [●] with written terms of reference in compliance with paragraph B.3.1 Part 2 of the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing. Mr. Yu Chi Wing, is the chairman of the Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to our Board on the appointment of Directors and succession planning for our Directors.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our company's corporate governance practices are based on principles and code provision as set out in the Corporate Governance Code. Except for the deviation from Corporate Governance Code (Part 2) provision C.2.1, our Company's corporate governance practices have complied with the Corporate Governance Code.

Corporate Governance Code (Part 2) provision C.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Jia is the chairman of the Board and the chief executive officer of our Company. Considering that Mr. Jia is one of the founders of our Group and has been operating and managing our Group since its establishment in 2003, our Board believes that it is in the best interests of our Group to have Mr. Jia holding both roles for effective management and business development. Therefore, our Directors consider that the deviation from the Corporate Governance Code (Part 2) provision C.2.1 is appropriate in such circumstance.

Furthermore, we are committed to achieving high standards of corporate governance with a view to safeguarding the interests of our Shareholders as a whole. Our Directors are aware that upon [REDACTED], we are expected to comply with such code provisions. Any such deviation shall however be carefully considered, and the reasons for such deviation shall be given in our interim report and annual report in respect of the relevant period. Save as disclosed above, we will comply with the code provisions set out in the Corporate Governance Code after [REDACTED]. The Board will also regularly review the contribution required from a director to perform his responsibilities to the Company and ensure each Director can devote sufficient time and attention to the Company's affairs.

BOARD DIVERSITY POLICY

We have adopted the Board Diversity Policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Pursuant to the 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, industry experience, ethnicity and length of service. 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 three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including information technology and telecommunication, electronic technology, computer science and engineering, corporate management and governance, advisory, accounting, taxation and auditing. Furthermore, the ages of our Directors range from 39 years old to 68 years old. We will take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and senior management levels. While we recognise that gender diversity at the Board level can be improved given its current composition of a majority of male Directors, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole.

Upon [REDACTED], one out of seven of our Directors is female. Under the objectives of the Board Diversity Policy, we will give preference to female candidates in the succession planning of Directors. As female representation in senior roles throughout the industry and the pool of qualified females keeps growing, we expect to have more female members who would be qualified to sit on our Board in the future.

We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to enhance the effectiveness of our corporate governance.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the [REDACTED], our Nomination Committee will review the Board Diversity Policy 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.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amounts of compensation (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plans) which were paid to the Directors for each of FY2020, FY2021, FY2022 and 6M2023 were approximately RMB0.7 million, RMB0.7 million, RMB0.8 million and RMB0.3 million, respectively.

Further details of the remuneration of the Directors are set out in the section headed "Statutory and General Information — Further information about directors, management and staff — Directors' remuneration" in Appendix IV to this document.

The five individuals whose emoluments were the highest in the Group include 2, 2, 2 and nil directors for the years ended 31 December 2020, 2021 and 2022 and six months ended 30 June 2023. The aggregate remuneration including salaries, allowances and benefits in kind and contributions to defined contribution plans paid to our Group's five highest paid individuals (excluding our Directors) for FY2020, FY2021, FY2022 and 6M2023 were as follows:

	FY2020	FY2021	FY2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000
Wages and salaries	752	1,010	1,590	1,124
Pension costs — defined contribution plans	31	57	75	95
	783	1,067	1,665	1,219

During the Track Record Period, no emolument was paid by our Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived any emoluments during the Track Record Period.

Except as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of the Directors. For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 9 and 28 in the Accountants' Report set out in Appendix I to this document.

An aggregate sum of approximately RMB[0.7] million is expected to be paid to our Directors (including non-executive Directors) as annual Directors' fees and other emoluments by our Group for the year ending 31 December 2023 under the arrangements in force at the date of this document excluding discretionary bonus.

REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experience, and duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time, such as pensions.

Prior to the [REDACTED], the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence demonstrated and market comparable remuneration. A remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the [REDACTED], the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

STAFF RELATIONS

Our Group recognises the importance of a good relationship with our employees. The remuneration payable to our employees includes basic salaries, allowances, commission, pension and bonus. The ability to recruit and retain experienced and skilled labour is crucial to the growth and development of our Group. In addition to providing our staff with the opportunities to receive regular on-the-job trainings, our Group strives to create a harmonious and caring working environment for our staff.

Our Group has not experienced any significant problems with our employees save as those arising from the ordinary course of business or disruption to the operations due to labour disputes, nor has our Group experienced any difficulties in the recruitment and retention of staff.

Please refer to the section headed "Business — Employees" in this document for further details relating to the number of staff, staff benefits and training policy of our Group.

DIRECTORS' COMPETING INTERESTS

None of our Directors nor their respective close associates is interested in any business which competes or is likely to compete with that of our Group.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account the exercise of the [REDACTED] or any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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 our Company:

Name	Capacity/Nature of Interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding
WellCell Group	Beneficial owner	[REDACTED] (L)	[REDACTED]%
Shine Dynasty *(Note 2)*	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]%
Mr. Jia *(Note 2)*	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]%
Cheer Partners *(Note 3)*	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]%
Mr. Lin *(Note 3)*	Interest in a controlled corporation	[REDACTED] (L)	[REDACTED]%
Ms. Zheng Li *(Note 4)*	Interest of spouse	[REDACTED] (L)	[REDACTED]%
Ms. Zhong Shumin *(Note 5)*	Interest of spouse	[REDACTED] (L)	[REDACTED]%

Notes:

(1) "L" denotes the long position in the Shares.

(2) WellCell Group is owned as to 51.5% by Shine Dynasty, which is in turn wholly owned by Mr. Jia. As such, each of Shine Dynasty and Mr. Jia is deemed to be interested in all the Shares held by WellCell Group pursuant to Part XV of the SFO.

(3) WellCell Group is owned as to 37.5% by Cheer Partners, which is in turn wholly owned by Mr. Lin. As such, each of Cheer Partners and Mr. Lin is deemed to be interested in all the Shares held by WellCell Group pursuant to Part XV of the SFO.

(4) Ms. Zheng Li is the spouse of Mr. Jia. Accordingly, Ms. Zheng Li is deemed to be interested in all the Shares held by Mr. Jia under Part XV of the SFO.

(5) Ms. Zhong Shumin is the spouse of Mr. Lin. Accordingly, Ms. Zhong Shumin is deemed to be interested in all the Shares held by Mr. Lin under Part XV of the SFO.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account the exercise of the [REDACTED] or any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The following is a description of the share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the Capitalisation Issue and the [REDACTED], without taking into account any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Share which may be issued or repurchased by our Company under the general mandate for the issue or repurchase of Shares granted to our Directors as referred to below, and assuming the [REDACTED] is not exercised:

Authorised share capital

		HK$
38,000,000	Shares of par value HK$0.01 each	380,000

Issued and to be issued, fully paid or credited as fully paid

[400]	Shares in issue as at the date of this document	[4]
[REDACTED]	Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
[REDACTED]	Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED]	Total Shares issued and to be issued upon completion of the Capitalisation Issue and the [REDACTED]	[REDACTED]

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the [REDACTED] will become unconditional and does not take into account the Shares to be allotted and issued upon the exercise of the [REDACTED], the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates granted to our Directors to allot and issue or repurchase Shares as described below.

[REDACTED]

The minimum level of [REDACTED] to be maintained by our Company at all times after the [REDACTED] under the Listing Rules is 25% of its share capital in issue from time to time. The [REDACTED] [REDACTED] represent not less than [REDACTED]% of the issued share capital of our Company upon the [REDACTED].

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally in all respects with all other Shares currently in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions thereafter declared, made or paid on the Shares in respect of a record date which falls after the date of this document save for any entitlement under the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on [●], the principal terms of which are summarised in "Statutory and general information — D. Share Option Scheme" in Appendix IV to this document. As at the Latest Practicable Date, no option had been granted under the Share Option Scheme.

CAPITALISATION ISSUE

Pursuant to the written resolutions of our sole Shareholder passed on [●], subject to the share premium account of our Company being credited as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors were authorised to allot and issue a total of [REDACTED] Shares credited as fully paid to the holder(s) of Shares on the register of members of our Company at the close of business on [●] (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of Capitalisation of the sum of HK$[REDACTED] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue).

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions set forth in the paragraph headed "Structure and conditions of the [REDACTED] — Conditions of the [REDACTED]" in this document being fulfilled or waived (if applicable), our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to allot, issue and deal with, otherwise by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of the [REDACTED] or upon the exercise of any options which might be granted under the Share Option Scheme or under any other option scheme or other similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, such number of Shares not exceeding (1) 20% of the aggregate number of our issued Shares as enlarged by the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or upon any options which may be granted under the Share Option Scheme) and (2) the aggregate number of our issued Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares as described below.

This mandate shall remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the allotment and issue of Shares, please refer to "Statutory and general information — A. Further information about our Group — 3. Written resolutions of our sole Shareholder" in Appendix IV to this document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the paragraph headed "Structure and conditions of the [REDACTED] — Conditions of the [REDACTED]" in this document being fulfilled or waived (if applicable), our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares not exceeding 10% of the aggregate number of our issued Shares immediately following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED] or upon any options that may be granted under the Share Option Scheme).

This mandate relates only to repurchases made on the Stock Exchange or on any other stock exchange on which the Shares are [REDACTED] (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and general information — A. Further information about our Group — 6. Repurchase by our Company of its own securities" in Appendix IV to this document.

This mandate shall remain in effect until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(iii) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of the general mandate for the repurchase of Shares, please refer to "Statutory and general information — A. Further information about our Group — 3. Written resolutions of our sole Shareholder" in Appendix IV to this document.

SHAREHOLDERS' GENERAL MEETING

The method and procedures for the holding of general meetings or class meetings of a Cayman Islands exempted company and the circumstances under which such meetings are required are prescribed under and set out in the articles of association of such company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix III to this document.

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

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections as reflected in the forward-looking statements depends on a number of risks and uncertainties over which our Group does not have control. Factors that may cause future results to differ from those set forth in the forward-looking statements include, but are not limited to, those set out in the "Risk Factors" section of this document.

The following discussion and analysis also contain certain amounts and percentage figures that have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them and all monetary amounts shown are approximate amounts only.

Unless the context otherwise requires or expressly specified, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a telecommunication network support and ICT integration services provider and software developer in the PRC. Our telecommunication network support services mainly include the provision of (i) wireless telecommunication network optimisation services; and (ii) telecommunication network infrastructure maintenance and engineering services. During the Track Record Period, our wireless telecommunication network optimisation services accounted for the largest portion of our revenue, followed by telecommunication network infrastructure maintenance and engineering services or ICT integration services, which in aggregate accounted for approximately 87.9%, 90.7%, 88.9% and 84.9% of our revenue for FY2020, FY2021, FY2022 and 6M2023, respectively.

During the Track Record Period, we experienced a mild increase in our revenue which amounted to approximately RMB195.6 million, RMB203.3 million, RMB226.5 million and RMB113.8 million for FY2020, FY2021, FY2022 and 6M2023, respectively. During FY2020, FY2021, FY2022 and 6M2023, (i) our wireless telecommunication network optimisation services accounted for approximately 47.9%, 49.2%, 45.1% and 37.3%, respectively, of our revenue; (ii) our telecommunication network infrastructure maintenance and engineering services accounted for approximately 20.3%, 20.6%, 19.7% and 16.4%, respectively, of our revenue; and (iii) our ICT integration services accounted for approximately 19.7%, 20.9%, 24.1% and 31.2%, respectively of our revenue. The considerable growth experienced by our ICT integration services during the Track Record Period was principally attributable to the general increasing trend in the number of Major Projects.

As a services provider in the telecommunication industry in the PRC, our major costs attributable to our projects were our staff costs, subcontracting charges, and materials, supplies and other project costs. The proportion of these costs varied project-by-project, depending on the nature and scope of the services that we provided. During the Track Record Period, our employee benefit expenses, subcontracting charges, and materials, supplies and other project costs, in aggregate, represented approximately 80.1%, 79.8%, 79.4% and 76.4% of our revenue for FY2020, FY2021, FY2022 and 6M2023, respectively.

After taking into account the [REDACTED] expenses of approximately RMB[REDACTED], RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] charged for FY2020, FY2021, FY2022 and 6M2023, respectively, our profit before taxation for FY2020, FY2021, FY2022 and 6M2023 was approximately RMB34.7 million, RMB30.1 million, RMB29.3 million and RMB17.7 million, respectively. After further taking into account the tax expenses for the respective years, our profit and total comprehensive income for FY2020, FY2021, FY2022 and 6M2023 were approximately RMB29.7 million, RMB25.5 million, RMB24.3 million and RMB14.7 million, respectively.

Taking into account growth in revenue, but relatively mild decrease in net profit due to an increase in the [REDACTED] expenses (which are non-recurring in nature) during the Track Record Period, the Group has recorded an improvement in its financial performance during the Track Record Period. Notably, we recorded growth in revenue of approximately 4.0% for FY2021 and 11.4% in FY2022, representing a CAGR of approximately 7.6%. The Directors considered that such increase is consistent with the growth of the wireless telecommunication network optimisation service market in China (7.4% for 2018 to 2022 and forecast growth of 4.9% for 2022 to 2027), the telecommunication network infrastructure maintenance service market in China (10.5% for 2018 to 2022 and forecast growth of 6.8% for 2022 to 2027) and the third-party ICT integration services market in China (9.7% for 2018 to 2022 and forecast growth of 8.5% for 2022 to 2027). On the other hand, we also recorded an increase in impairment of our contract assets and trade receivables, which primarily attributable to an increase in the expected credit loss rate, further details of which are set in the paragraphs under the section headed "Critical accounting policies and estimates — Impairment of receivables and contract assets" of this section below.

BASIS OF PRESENTATION

Immediately prior to and after the Reorganisation, our Group's business is controlled by the Controlling Shareholders. Pursuant to the Reorganisation, the operating subsidiaries of our Group were transferred to our Company. Our Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of our Group's business with no change in management of such business and the ultimate owners of our Group's business remain the same. Accordingly, our financial information for FY2020, FY2021, FY2022 and 6M2023 has been prepared on a consolidated basis. Details of the basis of preparation are set out in note 1.3 to the Accountant's Report as set out in Appendix I to this document.

FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial performance have been and will continue to be affected by a number of factors, many of which may be beyond our control, including those factors set out in the section headed "Risk Factors" of this document and those set out below.

Introduction of new telecommunications technologies and product offerings by telecommunications operators, and government policies

There were notable developments and changes in technology and standards in the telecommunications industry, and the developments and changes are expected to continue. PRC telecommunications operators have introduced new technologies into the PRC telecommunications market. As set out in the section headed "Industry Overview" above, China's telecommunication industry has experienced robust growth in recent decades, with telecommunication technologies evolving from the 1G stage in the 1980s to the 5G stage in the 2020s. In the 5G stage, China has taken the lead in the world's communication network in terms of both technology and applications. Meanwhile, the total number of internet users in China reached 1,067.4 million as of December 2022, growing from 828.5 million in 2018, representing a CAGR of 6.5% from 2018 to 2022. With the continuous development of the computer industry and the increase in the utilisation rate of mobile devices, the number of internet users will continue to increase, and the number of internet users is estimated to increase to 1,232.3 million by 2027. Furthermore, according to the CIC Report, the total number of base stations increased from 6.7 million units in 2018 to 10.8 million units in 2022, representing a CAGR of 12.9% from 2018 to 2022, and the rapid growth in the number of base stations over the past five years was mainly attributable to the large-scale commercialisation of 4G, and the total number of base stations is expected to continue to increase from 10.8 million units in 2022 to 13.0 million units in 2027, representing a CAGR of 3.8% from 2022 to 2027, as a result of the 5G applications.

On the other hand, there are favorable policies and regulations rolled out by the PRC government authorities which may improve the development of the telecommunication network service industry. For example, as set out in the section headed "Industry Overview" in this document, the MIIT issued《關於推動工業互聯網加快發展的通知工信廳信管[2020]8號》(2020

No 8 Notice on Promoting the Accelerated Development of Industrial Internet Information Management Department*) in 2020 in order to speed up the network construction of new infrastructure, promoting the development of the industrial internet and 5G, and《5G應用「揚帆」行動計劃(2021–2023年)》Set Sail Action Plan for 5G Applications (2021–2023)*" in 2021 which promotes the large-scale development of 5G applications through a variety of measures such as platform building, policy development, model establishment and environmental improvement. The implementation of or change in various government policies, measures and incentives, as well as the development of the economy may have a material impact on the development of the telecommunication network service industry which may in turn have a material impact on our operations, business results and outlook.

Labour costs

Both of our telecommunication network and infrastructure related services require a considerable amount of labour input. Meanwhile, taking into account the availability of on-site human resources and the technical requirements of the relevant projects, we may from time to time procure certain services from third party service providers. As a result, our employee benefit expenses and subcontracting charges were our two largest expense items during the Track Record Period. For FY2020, FY2021, FY2022 and 6M2023, employee benefit expenses accounted for approximately 34.3%, 27.6%, 10.6% and 10.0%, respectively, of our total operating expenses (being the aggregate of our employee benefit expenses, subcontracting charges, material, supplies and other project costs, depreciation and amortisation, net impairment losses of contract assets and trade receivables, and other operating expenses, "**Total Operating Expenses**"), while subcontracting charges accounted for approximately 42.6%, 51.5%, 64.1% and 69.2%, respectively, of our Total Operating Expenses. On the other hand, given that our budget and tenders would also take into account the expected increase in labour costs, both our revenue and operating costs will be affected by fluctuations in labour costs. According to the CIC Report, the annual salary of technical staff in the telecommunication network support services industry in the PRC had grown at a CAGR of approximately 7.2% from 2018 to 2022 and is expected to grow at a lower CAGR of approximately 5.4% from 2022 to 2027.

The following sensitivity analysis only illustrates the impact of hypothetical fluctuations of our labour costs and subcontracting charges on our profit during the Track Record Period, assuming all other variables, including our revenue, remained constant. Fluctuations in our labour costs are assumed to be +9.0%, +5.0%, –5.0% and –9.0%, which are determined by reference to the highest of: (i) historical fluctuations in our labour costs during the Track Record Period; (ii) CAGR of labour costs according to the CIC Report during the Track Record Period; and (iii) CAGR of labour costs according to the CIC Report in coming years.

	FY2020		FY2021		FY2022		6M2023	
	Increase/ (decrease) in staff costs and subcontracting charges	Increase/ (decrease) in net profit	Increase/ (decrease) in staff costs and subcontracting charges	Increase/ (decrease) in net profit	Increase/ (decrease) in staff costs and subcontracting charges	Increase/ (decrease) in net profit	Increase/ (decrease) in staff costs and subcontracting charges	Increase/ (decrease) in net profit
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Change in labour costs								
+9.0%	11,237	(9,552)	11,972	(10,774)	12,747	(10,835)	6,508	(5,531)
+5.0%	6,243	(5,306)	6,651	(5,986)	7,082	(6,019)	3,615	(3,073)
–5.0%	(6,243)	5,306	(6,651)	5,986	(7,082)	6,019	(3,615)	3,073
–9.0%	(11,237)	9,552	(11,972)	10,774	(12,747)	10,835	(6,508)	5,531

Awarding of projects

The markets in which we operate are highly competitive and we secure our projects mainly through open tender or by private quotations. We believe that the success rate of our tenders depends on a number of factors, including the previous business relationships with our customers, our brand name and goodwill in the industry, our competitive advantages, resource availability, project duration, availability of local partners and local competitors. For FY2020, FY2021, FY2022 and 6M2023, the overall success rate of our tenders (calculated based on the aggregate number of successful tenders divided by the aggregate number of tenders submitted for all business lines) was approximately 61.2%, 72.0%, 64.5% and 71.2%, respectively. However, if we are unable to maintain such success rates, we may have to lower our target profit margin in tendering for other projects.

As at the Latest Practicable Date, we have been awarded the following projects which we expect to generate revenue of over RMB5 million for the six months ending 31 December 2023:

Project name	Type of services	Expected completion	Contract sum (excluding tax)
			RMB'000
TX Mobile Network Equipment Installation Project	Infrastructure maintenance and engineering services	On or before 31 December 2023	[20,590]
DT Mobile Technical Service Project	Telecommunication network technical optimisation services	On or before 31 December 2024	[23,333]
CX Harbin Ice Rink Project	ICT integration services	On or before 31 March 2024	[16,373]
DL Jieyang Network Optimisation Project	Telecommunication network technical optimisation services	On or before 30 September 2023	[21,112]
ZY Zhuhai Pipeline Alternation Service Project	Infrastructure maintenance and engineering services	On or before 31 December 2023	[17,743]
GD Provincial Emergency Department ICT Project	ICT integration services	On or before 31 December 2023	[6,137]

Please refer to the section headed "Industry Overview" in this document for the prospects, development trends and drivers of the each of our business lines.

Ability to maintain service standards and work quality, and complete our projects on a timely basis

If there are quality problems in relation to our services or delay in our projects, we may be subject to claims from our customers or penalties and/or damage to our goodwill. Moreover, service standards and work quality are usually two of the considerations in awarding tenders by our customers. Accordingly, if we are unable to maintain service standards and work quality or to complete our projects on a timely basis, our future financial performance may be adversely affected.

Our Directors believe that the followings are the principal factors affecting the service standards and our work quality:

Wireless telecommunication network optimisation services

— Quality of human resources: the quality of the project manager, the knowledge and technical level and awareness of the workers engaged in the project, and whether the workers carry out their work with due care.

— Ability to formulate a proper solution: the ability to formulate a telecommunication network optimisation solution based on, among other things, the nature of the telecommunication network issue, the data collected, feasibility (technical, economical, operational, etc.) that can effectively enhance our service quality and speed, and lower our cost of services.

— Quality and functionality of tools and equipment: the quality and functionality of tools and equipment used in the projects and whether the workers have the adequate knowledge to use the tools and equipment effectively and properly.

— Factors leading to the relevant issue: telecommunication network issues may be caused by various factors in different environments, such as damage to optical fibers during roadworks, removal of base stations due to relocation or demolition works in villages, and suspension of electricity supply in base stations, and different working plans and solutions have to be formulated accordingly.

Telecommunication network infrastructure maintenance and engineering services

— Quality of human resources: the quality of the project manager, the knowledge and technical level and awareness of the workers engaged in the project and whether the workers carry out their work with due care.

— Quality of materials: the quality of materials that can fulfil different requirements of the projects taking into account their composition, physical and chemical properties, and our ability to control the quality of materials through quality check, selection of suppliers and on-site monitoring.

— Quality and functionality of tools and equipment: the quality and functionality of tools and equipment used in the projects and whether the workers have the adequate knowledge to use the tools and equipment effectively and properly.

— Working environment: an adequate work plan has to be formulated to cater for different environmental factors, including temperature, humidity, possible extreme weather, working at height and limited space work, and also to reduce the adverse impacts to the environment.

ICT integration services

— Quality of human resources: the quality of the project manager, the knowledge and technical level and awareness of the workers engaged in the project and whether the workers carry out their work with due care.

— Quality of materials: the quality of materials that can fulfil different requirements of the projects taking into account their composition, physical and chemical properties, and our ability to control the quality of materials through quality check, selection of suppliers and on-site monitoring.

— Ability to formulate a proper solution: the ability to formulate and implement a proper solution based on a combination of factors and requirements in various areas (including technical, craftsmanship, economical, operational, etc.) that is feasible, economical, technically advanced and operationally efficient, which can effectively enhance our service quality and speed, and lower our cost of services.

— Quality and functionality of tools and equipment: the quality and functionality of tools and equipment used in the projects and whether the workers have the adequate knowledge to use the tools and equipment effectively and properly.

— Working environment: an adequate work plan has to be formulated to cater for different environmental factors, including temperature, humidity, possible extreme weather, working at height and limited space work, and also to reduce the adverse impacts to the environment.

Our ability to develop software to meet the needs of our customers and the market

During the Track Record Period, other than developing software for our internal use, we have also developed and sold telecommunication network-related software to external parties. We were also engaged to provide software development services pursuant to which we developed software in accordance with the specific needs of our customers to cater for their specific needs on, for instance, telecommunication network performance monitoring and optimisation. We will continue to develop software for our internal use and for our customers; however, whether our software can fulfill the relevant needs of our business and our customers largely depends on our software development ability, and our ability to develop the relevant software in a timely and efficient manner. Our ability to develop software to fulfill our customers' needs also depends on whether we are able to retain and/or recruit software developer talents. As further set out in the paragraphs headed "Business — Business strategies", we plan to pursue new research and development undertakings which include the undertaking of 5G research and development projects, developing a telecommunication network optimisation services software based on end-user data and developing an easy-to-use wireless telecommunication network testing software, which will enable us to keep abreast of the latest developments in the telecommunications industry and the changes in customers' needs.

Time of recovering of contract assets and receivables

Contract assets are recognised when we recognise revenue before being unconditionally entitled to billing under the payment terms as set out in the contract (such as upon completion of settlement audit or other payment milestones as stipulated in the contract). The settlement audit may be carried out by our customers or independent professional parties (such as inspection companies) without our involvement. Meanwhile, our customers or the relevant independent professional parties are mainly responsible for the acceptance procedures which primarily involve the review and examination of the whole project and we do not play a major role in evaluating such acceptance procedures or, in some cases, we may only be involved in the early or middle stage of the whole project. In certain projects where we are only engaged to work on a part of the project or are engaged as a subcontractor, we may only be entitled to receive our fees when our customers have received their fees from their relevant customers regarding the projects. We would record contract assets after the performance of our services but before invoices are issued to our customers. Contract assets are reclassified to trade receivables when the work performed by us has become unconditionally entitled for billing under the payment terms. If we are unable to recover our contract assets and receivables in a timely manner, our liquidity may be adversely affected.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial information has been prepared in accordance with HKFRSs. We have identified certain accounting policies that are critical to the preparation of our financial information. These accounting policies are important for an understanding of our financial position and results of operations and are set out in note 2 "Summary of Significant Accounting Policies" to the Accountant's Report in Appendix I to this document.

In addition, the preparation of the financial information may require our management to make significant and subjective estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, carrying amounts of assets and liabilities, and the disclosure of contingent liabilities at the end of each of FY2020, FY2021, FY2022 and 6M2023. The estimates and associated assumptions are based on experience and other factors that are considered to be relevant (for example, background of the relevant parties, project duration and involvement of numbers of relevant parties in the project in assessing the variable consideration).

However, uncertainties about these assumptions, estimates and judgments could result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities in the future. These key assumptions and estimates are set out in note 4 "Critical Accounting Estimates and Assumptions" to the Accountant's Report in Appendix I to this document.

We believe the following critical accounting policies and accounting estimates involve the most significant or subjective judgments and estimates used in the preparation of the Accountant's Report that our management considers to be critical in the portrayal of the financial position and results of operations.

Revenue recognition

Wireless telecommunication network optimisation services, and telecommunication network infrastructure maintenance services

Revenue is recognised over time in accordance with the output method for measuring progress when the related services are rendered. According to HKFRSs, the output method recognises revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract.

Telecommunication network infrastructure engineering services and ICT integration services

Revenue is recognised when or as the engineering projects are transferred to the customer. Depending on the terms of the contracts and the laws that are applicable to the contracts, control of the engineering projects may transfer over time or at a point in time. If engineering projects create or enhance an asset that the customer controls as the asset is created or enhanced, we satisfy the performance obligation over time and therefore, recognise revenue over time in accordance with the output method for measuring progress.

Sales of software

Sales of software transferred at a point in time are recognised when control of the goods has transferred, being when we have delivered the products to the customers and the customers have accepted the products, the customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

Software development services

Revenue from software development services is recognised over time in accordance with the output method for measuring progress when the related services are rendered.

Assumptions and estimates

Revenue recognition of these services on an uncompleted project is dependent on estimating the progress towards complete satisfaction of the performance obligation, which is based on output method. Actual outputs may be higher or lower than that estimated at the end of the reporting period, which would affect the revenue recognised in future years as an adjustment to the amounts recorded to date.

Certain contracts entered into by us in the provision of wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and information and ICT integration services include performance penalties and contingent payment clauses that give rise to variable consideration. For variable consideration arising from performance penalties, our entitlement to the consideration is contingent on the meeting of specified performance criteria as stated in the customer contract. For variable consideration arising from contingent payment clauses, we are subcontracted by the customers who are engaged by the ultimate users as contractors of projects, and therefore our receipts of payment from the customers are in turn contractually contingent on the customers receiving the acceptance and payment from the ultimate users, only after which the customers will then settle with us.

We use the expected value method to estimate the amount of variable consideration. Accumulated historical expenses, the background of the ultimate project user, the duration of the project and involvement of numbers of parties in the project are used to estimate and provide for the variable consideration arising from performance penalties and contingent payment clauses, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. Based on the above, our management estimated the variable consideration arising from contingent payment clauses to be ranging from 10% to 20% of the total consideration of the projects. These variable considerations would not be recognised as revenue until the uncertainty associated therewith has been resolved (i.e. when the relevant amounts are confirmed, billed and settled). At the end of each reporting period, we update the estimated transaction price (including updating our assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period. Therefore, under such situation, even if we have fully performed our services in accordance with the relevant contract with our customers, we may not be able to record 100% of the revenue as stipulated under the relevant contract until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. In other words, we may still be able to recognise 80% to 90% of the revenue determined based on our actual work performed.

Set out below is a summary of projects which contained contingent payment clause during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
Number of projects	24	27	36	20
Contract sum (in RMB'000)	51,464	46,463	46,356	14,364

For FY2020, FY2021, FY2022 and 6M2023, variable consideration arising from new contracts during the year/period that subject to the contingent payment clause (therefore not yet recognised as revenue) amounting to approximately RMB7.3 million, RMB5.6 million, RMB5.5 million and RMB1.6 million, respectively, while revenue in the amount of approximately RMB7.4 million, RMB4.7 million, RMB9.8 million and RMB1.5 million, respectively, were recognized when the uncertainty associated with the variable consideration of projects with previous outstanding payments was resolved (for the avoidance of doubt, none of such amount were recognised as revenue before they have been confirmed, billed and settled by our customers during the Track Record Period). As at 30 June 2023, the accumulated balances of variable consideration that has arisen from the aforementioned contingent payment clauses and which had not been recognised as revenue amounted to approximately RMB10.8 million, mainly attributable to the fact that the acceptance of the relevant project and/or payment from the ultimate end-user was still outstanding.

Contract assets and contract liabilities

When either party to a contract has performed, we present the contract in the consolidated statements of financial position as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment. A contract asset is our right to consideration in exchange for goods that we have transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer the promised goods to the customer, we present the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer the promised goods to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

Employee benefits — Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulated sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statements of financial position.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and we will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Impairment of receivables and contract assets

Our financial assets measured at amortised cost are subject to the expected credit loss model of HKFRS 9. We assess on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost.

For contract assets and trade receivables, we apply the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the contract assets and trade receivables. To measure the expected credit losses, contract assets and trade receivables have been grouped into two categories by our management based on credit risk characteristics. The contract assets and trade receivables from state-owned and/or listed companies and their subsidiaries are grouped as one category ("Group 1"), and the remaining contract assets and trade receivables from other customers, being private companies that are neither state-owned nor listed, are classified as another category ("Group 2").

The Group divides the balance of contract assets and trade receivables into "within one year", "between one and two years" and "over two years" according to the time period which management considered these groupings are reflecting the historical credit losses experienced, industry credit loss rate and payment profiles of sales of the underlying outstanding balance and have the same credit risk characteristics. As a result, the expected credit loss rate of contract assets and trade receivables for time band "within 180 days" and "between 181 days and 365 days" which are representing sub-division of "less than one year" are the same during Track Record Period.

Based on the aforementioned approach, the Group has also assessed the expected credit loss rates for the corresponding periods of "1–180 days" and "181–365 days" respectively and there were no material changes or differences in the expected credit risk of the contract assets and trade receivables balances aged in the time bands of "within 180 days" and "between 181 days and 365 days" and the same expected credit loss rates were therefore applied to these two bands during the Track Record Period.

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2020, 2021 and 2022 and 30 June 2023 (as extracted from the Accountant's Report) were determined as follows:

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
31 December 2020				
Group 1				
Collective basis				
Contract assets	1.8%	46,330	819	45,511
Trade receivables				
— Within 180 days	0.4%	12,848	48	12,800
— Between 181 days and 365 days	0.4%	1,633	6	1,627
— Between 1 year and 2 years	5.1%	39	2	37
— Over 2 years	100%	141	141	—
Group 2				
Collective basis				
Contract assets	3.4%	14,237	484	13,753
Trade receivables				
— Within 180 days	2.3%	10,748	242	10,506
— Between 181 days and 365 days	2.3%	1,538	35	1,503

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
31 December 2021				
Group 1				
Collective basis				
Contract assets	1.9%	70,028	1,304	68,724
Trade receivables				
— Within 180 days	0.4%	22,381	89	22,292
— Between 181 days and 365 days	0.4%	4,835	19	4,816
— Between 1 year and 2 years	5.5%	1,669	92	1,577
— Over 2 years	100%	136	136	—
Group 2				
Collective basis				
Contract assets	4.8%	4,238	204	4,034
Trade receivables				
— Within 180 days	3.6%	2,257	82	2,175
— Between 181 days and 365 days	3.6%	663	24	639

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
31 December 2022				
Group 1				
Collective basis				
Contract assets	3.1%	60,683	1,861	58,822
Trade receivables				
— Within 180 days	1.5%	30,962	456	30,506
— Between 181 days and 365 days	1.5%	375	6	369
— Between 1 year and 2 years	19.4%	2,181	424	1,757
— Over 2 years	100%	1,236	1,236	—
Group 2				
Collective basis				
Contract assets	6.5%	9,705	632	9,073
Trade receivables				
— Within 180 days	6.8%	2,454	167	2,287
— Between 1 year and 2 years	51.2%	979	501	478

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
30 June 2023				
Group 1				
Collective basis				
Contract assets	6.0%	57,617	3,443	54,174
Trade receivables				
— Within 180 days	1.6%	32,703	511	32,192
— Between 181 days and 365 days	1.6%	9,183	143	9,040
— Between 1 year and 2 years	19.8%	398	79	319
— Over 2 years	100%	935	935	—
Group 2				
Collective basis				
Contract assets	6.2%	7,832	486	7,346
Trade receivables				
— Within 180 days	6.9%	8,140	560	7,580
— Between 1 year and 2 years	52.3%	779	408	371

Note: As mentioned above, the expected credit loss rate for both contract assets and trade receivables are determined with reference to the aging of such balances, and the expected credit loss rate of contract assets represented the weighted average expected credit loss rate of the contract assets which had taken into account of the aging of the outstanding balance.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the balance of loss allowance in respect of these collectively assessed contract assets and trade receivables represented approximately 2.0%, 1.8%, 4.9% and 5.6%, respectively, of our aggregate gross amount of contract assets and trade receivables on the respective date. As at 31 December 2020 and 2021, we did not have any trade receivable from Group 2 customers that were aged between 1 year to 2 years, while the outstanding balance trade receivable of Group 2 customers that are aged between 1 year to 2 years as at 31 December 2022 was approximately RMB1.0 million. Our expected credit loss rate for trade receivable from Group 2 customers that are aged between 1 year to 2 years as at 31 December 2022 and 30 June 2023 was approximately 51.2% and 52.3%, respectively, which were primarily determined with reference to the historical settlement pattern of trade receivable from Group 2 customers that are aged between 1 year to 2 years.

The expected credit loss rate of contract assets attributable to Group 1 customers increased from approximately 1.8% as at 31 December 2020, 1.9% as at 31 December 2021, 3.1% as at 31 December 2022 and further to 6.0% as at 30 June 2023. The increase in expected credit loss rate during FY2021 was mainly attributable to an increase in the amount of expected credit loss rate for contract assets aged within one year which was consistent with the increase in contract assets aged within one year, while the increase in expected credit loss rate during FY2022 and 6M2023 was mainly attributable to an increase in aging profiles of contract assets which was taken into account for the measurement of expected credit loss rate. For instance, our contract assets aged over 1 year increased from approximately 8.6% as at 31 December 2021, to approximately 24.9% as at 31 December 2022 and to approximately 35.7% as at 30 June 2023.

The expected credit loss rate of contract assets attributable to Group 2 customers increased from approximately 3.4% as at 31 December 2020, 4.8% as at 31 December 2021 and to 6.5% as at 31 December 2022, but was reduced to 6.2% as at 30 June 2023. The increase in expected credit loss rate during FY2021 and FY2022 was principally attributable to an increase in expected credit loss rate for contract assets aged within one year driven by the potential impact on the economy due to COVID-19, while the drop in expected credit loss rate in 6M2023 was principally attributable to the reduction in portion of contract assets aged over one year from approximately 6.5% as at 31 December 2022 to approximately 2.7% as at 30 June 2023.

Nevertheless, during the Track Record Period, none of our contract assets and trade receivables had become unrecoverable and been written off. Based on information available as at the Latest Practicable Date, the Directors do not expect that there will be a material increase in expected credit loss rate in respect of our contract assets and trade receivables in the near future. Please refer to "Contract assets and trade receivables" below for further analysis of our contract assets and trade receivables.

RESULTS OF OPERATION OF OUR GROUP

The following table sets out our consolidated statements of comprehensive income for FY2020, FY2021, FY2022, 6M2022 and 6M2023 as derived from the Accountant's Report set out in Appendix I to this document.

Consolidated statements of comprehensive income

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Revenue	195,570	203,336	226,513	103,237	113,838
Other income	3,053	3,092	3,434	1,799	1,224
Other (losses)/gains, net	(57)	(122)	(21)	(45)	238
Employee benefit expenses	(55,664)	(46,425)	(20,041)	(9,992)	(9,108)
Subcontracting charges	(69,194)	(86,593)	(121,592)	(50,085)	(63,199)
Materials, supplies and other project costs	(31,854)	(29,168)	(38,220)	(20,232)	(14,650)
Depreciation and amortisation	(1,648)	(2,275)	(3,066)	(1,545)	(1,219)
Net impairment losses of contract assets and trade receivables	(804)	(173)	(3,333)	(1,379)	(1,282)
Other operating expenses	(3,180)	(3,649)	(3,496)	(1,619)	(1,848)
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating profit	35,208	30,479	30,070	13,549	18,049
Finance income	73	47	94	49	147
Finance costs	(569)	(378)	(896)	(326)	(535)
Finance costs, net	(496)	(331)	(802)	(277)	(388)
Profit before income tax	34,712	30,148	29,268	13,272	17,661
Income tax expense	(5,052)	(4,624)	(5,009)	(3,901)	(3,003)
Profit for the year/period attributable to the equity holders of the Company	29,660	25,524	24,259	9,371	14,658

Revenue

We principally derive our revenue from our provision of wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services during the Track Record Period. The following table sets out the breakdown of our revenue by nature for the periods indicated.

	FY2020		FY2021		FY2022		6M2022		6M2023	
	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000	% of total revenue	RMB'000 *(unaudited)*	% of total revenue	RMB'000	% of total revenue
Wireless telecommunication network optimisation services	93,673	47.9%	100,085	49.2%	102,136	45.1%	39,413	38.2%	42,404	37.3%
Telecommunication network infrastructure maintenance and engineering services	39,654	20.3%	41,787	20.6%	44,516	19.7%	21,244	20.6%	18,709	16.4%
ICT integration services	38,515	19.7%	42,505	20.9%	54,592	24.1%	34,756	33.6%	35,550	31.2%
Software related *(Note)*	23,728	12.1%	18,959	9.3%	25,269	11.1%	7,824	7.6%	17,175	15.1%
Total	195,570	100.0%	203,336	100.0%	226,513	100.0%	103,237	100.0%	113,838	100.0%

Note: Software related revenue represents the revenue derived from our sales of software and software development.

Wireless telecommunication network optimisation services

Our revenue derived from wireless telecommunication network optimisation services was relatively stable, which amounted to approximately RMB93.7 million, RMB100.1 million and RMB102.1 million during the Track Record Period for FY2020, FY2021 and FY2022, respectively, and amounted to approximately RMB39.4 million and RMB42.4 million for 6M2022 and 6M2023, respectively. While our wireless telecommunication network optimisation services income accounted for approximately 47.9%, 49.2%, 45.1% and 37.3% of our revenue for FY2020, FY2021, FY2022 and 6M2023, respectively, as we recorded growth in our total revenue which was principally driven by the growth in the revenue of our other business segments.

Telecommunication network infrastructure maintenance and engineering services

Telecommunication network infrastructure maintenance and engineering services income accounted for a relatively stable portion of our revenue which represented approximately 20.3%, 20.6%, 19.7% and 16.4% of our revenue for FY2020, FY2021, FY2022 and 6M2023, respectively. Given we experienced an increase in revenue during FY2020 to FY2022, the revenue derived from such segment also experienced growth during FY2020 to FY2022. The increase in telecommunication network infrastructure maintenance and engineering services income during FY2020 to FY2022 Period was principally attributable to the CX Heilongjiang Telecom Maintenance Project and CX Heilongjiang Telecom Maintenance Project II, which in aggregate contributed revenue of approximately RMB17.1 million, RMB14.9 million and RMB10.5 million for FY2020, FY2021 and FY2022, respectively, and the revenue derived from the GG Guangxi Comprehensive Maintenance Project of approximately RMB4.4 million in FY2021 and RMB8.3 million in FY2022 (as compared to nil in FY2020).

The decrease in revenue during 6M2023, as compared to 6M2022, was mainly attributable to the decrease in number of projects that generated revenue of over RMB3 million during the period from three (namely, CX Heilongjiang Telecom Maintenance Project II, GG Guangxi Comprehensive Maintenance Project and ZY Zhuhai Pipeline Alteration Service Project) during 6M2022 (which contributed an aggregate revenue of approximately RMB12.3 million) to one (namely GG Guangxi Comprehensive Maintenance Project) during 6M2023 (which contributed revenue of approximately RMB6.1 million).

ICT integration services

ICT integration services income accounted for approximately 19.7%, 20.9%, 24.1% and 31.2% of our revenue for FY2020, FY2021, FY2022 and 6M2023, respectively. The increase in ICT integration services income during the Track Record Period was principally attributable to our continuous efforts in expanding and developing the segment which was consistent with the increase in number of projects for the business line, from 13 projects in FY2020 to 25 projects in FY2021 and 35 in FY2022, while the revenue for the business line experienced a mild growth in 6M2023 as compared to 6M2022.

Software-related business

Revenue from our software-related business accounted for approximately 12.1%, 9.3%, 11.1% and 15.1% of our revenue during FY2020, FY2021, FY2022 and 6M2023, respectively. The increase in revenue derived from our software-related business in FY2022 was mainly attributable to the revenue derived from software development, from approximately RMB9.3 million for FY2021 to approximately RMB21.7 million for FY2022. The increase in revenue derived from our software-related business in 6M2023 was mainly attributable to the revenue derived from software development, from approximately RMB5.6 million for 6M2022 to approximately RMB12.7 million for 6M2023.

Major projects during the Track Record Period

Set out below is the list of Major Projects (which contributed revenue of: (i) over RMB5 million during the Track Record Period; or (ii) over RMB3 million during any of the FY2020, FY2021, FY2022 and 6M2023), by order of the project name:

Customer	Project description	Type of services	Group's role *(Note 7)*	Project name	Project commencement (month)	Actual/expected completion (month)	Project duration (approximately) (month) *(Note 1)*	Total contract sum (excluding tax) *(Note 4)*	Accumulated revenue recognised prior to Track Record Period	Revenue recognised during Track Record Period				Major Operating Costs incurred during the Track Record Period	Percentage of completion as at 30 June 2023 (approximately)	Estimated revenue to be recognised after 30 June 2023 *(Note 5)*
										FY2020	FY2021	FY2022	6M2023			
								RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
PRC subsidiary of one of the international leading providers of Information and Communication Technology to service providers	Routine telecommunication network optimisation	Wireless telecommunication network optimisation services	Contractor	ALX Network Optimisation Technical Service Project	January 2020	September 2022	33	8,249	–	4,007	3,622	620	–	6,528	100%	–
A company engaged in software and related development in the PRC	Provision of production and operation business support system platform development services	Work-for-hire software development services	Contractor	BC Production and Operation Business Development Project	May 2023	June 2023	1	3,412	–	–	–	–	3,412	3,041	100%	–
Guangzhou Chengxiang	Provide equipment and services related to upgrade of data rooms	ICT integration services	Subcontractor	CX Dataroom Equipment Procurement and Services Project	September 2020	November 2023	38 *(Notes 2 and 3)*	7,516	–	7,516	–	–	–	7,224	100%	–
Customer C	Deliver equipment and materials related to ice hockey arena to designated sites. Provide design drawings for project construction and project engagement letter and be responsible for technical and safety briefing for the project	ICT integration services	Subcontractor	CX Harbin Ice Rink Project	December 2020	December 2022	24 *(Note 2)*	16,373	–	–	8,841	–	–	9,158	54%	7,532 *(Note 6)*
Customer C	Relevant integration services for various systems	ICT integration services	Subcontractor	CX Heilongjiang Intelligent ICT Project (Phase II)	December 2019	October 2021	23 *(Note 2)*	11,100	–	11,100	–	–	–	9,731	100%	–
Customer C	Routine maintenance	Telecommunication network infrastructure maintenance and engineering services	Subcontractor	CX Heilongjiang Telecom Maintenance Project I	January 2019	May 2022	41 *(Note 2)*	41,269	15,336	17,127	7,764	1,033	–	19,582	100%	9
Customer C	Routine maintenance	Telecommunication network infrastructure maintenance and engineering services	Subcontractor	CX Heilongjiang Telecom Maintenance Project II	June 2021	December 2022	18	16,783	–	–	7,105	9,505	47	14,197	99%	126
Guangzhou Chengxiang	IDC room related equipment and equipment installation and debugging services	ICT integration services	Subcontractor	CX IDC Room ICT Project	February 2022	June 2022	4	15,568	–	–	–	15,568	–	13,392	100%	–
Customer C	Comprehensive maintenance, cable maintenance, daily telecommunication network optimisation	Telecommunication network infrastructure maintenance and engineering services	Subcontractor	CX Guest Network Comprehensive Maintenance Project	September 2020	March 2021	7	6,391	–	3,482	2,757	–	–	5,150	98%	152
Customer C	Provide relevant goods for Baoding Data Centre (保定市数據中心) and conduct installation.	ICT integration services	Subcontractor	CX Smart Construction Site ICT Project	January 2019	December 2020	23	10,667	–	5,174	21	552	–	9,699	54%	4,920 *(Note 6)*
Guangzhou Chengxiang	Sourcing of server equipment for server centralized procurement project and provision of services such as equipment installation and debugging, system integration testing, training and online operation, software and hardware environment configuration, etc.	ICT integration services	Subcontractor	CX Xinchuang ICT Project	January 2023	March 2023	2	7,073	–	–	–	–	7,073	6,199	100%	–

Customer	Project description	Type of services	Group's role *(Note 7)*	Project name	Project commencement (month)	Actual/expected completion (month)	Project duration (approximately) (month) *(Note 1)*	Total contract sum (excluding tax) *(Note 4)*	Accumulated revenue recognised prior to Track Record Period	Revenue recognised during Track Record Period				Major Operating Costs incurred during the Track Record Period	Percentage of completion as at 30 June 2023 (approximately)	Estimated revenue to be recognised after 30 June 2023 *(Note 5)*
										FY2020	FY2021	FY2022	6M2023			
								RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Customer C	Provide relevant goods for server room and conduct installation.	ICT integration services	Subcontractor	CX Zhongshan E-commerce Management Project	February 2021	March 2022	13 *(Note 2)*	11,454	–	–	11,454	–	–	10,267	100%	–
A digitalization service provider in the PRC whose shares are listed on NEEQ	Provision of customised cloud solutions and develop a big data platform based on cloud computing technology	ICT integration services	Contractor	DL Big Data Platform Project	April 2023	June 2023	2	3,854	–	–	–	–	3,854	3,469	100%	–
A PRC telecommunication service provider, whose shares are listed on the Shenzhen Stock Exchange	Routine telecommunication network optimisation	Wireless telecommunication network optimisation services	Subcontractor	DL Jieyang Network Optimisation Project	May 2020	September 2023	41 *(Note 3)*	21,112	–	3,601	5,852	5,696	4,804	15,347	95%	1,159
Customer E	Transformer replacement procurement projects, power distribution room renovation projects, technical service work in accordance with the operational specifications specified by the customer	Wireless telecommunication network optimisation services and telecommunication network infrastructure maintenance and engineering services	Subcontractor	DT Technical Service Project	May 2020	December 2023	44 *(Note 3)*	32,602	–	1,490	6,941	14,840	9,268	24,562	100%	63
Customer A	Routine telecommunication network optimisation	Wireless telecommunication network optimisation services	Contractor	DX Langfang Network Optimisation Project	February 2020	June 2022	28	7,878	–	2,645	3,314	1,919	–	5,172	100%	–
Customer A	Under the principle to ensure stable operation of the telecommunication network, conduct (including but not limited to) the overall assessment, analysis, optimisation and other related work for the wireless network within the area-in-charge in accordance with the customer's work arrangements	Wireless telecommunication network optimisation services	Contractor	DX Qinghai Network Optimisation Project #1	April 2016	November 2020	55	17,268	13,430	3,838	–	–	–	2,949	100%	–
Customer A	Under the principle to ensure stable operation of the telecommunication network, conduct (including but not limited to) the overall assessment, analysis, optimisation and other related work for the wireless network within the area-in-charge in accordance with the customer's work arrangements	Wireless telecommunication network optimisation services	Contractor	DX Qinghai Network Optimisation Project #2	December 2020	December 2021	12	4,138	–	355	3,783	–	–	2,858	100%	–
Customer A	Under the principle to ensure stable operation of the telecommunication network, conduct (including but not limited to) the overall assessment, analysis, optimisation and other related work for the wireless network within the area-in-charge in accordance with the customer's work arrangements	Wireless telecommunication network optimisation services	Contractor	DX Qinghai Network Optimisation Project #3	December 2021	December 2022	13	5,230	–	–	361	4,869	–	3,896	100%	–
Customer A	Routine telecommunication network optimisation	Wireless telecommunication network optimisation services	Contractor	DX Shijiazhuang Network Optimisation Project	February 2020	June 2022	28	10,067	–	3,961	4,096	2,010	–	6,950	100%	–
Customer A	Routine telecommunication network optimisation	Wireless telecommunication network optimisation services	Contractor	DX Tibet Network Optimisation Project	April 2022	March 2023	12	5,173	–	–	–	3,887	1,286	3,750	100%	–

Customer	Project description	Type of services	Group's role (Note 7)	Project name	Project commencement (month)	Actual/expected completion (month)	Project duration (approximately) (month) (Note 1)	Total contract sum (excluding tax) (Note 4)	Accumulated revenue recognised prior to Track Record Period	Revenue recognised during Track Record Period				Major Operating Costs incurred during the Track Record Period	Percentage of completion as at 30 June 2023 (approximately)	Estimated revenue to be recognised after 30 June 2023 (Note 5)
										FY2020	FY2021	FY2022	6M2023			
								RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
A company engaged in PRC telecommunication related business and a subsidiary of a company whose shares are listed on the Shenzhen Stock Exchange	Operation and maintenance of equipment and facilities in communication rooms, as well as communication fiber optic lines and their ancillary facilities, including daily inspection, overhaul, maintenance, emergency repair, maintenance publicity, maintenance resource information management, etc.	Telecommunication network infrastructure maintenance and engineering services	Contractor	GG Guangxi Comprehensive Maintenance Project	April 2021	April 2024	35 (Note 3)	19,565	–	–	4,353	8,253	6,145	14,822	96%	813
A company engaged in provision of network support service and a subsidiary of a company whose shares are listed on Shenzhen Stock Exchange	System optimisation, performance analysis, data collection	Wireless telecommunication network optimisation services	Contractor	HS Shanwei Optimisation Project	September 2019	December 2023	51 (Note 3)	5,244	–	996	1,732	1,802	714	3,833	100%	–
A company engaged in the provision of ICT service, big data and telecommunication network service solution in the PRC	Procurement of wireless supervision services regarding utilisation of existing equipment, and to ensure the establishment of network and wireless equipment	Wireless telecommunication network optimisation services	Subcontractor	HS Wireless Supervision Project	May 2021	December 2022	19	7,440	–	–	2,549	4,377	–	4,643	93%	514
A private company engaged in software and information technology service industry in the PRC	Mechanical equipment of external container type diesel power generator and related parallel machine, control system and technical service in power supply room of cloud data centre	ICT integration services	Contractor	HY Data Center Equipment Procurement Project	August 2020	January 2023	28 (Note 2)	5,366	–	5,105	–	261	–	4,595	100%	–
Customer B	Communication network and engineering related technical service	Wireless telecommunication network optimisation services	Contractor	JS Technical Service Project I	January 2015	November 2020	70	173,665	151,884	21,781	–	–	–	11,440	100%	–
Customer B	Communication network and engineering related technical service	Wireless telecommunication network optimisation services	Contractor	JS Technical Service Project II	December 2019	November 2021	22	14,917	–	–	14,917	–	–	9,668	100%	–
A private construction company in the PRC	Procurement and construction of server room furnishing, electrical engineering, HVAC engineering, fire engineering, weak point engineering, lightning protection engineering, shielded server room.	ICT integration services	Subcontractor	JX Smart Construction Site ICT Project	January 2020	December 2020	11	3,979	–	3,979	–	–	–	3,618	100%	–
A communication industry solution provider and a subsidiary of a company whose shares are listed on the Hong Kong Stock Exchange	Use the cloud edge architecture to create a unified cloud PaaS domain to ensure the security and stability of user website business. Monitor and discover potential security threats in a timely manner, and effectively defend against common attacks through professional application layer protection technologies.	Wireless telecommunication network optimisation services	Contractor	LQ Mobile Cloud Safety Protection Service Project	November 2021	December 2021	2	4,040	–	–	79	3,961	–	3,961	100%	–

Customer	Project description	Type of services	Group's role *(Note 7)*	Project name	Project commencement (month)	Actual/expected completion (month)	Project duration (approximately) (month) *(Note 1)*	Total contract sum (excluding tax) *(Note 4)*	Accumulated revenue recognised prior to Track Record Period	Revenue recognised during Track Record Period FY2020	FY2021	FY2022	6M2023	Major Operating Costs incurred during the Track Record Period	Percentage of completion as at 30 June 2023 (approximately)	Estimated revenue to be recognised after 30 June 2023 *(Note 5)*
								RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
A communication industry solution provider and a subsidiary of a company whose shares are listed on the Hong Kong Stock Exchange	Provide high-quality digital advertising big data services by building a digital advertising big data analysis platform, and improve a series of services such as basic data services, application data services, data standard governance services, and platform services.	Wireless telecommunication network optimisation services & Work-for-hire software development services	Subcontractor	LQ Public Integrated Services Project	July 2022	December 2023	17 *(Note 3)*	11,762	–	–	–	9,487	872	8,503	88%	1,403
A PRC telecommunication operator and a state-owned enterprise	Network optimisation (including daily, special, special, centralized assessment, etc.)	Wireless telecommunication network optimisation services	Contractor	LT Hubei Optimisation Project	July 2021	July 2023	24	6,585	–	–	1,364	3,230	1,617	5,134	94%	374
A PRC communication network outsourcing service provider and a subsidiary of a company whose shares are listed on the Stock Exchange of Hong Kong	Provide design drawings for project construction and project engagement letter, be responsible for technical and safety briefing for the project and handle related technical issues on construction.	Telecommunication network infrastructure maintenance and engineering services	Subcontractor	NF Guangdong Mobile Maintenance Project	January 2018	December 2021	48	12,273	7,679	3,625	47	673	227	1,495	100%	22
A company engaged in software and information technology service industry and a subsidiary of a state-owned enterprise	Routine telecommunication network optimisation	Wireless telecommunication network optimisation services	Contractor	TT Foshan Network Optimisation Project #1	May 2020	December 2021	20	7,521	–	2,591	4,178	477	275	6,105	100%	–
A company engaged in software and information technology service industry and a subsidiary of a state-owned enterprise	Routine telecommunication network optimisation	Wireless telecommunication network optimisation services	Contractor	TT Foshan Network Optimisation Project #2	January 2022	December 2023	23 *(Note 3)*	7,828	–	–	–	4,734	2,223	5,540	89%	871
A communication industry solution provider and a subsidiary of a company whose shares are listed on the Hong Kong Stock Exchange	Provide customized platforms, data collection and research and development of smart parks for smart parks	ICT integration services	Subcontractor	TY 5G Smart Park Project	April 2021	August 2021	4	6,223	–	–	6,223	–	–	5,459	100%	–
A supplier in the field of electric energy measurement and testing in the PRC	Provision of digital information services and, based on cloud computing technology, provision of customized cloud solutions, data migration, system integration services, etc., and deploy the platform on Party B's customized cloud platform to achieve remote management.	ICT integration services	Contractor	TY Intelligent Urban Service Project	March 2023	March 2024	12 *(Notes 2 and 3)*	3,664	–	–	–	–	3,664	2,375	100%	–
A private company in the PRC focused on provision of technical service platform that empowers intelligent products	Provide Guangzhou Futures Exchange business system related equipment and equipment installation and commissioning, system integration testing, training and online operation, software and hardware environment configuration and other related services	ICT integration services	Subcontractor	XM Future Exchange System Integration Project	June 2022	September 2022	3	6,090	–	–	–	6,090	–	5,683	100%	–
A private telecommunication engineering service company in the PRC	Premises telecommunication network construction	Telecommunication network infrastructure maintenance and engineering services	Subcontractor	XW Zhuhai Mobile Customer Premises Network Project	January 2019	February 2021	26	12,141	3,307	3,047	904	668	1,558	5,261	78%	2,657 *(Note 6)*
Customer D	Unified security control and integration services for mobile police terminals in Doumen District, Zhuhai City	ICT integration services	Contractor	YD Doumen Integrated Services Project	September 2021	March 2022	6	4,991	–	–	4,424	73	–	4,368	90%	494

Customer	Project description	Type of services	Group's role (*Note 7*)	Project name	Project commencement (month)	Actual/expected completion (month)	Project duration (approximately) (month) (*Note 1*)	Total contract sum (excluding tax) (*Note 4*)	Accumulated revenue recognised prior to Track Record Period	Revenue recognised during Track Record Period FY2020	FY2021	FY2022	6M2023	Major Operating Costs incurred during the Track Record Period	Percentage of completion as at 30 June 2023 (approximately)	Estimated revenue to be recognised after 30 June 2023 (*Note 5*)
								RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Customer D	Public communication network cluster video intercom platform integration services, public communication network cluster video intercom platform maintenance services	ICT integration services	Contractor	YD Guangxi Integrated Services Project	January 2021	July 2021	6	3,247	–	–	3,247	–	–	3,023	100%	–
Customer D	Development of on-site telecommunication network optimisation system and mobile end-to-end perception system	Software development service	Contractor	YD End-to-end Perceptual Analysis Platform Development Project	February 2022	June 2022	4	3,021	–	–	–	3,021	–	808	100%	–
Customer D	On-site network survey, network plan design, comprehensive deployment, after-sales maintenance, etc.	ICT integration services	Subcontractor	YD Zhuhai Comprehensive Project	May 2023	December 2023	7 (*Note 3*)	3,698	–	–	–	–	3,698	2,534	100%	–
A private company in the PRC engaged in provision of wireless telecommunication equipment and wireless network technical services	Routine management of relevant cell site area	Infrastructure maintenance and engineering services	Contractor	YY Guangzhou Mobile Cell Site Services Project	January 2022	December 2022	12	3,945	–	–	–	3,945	–	3,551	100%	–
China Comservice	Renovation and intellectualization project for hospital inpatient building	ICT integration services	Subcontractor	ZTF Hospital Automation Alteration Service Project	December 2021	December 2023	24 (*Note 3*)	5,579	–	–	–	4,519	–	3,670	81%	1,060
A company engaged in civil engineering construction industry and a subsidiary of a state-owned enterprise	Collect and process information such as public bidding and bid winning results released by customers of the client in Guangdong Province, and sort out the labels of each project according to the classification requirements of the customer unit, and track the projects related to the customer unit	Wireless telecommunication network optimisation services	Contractor	ZY Guangzhou Chengtou Integrated Services Project	July 2022	December 2023	17 (*Note 3*)	4,969	–	–	–	4,552	34	3,637	92%	383
A company engaged in civil engineering construction industry and a subsidiary of a state-owned enterprise	Line planning and modification, adjustment and tests for communication (3 lines) lines in the community; utilize Internet of Things (IoT) and cloud computing technology to provide security monitoring platform services to customers	Telecommunication network infrastructure maintenance and engineering services and software development services	Contractor	ZY Zhuhai Pipeline Alteration Service Project	August 2021	December 2023	28 (*Note 3*)	17,743	–	–	2,955	5,826	340	8,663	51%	8,622
Subtotal										105,420	112,883	126,448	51,111			31,174
% of total revenue										53.9%	55.5%	55.8%	44.9%			

Notes:

1. The durations were calculated based on the period from the date of commencement/signing of the contract to the date of completion of the respective projects.
2. The durations of these projects also included the warranty period.

3. Since these projects are still ongoing as of the Latest Practicable Date, the durations of which were calculated based on the period from the date of commencement/signing of the contract to the date as of the expected completion date of the respective projects.

4. The contract sum represented the contract amount and/or work incurred by the Company.

5. We expect to record revenue for certain projects subsequent to the end of our service period as our revenue from these projects were contractually contingent and subject to the progress of settlement of the project costs by the ultimate users to our customers.

6. We have substantially completed our work in relation to the project(s). However, given the relevant contract contain a contingent payment clause that the settlement of our fee is conditional on the settlement of fee by the end customer which constitute a variable consideration, we expect that part of our revenue will be recognised after the Track Record Period, while the relevant costs incurred had been recorded based on the period which the respective costs were incurred.

7. For the purposes of the above classification of our service capacity as a subcontractor or contractor, we are generally regarded as a subcontractor if there is a back-to-back arrangement under which a customer has the right to pay us after collection of payments from a third party end customer; and/or the acceptance assessment for works performed by us shall be conducted by or on behalf of a third party end customer. In the absence of any of the above provision, we will be deemed as a contractor.

Please refer to the sub-section headed "Major operating costs" below and paragraph headed "Major Operating Costs Ratio" in the sub-section for information for information and analysis concerning overall Major Operating Costs for different business lines of our Group (i.e. that of all projects within the same business line of the Group) that have been recorded over the respective reported years/period within the Track Record Period.

The Major Operating Costs Ratios of a project may vary over the duration of the project. Set out below is an analysis of projects which recorded Major Operating Costs Ratios outside the overall range (i.e. in respect of all projects of the Group) recorded for the business line in different reported years/period within the Track Record Period.

Wireless telecommunication network optimisation services

Amongst our Major Projects, ALX Network Optimisation Technical Service Project, DL Jieyang Network Optimisation Project, DT Technical Service Project, DX Qinghai Network Optimisation Project #1, DX Qinghai Network Optimisation Project #3, LQ Mobile Cloud Safety Protection Service Project, LQ Public Integrated Services Project, LT Hubei Optimisation Project, TT Foshan Network Optimisation Project #1, TT Foshan Network Optimisation Project #2 and ZY Guangzhou Chengtou Integrated Services Project recorded Major Operating Costs Ratio above the upper range of 73.9%, while most of these projects still recorded a Major Operating Costs Ratio below 85%. Given our client of the ALX Network Optimisation Technical Service Project is a PRC subsidiary of one of the leading international providers of information and communication technology to service providers, we were willing to accept a higher Major Operating Costs Ratio for carrying out projects with the client taking into account its client profile (which may strengthen our client portfolio and enhance the marketability of our service offerings going forward). The relatively higher Major Operating Costs Ratio recorded for DL Jieyang Network Optimisation Project was principally attributable to variable consideration that cannot be recognised as revenue upon settlement of payment(s) for the project due to the existence of contingent payment clause in the relevant contracts. If the revenue attributable to variable consideration were to be recognised during the period which our services were rendered, the then Major Operating Costs Ratio of the project would fall within the range of Major Operating Costs Ratio of the business line. We recorded a relatively higher Major Operating Costs Ratio in DT Technical Service Project as the client of the DT Technical Service Project is our new client and is a state-owned enterprise. We considered that the addition of such client can strengthen our client portfolio and the risks of non-payment is low. The relatively higher Major Operating Costs Ratio in DX Qinghai Network Optimisation Project #1 and DX Qinghai Network Optimisation Project #3 was consistent with the fact that the location of the projects were relatively remote, involving larger coverage and highlands which resulted in relatively high subcontracting fee for these projects during the Track Record Period. Similarly, we recorded a relatively higher Major Operating Costs Ratio in LT Hubei Optimisation Project as the project involved larger area and coverage which resulted in the relatively high subcontracting fee as well as fuel and vehicle costs to be incurred in performing the project. Our Major Operating Costs Ratio in TT Foshan Network Optimisation Project #1 was relatively high as, after taking into account the background (being a subsidiary of a state-owned enterprise) and the expected creditability of the client, we strategically quoted a more competitive price with a view to secure the project in view of potential competition. The relatively higher Major Operating Costs Ratio in TT Foshan Network Optimisation Project #2 was principally attributable to variable consideration due to the existence of contingent payment clause in the relevant contract. If the revenue attributable to variable consideration were to be recognised during the period which our services were rendered, the then Major Operating Costs Ratio of the project would fall within the range of Major Operating Costs Ratio of the business line. We also recorded a relatively higher Major Operating Costs Ratio in ZY Guangzhou Chengtou Integrated Services Project as, after taking into account the background (being a subsidiary of a state-owned enterprise) and the expected creditability of the client, we strategically quoted a more competitive price with a view to secure the project in view of potential competition. During the Track Record Period, two Major Projects in wireless telecommunication network optimisation services, namely the LQ Mobile Cloud Safety Protection Service Project for Customer F, one of our new customers during the Track Record Period and the LQ Public Integrated Services Project recorded Major Operating Costs Ratio of over 85%. Although the LQ Mobile Cloud Safety Protection Service Period is classified under our wireless telecommunication network optimisation services, the services provided thereunder are not similar to the traditional optimisation services provided by us to other customers. In particular, the project uses cloud edge architecture to create a unified cloud PaaS domain to ensure the security and stability of user website business, for which engaged a subcontractor to conduct the relevant works, leading to a relatively higher Major Operating Costs Ratio. For the LQ Public Integrated Services Project, a majority part of the project was related to our work-for-hire software development services for which we engaged subcontractors to conduct the relevant works, leading to a relatively higher Major Operating Costs Ratio.

On the other hand, we recorded a relatively lower Major Operating Costs Ratio in four of the Major Projects, namely DX Langfang Network Optimisation Project, HS Wireless Supervision Project, JS Technical Service Project and JS Technical Service Project II. The Major Operating Costs Ratio of three of these projects (except for JS Technical Service Project) was approximately 65.7%, 67.0% and 64.8%, respectively, which are slightly lower than the lower end of the range of our overall Major Operating Costs Ratio of 67.2% for the wireless telecommunication network optimisation services business line. We recorded relatively lower Major Operating Costs Ratios in each of JS Technical Service Project and JS Technical Service Project II during the Track Record Period, and such low ratio was mainly attributable to the reduction in staff resources needed to handle the orders as the Group was able to deploy existing equipment and software of the Group which enhance the capability of the Group's technicians in their performance and delivery of required services without incurring material additional costs.

Telecommunication network infrastructure maintenance and engineering services

Amongst our Major Projects, our CX Heilongjiang Telecom Maintenance Project II, XW Zhuhai Mobile Customer Premises Network Project, YY Guangzhou Mobile Cell Site Services Project and ZY Zhuhai Pipeline Alteration Service Project recorded Major Operating Costs Ratio above the upper range of 83.2%. The major Operating Costs Ratio of XW Zhuhai Mobile Customer Premises Network Project was approximately 85.2%, slightly above high-end of the range, and the relatively higher Major Operating Costs Ratio recorded for the project during the Track Record

Period was mainly attributable to the variable consideration due to the existence of contingent payment clause in the relevant contract. If the revenue attributable to variable consideration was recognised during the period which our services were rendered, the then Major Operating Costs Ratio of the project would fall within the range of Major Operating Costs Ratio of the business line. The Major Operating Costs Ratio of CX Heilongjiang Telecom Maintenance Project II and YY Guangzhou Mobile Cell Site Services Project (which related to maintenance works) was approximately 90.0% or below, while the Major Operating Costs Ratio of ZY Zhuhai Pipeline Alteration Service Project (which related to infrastructure engineering works) was approximately 95.0%, which was also attributable to the variable consideration due to contingent payment clause. This is consistent with findings of CIC that the margin of telecommunication infrastructure engineering works is normally lower than that of telecommunication infrastructure maintenance works.

On the other hand, NF Guangdong Mobile Maintenance Project recorded a Major Operating Costs Ratio of approximately 32.7% during the Track Record Period, which was considerably below the lower end of range of our overall Major Operating Costs Ratio of 71.1% for the telecommunication network infrastructure maintenance and engineering services business line. The low Major Operating Costs Ratio recorded by NF Guangdong Mobile Maintenance Project was principally attributable to the fact that a majority part of the project was carried out prior to the Track Record Period and part of the revenue recognised for the project during the Track Record Period was attributable to variable consideration, for which the corresponding costs has already been recognised in the prior period. For instance, we have recognised revenue for the project in each of FY2021, FY2022 and 6M2023 due to recognition of revenue attributable to variable consideration, while no cost was attributable to the project during each of FY2021, FY2022 and 6M2023.

ICT integration services

During the Track Record Period, four of our Major Projects, namely CX Harbin Ice Rink Project, CX Smart Construction Site ICT Project, YD Zhuhai Comprehensive Project and TY Intelligent Urban Service Project, recorded Major Operating Costs Ratio fell outside the range of the overall Major Operating Costs Ratios of the Group for our ICT integration services business line. The Major Operating Costs Ratio of CX Harbin Ice Rink Project and CX Smart Construction Site ICT Project exceeded the high-end of the range of 99.0% and was approximately 103.6% and 168.8%, respectively, which were mainly attributable to the fact that the recognition of part of the revenue of each of these two projects were affected due to the contingent payment clause in the relevant contracts. If the relevant revenue were to be recognized during the Track Record Period instead, the Major Operating Costs Ratio of these projects should fall within the range of the overall Major Operating Costs Ratio of the Group for our ICT integration services business line. The Major Operating Costs Ratio of YD Zhuhai Comprehensive Project and TY Intelligent Urban Service Project was below the low-end of the range of 77.5% and amounted to approximately 68.5% and 64.8%, respectively. The relatively lower Major Operating Costs Ratio of these two projects was consistent with the fact that these two projects involved the development of software (rather than purchasing software that was already available in the market). Meanwhile, our bargaining power in projects that involved the development of software is generally higher than projects that involved the purchasing of software from third party vendors.

Software-related business

During the Track Record Period, our YD End-to-end Perceptual Analysis Platform Development Project recorded a Major Operating Costs Ratio of approximately 26.7% which was below the lower end for the software-related businesses business line of 28.5%. The project related to the development of on-site telecommunication network optimization system and mobile end-to-end perception system, and the Directors consider that its relatively lower Major Operating Costs Ratio was mainly attributable to prior experiences and related patents in software development which the Group had attained in the relevant area over the years. Our BC Production and Operation Business Development Project recorded a higher Major Operating Costs Ratio of approximately 89.1% as we have engaged a subcontractor to develop part of the required software, and the relevant subcontracting costs already represented approximately 83.0% of our revenue for the project.

Other income

The following table sets out the breakdown of our other income by nature for the periods indicated.

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Tax credit of input tax additional deduction and VAT refund	1,484	1,909	1,326	288	846
Government subsidies	587	873	1,800	1,426	243
Equipment rental income	963	146	286	64	89
Sundry income	19	164	22	21	46
	3,053	3,092	3,434	1,799	1,224

During the Track Record Period, our other income mainly represented tax credit of input tax additional deduction and VAT refund, government subsidies and equipment rental income. The tax credit of input tax additional deduction and VAT refund, and equipment rental income were recurring in nature and derived from our ordinary and usual course of business. The Directors consider that many of the government subsidies are related to our ordinary and usual course of business. While these subsidies are normally granted on a yearly basis, some grants may be subject to make of an application to and obtaining of approval by relevant government authorities. The increase in government subsidies in FY2022 was mainly attributable to the subsidies in the amount of (i) approximately RMB0.5 million granted to the Group as Professional, Advanced, Specialized and New Enterprise* (專精特新企業) in the Xiangzhou District; (ii) approximately RMB0.3 million granted to the Group under the Promotion Digital Economy Industry Support Funds in Xiangzhou District* (香洲區促進數字經濟產業扶持資金); and (iii) approximately RMB0.2 million granted to the Group in recognition of Wellcell Technology being a High and New Technology Enterprise. The decrease in other income for 6M2023, as compared to 6M2022, was principally attributable to the decrease in government subsidies given that some grants are normally granted on a yearly basis instead of recurring in nature.

Major operating costs

Our major operating costs mainly comprised employee benefit expenses, subcontracting charges; and materials, supplies and other project costs.

Employee benefit expenses

The following table sets out the breakdown of our employee benefit expenses by nature for the periods indicated.

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Wages and salaries	52,986	41,594	16,382	7,999	7,164
Pension cost — defined contribution plans	1,861	4,241	3,314	1,811	1,603
Other staff welfares	817	590	345	182	341
Total	55,664	46,425	20,041	9,992	9,108

During the Track Record Period, our employee benefit expenses were principally attributable to the four business lines, research and development, sales and marketing, and administrative functions.

As a result of the continuous expansion of our business, we provided our services across different areas of the PRC, including, but not limited to, Qinghai Province, Jilin Province, Heilongjiang Province, Guangxi Province and Tibet. During the Track Record Period, we also noted that different local government implemented different measures, including travel restrictions, quarantine requirements and/or even lockdowns, to control the spread of COVID-19.

With an aim to enhancing our competitiveness in the market, the efficiency of our resource allocation and our capability to take up projects in different locations, we decided to reduce the number of staff with lower technical level, to increase the use of subcontractors and to focus more on providing services which require higher levels of skills and technical expertise such as ICT integration services and software development. Part of the work previously performed by our staff at lower technical levels were allocated to our subcontractors.

The wages and salaries (including bonus) of our staff accounted for the largest portion of our employee benefit expenses. The average number of our staff during FY2020, FY2021, FY2022 and 6M2023 were 603, 490, 158 and 145, respectively. On the other hand, the average wage of our staff experienced a general increasing trend which was consistent with our plan to reduce the number of our staff at lower technical levels and to subcontract projects with lower requirements for technical level staff to subcontractors.

For details of the training of our employee and our remuneration policies, please refer to the section headed "Business — Employees" in this document. Meanwhile, we have also conditionally adopted the Share Option Scheme, and the details of which are set out in "D. Share Option Scheme" in Appendix IV to this document.

Subcontracting charges

During the Track Record Period, our subcontractors mainly included: (i) subcontractors carrying out technical services including services which required specific technical skills and knowledge or license, such as electricians for telecommunication network infrastructure engineering services; and (ii) subcontractors carrying out labour services for non-technical works such as temporary technical and maintenance works such as installation and testing of emergency power supply to base stations, installation of cabling and pipeline and associated devices, certain relatively repetitive works in our ICT projects, and wiring and installation of data collection devices. Set out below is the breakdown of subcontracting charges by business line for the periods indicated.

	FY2020	**FY2021**	**FY2022**	**6M2022**	**6M2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Wireless telecommunication network optimisation services	19,743	32,018	58,845	20,312	25,681
Telecommunication network infrastructure maintenance and engineering services	27,473	29,252	29,843	15,744	13,032
ICT integration services	16,789	22,059	16,753	12,289	16,965
Software related	5,189	3,264	10,471	1,740	6,787
Other *(Note)*	—	—	5,680	—	734
Total	69,194	86,593	121,592	50,085	63,199

Note: Others principally represented the amount of subcontracting charges in relation to our research and development works.

Our increase in subcontracting charges during the Track Record Period was in line with (i) the reduction in our number of staff; and (ii) the expansions of our telecommunication network infrastructure maintenance and engineering services and ICT integration services, except that we experienced reduction in subcontracting charges for our ICT integration services for FY2022. The subcontracting charges for our two major projects, namely CX Harbin Ice Rink Project and TY 5G Smart Park Project, already amounted to approximately RMB14.6 million for FY2021, while only one of our ICT integration services major projects incurred subcontracting charges of over RMB3 million (amounted to approximately RMB3.7 million) in FY2022. We experienced increase in subcontracting charges across our services provided, except for telecommunication network infrastructure maintenance and engineering services, and such changes was generally in line with the fluctuation of our revenue derived from the provision of these services. During 6M2023, we have incurred subcontracting fee of over RMB3 million in four projects, namely DT Technical Service Project, DL Jieyang Network Optimisation Project, GG Guangxi Comprehensive Maintenance Project and DL Big Data Platform Project which amounted to approximately RMB18.1 million in aggregate.

Materials, supplies and other project costs

Our materials, supplies and other project costs principally represented the project supplies cost, fuel costs and motor vehicle expenses, and travelling expenses. Depending on different project requirements, our services primarily require the procurement of hardware and software for the projects, for example, computers, mobile handsets, operating systems and servers. Meanwhile, as our projects normally require the carrying out of on-site services or works by our staff and we were engaged to provided services in different parts of the PRC during the Track Record Period, our project costs also included the relevant fuel costs and motor vehicle expenses, and travelling expenses. Set out below is the breakdown of our materials, supplies and other project costs by nature and by business line for the periods indicated.

By nature

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Project supplies cost	24,822	20,858	29,680	16,260	10,886
Fuel costs and motor vehicle expenses	4,783	6,244	7,282	3,463	3,184
Travelling expense	2,249	2,066	1,258	509	580
Total	31,854	29,168	38,220	20,232	14,650

By business line

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** *(unaudited)*	**RMB'000**
Wireless telecommunication network optimisation services	9,931	10,881	10,469	4,261	3,645
Telecommunication network infrastructure maintenance and engineering services	658	1,524	1,434	526	487
ICT integration services	21,265	16,763	26,258	15,350	10,512
Software related	—	—	59	95	6
Total	31,854	29,168	38,220	20,232	14,650

The increase in our material costs for FY2022 as compared to FY2021 was principally attributable to the growth of our ICT integration services segment as we may be required to source hardware and/or software for our ICT integration services. On the other hand, there was a decreasing trend in travelling expense, which was mainly attributable to the increase in the use of subcontractors which reduced the overall travelling of our staff in our provision of wireless telecommunication network optimisation services. We recorded a general decrease in materials, supplies and other project costs in 6M2023, as compared to 6M2022, for all services provided as mainly driven by the decrease in project supplies costs of approximately RMB4.8 million principally attributable to our ICT integration services. We incurred materials, supplies and other project costs of approximately RMB12.9 million for our CX IDC Room ICT Project during 6M2022, while we did not incurred comparable amount of materials, supplies and other project costs in ICT integration service projects in 6M2023 as we have reduced the taking of ICT integration projects with large contract sum in view of the initial project cost requirement. For instance, the largest amount of materials, supplies and other project costs in ICT integration service projects for 6M2023 was attributable to our CX Xinchuang ICT Project which amounted to approximately RMB5.3 million.

Major Operating Costs Ratio

Our overall Major Operating Costs Ratio was approximately 80.1%, 79.8%, 79.4% and 76.4% for FY2020, FY2021, FY2022 and 6M2023, respectively. We recorded relatively stable Major Operating Costs Ratios during the Track Record Period, with a relatively lower Major Operating Costs Ratios for FY2022. The reduction in Major Operating Costs Ratios for FY2022, as compared to FY2020 and FY2021, was principally attributable to the reduction in Major Operating Costs Ratios for our ICT integration services as we have selected projects with better margins after strengthening our presence in the market during FY2020 and FY2021. The further decrease in Major Operating Costs Ratios for 6M2023 was mainly attributable to the increase in revenue derived from our software-related business, which generally had a relatively lower Major Operating Costs Ratios, and the continuous reduction in Major Operating Costs Ratios for our ICT integration services as we have selected projects with better margins after strengthening our presence in the market. Set out below is the Major Operating Costs Ratio for our four business lines during the Track Record Period:

Business line	FY2020	FY2021	FY2022	6M2023
Wireless telecommunication network optimisation services	67.2%	70.9%	72.1%	73.9%
Telecommunication network infrastructure maintenance and engineering services	79.2%	83.2%	71.1%	73.0%
ICT integration services	99.0%	91.3%	78.9%	77.5%
Software-related business	30.4%	28.5%	49.4%	44.8%

We generally recorded relatively higher Major Operating Costs Ratio for ICT integration services as our ICT integration services usually involve hardware and/or software procurement which accounted for a major part of the costs for our ICT integration services. Meanwhile, we generally recorded a lower Major Operating Costs Ratio for our wireless telecommunication network optimisation services as compared to our telecommunication network infrastructure maintenance and engineering services, and our Directors believe that we are able to bargain for better margins as wireless telecommunication network optimisation services generally involve a higher level of knowledge input in the area. On the other hand, our software-related business generally involved a relatively lower amount of subcontracting charges and does not incur any materials, supplies and other project costs, and, therefore, our software-related business generally record a lower Major Operating Costs Ratio. During the Track Record Period, the fluctuation in the Major Operating Costs Ratio of our software-related services was consistent with the fluctuation in the revenue contribution of our software development services as we normally incurred much higher project costs in our software development services as compared to sales of software.

During the Track Record Period, we acted as the subcontractors of our customers for some projects and our entitlement to the consideration in certain of the contracts was contingent on the settlement of the project costs by the ultimate users to our customers. In such cases, our revenue recognition will be affected by the timing of settlement by the ultimate customers. For FY2020, the recognition of an aggregate revenue amounting to approximately RMB5.5 million in relation to CX Smart Construction Site ICT Project were subject to the same consideration, resulting in a higher Major Operating Costs Ratio for our ICT integration services for FY2020. If the relevant contingent payment clauses were removed, the then Major Operating Costs Ratio for the ICT integration services in FY2020 would be comparable to FY2021.

During the Track Record Period, the overall Major Operating Costs Ratios of our Major Projects in telecommunication network optimisation services, telecommunication network infrastructure maintenance and infrastructure engineering services, ICT integration services and software-related business was approximately 71.9%, 79.5%, 92.9% and 73.5%, respectively. The reasons for deviation of Major Operating Costs Ratio of our Major Projects had been disclosed above. The overall Major Operating Costs Ratios of the remaining projects (projects other than Major Projects) in telecommunication network optimisation services, telecommunication network infrastructure maintenance and infrastructure engineering services, ICT integration services and software-related business was approximately 68.9%, 72.8%, 73.4% and 30.5%, respectively. Except for the overall Major Operating Costs Ratio for our ICT integration services, all of the overall Major Operating Costs Ratio of the remaining projects for other business lines falls within the range of the overall Major Operating Costs Ratio of the respective business line during the Track Record Period. The relatively lower Major Operating Costs Ratio recorded by our other projects concerning ICT integration services was principally attributable to the fact that the price of such services was principally determined on a cost-plus basis after taking into account, among other things, the estimated cost of the hardware and software specified for an integration project. Major Projects in ICT integration services business line normally involved relatively higher estimated cost of hardware and software, for which our margin in these projects (as a percentage of revenue) will normally be lower if such hardware and/or software was procured through third-party vendors. As a result, we normally recorded a relatively higher Major Operating Costs Ratio for Major Projects in ICT integration services, compared with other projects in the business line. Among the remaining projects of all business lines during the Track Record Period, there were 17 projects that we considered to have a significant impact to our profitability (being projects that generated no less than RMB1 million project level profit (calculated based on revenue of the project minus its Major Operating Cost) during FY2020, FY2021, FY2022 or 6M2023). Amongst these 17 projects, eleven of them were related to our software segment (including seven software sales projects for which relatively lower Major Operating Costs Ratio is normally recorded as insignificant additional costs are required), two of them were related to our wireless telecommunication network optimisation services, two of them were related to our telecommunication network infrastructure maintenance and engineering services and the remaining two of them were related to our ICT integration services. Two of the projects in our software segment recorded relatively lower Major Operating Costs Ratios of approximately 6.6% and 14.3% as we were able to utilise our previous research and development results in providing the relevant software development services. Similarly, we recorded relatively lower Major Operating Costs Ratios of approximately 20.8% and 50.0% in two wireless telecommunication network optimisation services projects and approximately 40.3% and 45.7% in two ICT integration service projects as a result of the utilisation of our existing research and development results, or existing software or platform development resources. We did not incur addition cost in the two telecommunication network infrastructure maintenance and engineering services projects as the revenue recognised were related to recognition of revenue attributable to variable consideration.

Wireless telecommunication network optimisation services

The Major Operating Costs Ratio for the business line was relatively stable for FY2021, FY2022 and 6M2023. While our Major Operating Costs Ratio for the business line was relatively lower in FY2020 as we recorded a relatively lower Major Operating Costs Ratio for JS Technical Service Project I of approximately 52.5% in FY2020, which was mainly attributable to the reduce in staff resources needed to handle the orders.

Telecommunication network infrastructure maintenance and engineering services

The Major Operating Costs Ratio for the business line was relatively stable for FY2020 and FY2021. While we recorded a relatively lower Major Operating Costs Ratio for the business line in FY2022 as we recognized revenue of approximately RMB4.3 million from NF Guangdong Mobile Maintenance Project, XW Zhuhai Mobile Customer Premises Network Project, CX Heilongjiang Telecom Maintenance Project I and two other projects of the business line for FY2022, which were mainly attributable to the contingent payment recognized during the FY2022. Nevertheless, we recorded a slight increase in Major Operating Costs Ratio in 6M2023 as compared to FY2022.

ICT integration services

For our ICT integration services, we would generally design the system layout, procure necessary hardware and software, and integrate the same to form a compatible functioning system to cater for our customers' specific needs or requirements. However, the type and combination of system components required by customers vary on a case-by-case basis depending on the application and specifications of the system to be set up. Accordingly, we experienced a relatively larger fluctuation in Major Operating Costs Ratio for our ICT integration services. We had a relatively high Major Operating Costs Ratio for the business line in FY2020 which was principally attributable to CX Smart Construction Site ICT Project as stated above. While we successfully lowered the Major Operating Costs Ratio for the business line in FY2022 as we have selected projects with better margins after strengthening our presence in the market during FY2020 and FY2021. For instance, the weighted average Major Operating Costs Ratio for our three ICT integration services projects which contributed over RMB3 million revenue for FY2022 (namely, CX IDC Room ICT Project, XM Future Exchange System Integration Project and ZTF Hospital Automation Alteration Service Project) was approximately 86.9%, while the weighted average Major Operating Costs Ratio for our 11 ICT integration services projects which contributed revenue ranging from RMB1 million to RMB3 million for FY2022 (namely DX 2G Monitoring Alternation Project, DX Jiangmen Smart Access Control ICT Project, YD Data Mobilisation Project, YD Intelligent Office ICT Project, YD Hengqin 5G ICT Project, ZS Jiangmen Bridge Project, NF Baoan Water Monitoring ICT Project, XX 5G Edge Computing Project, YC Guangzhou South ICT Project, GY Mobile XC Cloud Project and GY Digital Government, Medical, Insurance and Disaster Recovery Project) was reduced to approximately 72.6%. During 6M2023, we continue to take up more projects with lower contract sum which normally require lower material costs and yield a better margin as compared to projects with significant contract sum, and therefore, able to record a lower Major Operating Costs Ratio as compared to FY2022.

Software-related business

The Major Operating Costs Ratio for software-related business mainly depended on the proportion of revenue derived from sales of software and our software development services as the Major Operating Costs Ratio of sales of software is much lower than our software development services. For instance, the general increasing trend of our Major Operating Costs Ratio for software-related business was consistent with the fact that our software development services accounted for approximately 51.4% of revenue from our software-related business in FY2020 and 49.0% in FY2021, and increased to 86.1% and 73.8% in FY2022 and 6M2023, respectively.

Depreciation and amortisation

Our depreciation and amortisation expenses principally represented the depreciation expenses of furniture, fixtures and office equipment, rights-of-use assets and motor vehicles, and the amortisation expenses of our self-developed software. During the Track Record Period, as we did not own any property or land for self-use and there was no high-value equipment or machine required for the provision of our services, we did not record a material amount of depreciation.

[REDACTED] expenses

Our [REDACTED] expenses represented the amount of expenses charged to our consolidated statements of profit or loss in relation to the [REDACTED].

Other operating expenses

Our other operating expenses principally included our other tax and levies, professional fees, office expenses and other expenses. Our other tax and levies mainly represented city maintenance and construction tax and educational surcharges.

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Auditor's remuneration	115	121	117	46	47
Contract bidding charge	403	644	511	303	237
Entertainment expenses	281	382	267	128	212
Expenses of short-term leases in respect of equipment, offices and staff quarters	95	—	145	29	2
Insurance expenses	37	117	150	30	36
Office expenses	379	511	343	116	134
Other taxes and levies	1,007	1,062	1,197	527	865
Professional fees	498	433	475	355	195
Stamp duty	—	106	—	—	—
Others	365	273	291	85	120
Total	3,180	3,649	3,496	1,619	1,848

We experienced a generally increasing trend in our other operating expenses which was consistent with the overall growth of our business during the Track Record Period.

Finance costs, net

Our net finance cost comprised our finance income and our finance costs. Our finance income principally represented our interest income on our cash at banks and our finance cost principally represented the interest expenses on our bank borrowings. Given that we did not incur material bank borrowings during the Track Record Period, we did not record a material amount of net finance costs.

Income Tax

During FY2020, FY2021, FY2022 and 6M2023, WellCell Technology, one of our subsidiaries in the PRC, was qualified for high and new technology enterprises status and was therefore subject to a preferential income tax rate of 15%. In addition to being recognised as high and new technology enterprises, WellCell Technology was recognised as a Key Software Enterprise under relevant PRC laws and regulations for FY2021 and FY2022, and was entitled to a preferential income tax rate of 10% for FY2021 and FY2022. WellCell Intelligent, our another subsidiary in the PRC, was subject to a standard income tax rate of 25%.

Our subsidiary in Hong Kong and our Company are subject to Hong Kong profits tax of 16.5% on estimated assessable profit arising in Hong Kong, while we had no tax obligation arising from Hong Kong or other jurisdictions during the Track Record Period. Nevertheless, according to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

Our effective tax rate for FY2020, FY2021, FY2022 and 6M2023 was approximately 14.6%, 15.3%, 17.1% and 17.0%. For FY2021, although WellCell Technology was recognised as a Key Software Enterprise under relevant PRC laws and regulations and entitled to a preferential income tax rate of 10%, we still recorded a relatively high effective tax rate as we recorded an increase in PRC dividend withholding tax which accounted for approximately 49.7% of our income tax expenses in FY2021. For FY2022 and 6M2023, our relatively high effective tax rate was principally attributable to the PRC dividend withholding tax, which accounted for approximately 43.9% and 56.6%, respectively of our income tax expenses for the year/period, mainly related to the withholding tax on dividends declared and paid by our PRC subsidiary during 2022 or first half 2023.

RESULTS OF OPERATIONS OF OUR GROUP

Our Directors anticipate that there will be no material change in our business model in the near future and in order to allow investors to have a better understanding of our business, we further set out below the analysis of our historical results for FY2020, FY2021, FY2022, 6M2022 and 6M2023.

6M2023 compared to 6M2022

Revenue

Our revenue increased by approximately RMB10.6 million from approximately RMB103.2 million for 6M2022 to approximately RMB113.8 million for 6M2023, representing an increase of approximately 10.3%. The increase was mainly attributable to the increase in revenue derived from our software related business of approximately RMB9.4 million.

We set out below the analysis of segmental revenue of our business segments:

- Wireless telecommunication network optimisation services: segmental revenue increased by approximately 7.6% from approximately RMB39.4 million for 6M2022 to approximately RMB42.4 million for 6M2023. The increase was mainly attributable to the increase in average revenue generated from each project from approximately RMB0.66 million for 6M2022 to approximately RMB0.74 million for 6M2023, while the number of projects that generated revenue for the segment slightly decreased from 60 in 6M2022 to 58 in 6M2023. The increase in average revenue generated from each project was primarily attributable to the increase in revenue derived from DT Technical Service Project of approximately RMB5.0 million for 6M2023 as compared to 6M2022.

- Telecommunication network infrastructure maintenance and engineering services: segmental revenue decreased by approximately 11.9% from approximately RMB21.2 million for 6M2022 to approximately RMB18.7 million for 6M2023. The number of projects that generated revenue for the segment for each of 6M2022 and 6M2023 was 24, while there was decrease in average revenue generated from each project from approximately RMB0.9 million in 6M2022 to RMB0.8 million in 6M2023. The decrease in average revenue generated from each project was mainly attributable to the decrease in number of projects that generated revenue of over RMB3 million during the period from three during 6M2022 (namely, CX Heilongjiang Telecom Maintenance Project II, GG Guangxi Comprehensive Maintenance Project and ZY Zhuhai Pipeline Alteration Service Project which contributed an aggregate revenue of approximately RMB12.3 million) to one during 6M2023 (namely GG Guangxi Comprehensive Maintenance Project which contributed revenue of approximately RMB6.1 million).

- ICT integration services: segmental revenue slightly increased by approximately 2.3% from approximately RMB34.8 million for 6M2022 to approximately RMB35.6 million for 6M2023. The increase was mainly attributable to the increase in the number of projects that generated revenue for the segment from 20 in 6M2022 to 28 in 6M2023 which was in line with our continuous expansion in the segment. On the other hand, the average revenue generated for each project was approximately RMB1.7 million and RMB1.3 million for 6M2022 and 6M2023, respectively. The decrease in average revenue generated for each project was also attributable to the decrease in revenue derived from the highest-revenue-generating project from approximately RMB15.6 million in 6M2022 to approximately RMB7.1 million in 6M2023 and was in line with our strategy to reduce the taking of ICT integration projects with large contract sum in view of the initial project cost requirement.

- Software development and sales: segmental revenue increased by approximately 119.5% from approximately RMB7.8 million for 6M2022 to approximately RMB17.2 million for 6M2023. The increase was mainly attributable to the increase in revenue derived from software development services from approximately RMB5.6 million for 6M2022 to approximately RMB12.7 million for 6M2023, as mainly driven by the increase in number of projects that generate revenue of over RMB1 million during the period from two during 6M2022 (namely, YD End-to-end Perceptual Analysis Platform Development Project and YD 5G News Operating Platform Project which contributed an aggregate revenue of approximately RMB4.1 million) to four during 6M2023 (namely, BC Production and Operation Business Development Project, YC Industrial Internet Cloud Platform Development Project, DX New Cloud Software Development Project and KA Asset Management Platform Development Project which contributed an aggregate revenue of approximately RMB9.2 million).

Employee benefit expenses

Our employee benefit expenses experienced a decrease from approximately RMB10.0 million for 6M2022 to approximately RMB9.1 million for 6M2023. The decrease was principally attributable to the decrease in wages and salaries due to decrease in average number of employee. Our average number of employees of each month decrease from approximately 160 during 6M2022 to approximately 145 during 6M2023. Nevertheless, our number of employee as at 31 December 2022 and 30 June 2023 was also 145.

Subcontracting charges

Our subcontracting charges increased by approximately 26.2% from approximately RMB50.1 million for 6M2022 to approximately RMB63.2 million for 6M2023. The increase was mainly attributable to the increases in subcontracting charges for our all four services, except for telecommunication network infrastructure maintenance and engineering services which we recorded a decrease in revenue. The increase was in line with the increase in engaging subcontractor when we reduced our staff during the Track Record Period. We have incurred subcontracting fee of over RMB3 million in four projects, namely DT Technical Service Project, DL Jieyang Network Optimisation Project, GG Guangxi Comprehensive Maintenance Project and DL Big Data Platform Project which amounted to approximately RMB18.3 million in aggregate.

Materials, supplies and other project costs

Our materials, supplies and other project costs decreased by approximately 27.6% from approximately RMB20.2 million for 6M2022 to approximately RMB14.7 million for 6M2023. The decrease was principally attributable to the decrease in material costs for our ICT integration services which was in line with our strategy to reduce the taking of ICT integration projects with large contract sum in view of the initial project cost requirement.

Depreciation and amortisation

Our depreciation and amortisation expenses decreased by approximately 21.1% from approximately RMB1.5 million for 6M2022 to approximately RMB1.2 million for 6M2023. The decrease was mainly attributable to the decreases in both amortisation of intangible assets and depreciation charges.

Other operating expenses

Our other operating expenses increased from approximately RMB1.6 million in 6M2022 and approximately RMB1.8 million in 6M2023 as primarily driven by the increase in other tax and levies due to our VAT.

[REDACTED] expenses

Our [REDACTED] expenses decreased from approximately RMB[REDACTED] for 6M2022 to approximately RMB[REDACTED] for 6M2023.

Operating profit

Our operating profit increased by approximately 33.2% from approximately RMB13.6 million for 6M2022 to approximately RMB18.0 million for 6M2023. The increase in our operating profit was principally attributable to the increase in our revenue cope with the reduction in Major Operating Costs Ratio as explained above.

Finance costs, net

Our net finance cost slightly increased from approximately RMB0.3 million for 6M2022 to approximately RMB0.4 million for 6M2023.

Income tax expenses

Our income tax expenses reduced by approximately RMB0.9 million from approximately RMB3.9 million for 6M2022 to approximately RMB3.0 million for 6M2023. The decrease was mainly attributable to the decrease in corporate income tax mainly due to increase in super deduction from research and development expenditure, and the decrease in withholding tax on dividends due to reduction in dividend declared by our PRC subsidiary during 6M2023 as compared to 6M2022.

Profit for the period and net profit margin

As a result of the foregoing, our profit for the period increased by approximately RMB5.3 million from approximately RMB9.4 million for 6M2022 to approximately RMB14.7 million for 6M2023, representing an increase of approximately 56.4%. The net profit margin increased from approximately 9.1% for 6M2022 to approximately 12.9% for 6M2023.

FY2022 compared to FY2021

Revenue

Our revenue increased by approximately RMB23.2 million from approximately RMB203.3 million for FY2021 to approximately RMB226.5 million for FY2022, representing an increase of approximately 11.4%. The increase was mainly attributable to the overall increase in all business lines.

We set out below the analysis of segmental revenue of our business segments:

- Wireless telecommunication network optimisation services: segmental revenue slightly increased by approximately 2.0% from approximately RMB100.1 million for FY2021 to approximately RMB102.1 million for FY2022. The number of projects that generated revenue for the segment slightly decreased from 93 in FY2021 to 91 in FY2022, while the average revenue generated from each project for each of FY2021 and FY2022 was approximately RMB1.1 million.

- Telecommunication network infrastructure maintenance and engineering services: we recorded an increase in revenue of approximately RMB2.7 million from FY2021 to FY2022. The number of projects that generated revenue for the segment for each of FY2021 and FY2022 was 35, and the average revenue generated from each project slightly increased from approximately RMB1.2 million in FY2021 to approximately RMB1.3 million in FY2022.

- ICT integration services: segmental revenue increased by approximately 28.4% from approximately RMB42.5 million for FY2021 to approximately RMB54.6 million for FY2022. The increase was mainly attributable to the increase in the number of projects that generated revenue for the segment from 25 in FY2021 to 35 in FY2022 which was in line with our continuous expansion in the segment. On the other hand, the average revenue generated for each project slightly dropped from approximately RMB1.7 million in FY2021 to approximately RMB1.6 million in FY2022.

- Software development and sales: segmental revenue increased by approximately 33.3% from approximately RMB19.0 million for FY2021 to approximately RMB25.3 million for FY2022. The increase was mainly attributable to the increase in revenue derived from software development of approximately RMB12.5 million and partially offset by the reduce in revenue derived from sales of software of approximately RMB6.1 million. The increase in revenue derived from software development was principally attributable to the YD End-to-end Perceptual Analysis Platform Development Project and LQ Public Integrated Services Projects, being the only two Major Project for our software development during the Track Record Period, which contributed revenue of approximately RMB11.5 million in aggregate for FY2022.

Employee benefit expenses

Our employee benefit expenses experienced a decrease from approximately RMB46.4 million for FY2021 to approximately RMB20.0 million for FY2022. The decrease was principally attributable to the decrease in wages and salary of approximately RMB25.2 million as a result of the reduction in our average number of employees as stated above. Our average number of employees of each month decreased from approximately 490 during FY2021 to approximately 158 during FY2022.

Subcontracting charges

Our subcontracting charges increased by approximately 40.4% from approximately RMB86.6 million for FY2021 to approximately RMB121.6 million for FY2022. The increase was mainly attributable to the increases in subcontracting charges for our wireless telecommunication network optimisation services of approximately RMB26.8 million and subcontracting charges for our software-related business of approximately RMB7.2 million. The considerable increase in subcontracting charges for our wireless telecommunication network optimisation services was consistent with our approach in increasing the use of subcontractors on projects with lower technical requirements.

Materials, supplies and other project costs

Our materials, supplies and other project costs increased by approximately 31.0% from approximately RMB29.2 million for FY2021 to approximately RMB38.2 million for FY2022. The increase was principally attributable to the increase in materials, supplies and other project costs for our ICT integration services of approximately RMB9.5 million. Our materials, supplies and other project costs for our ICT integration services for FY2022 was mainly attributable to our CC IDC Room ICT Project and our XM Future Exchange Integrated Project, the material cost of these two project amounted to approximately RMB18.2 million in aggregate for FY2022.

Depreciation and amortisation

Our depreciation and amortisation expenses increased by approximately 34.8% from approximately RMB2.3 million for FY2021 to approximately RMB3.1 million for FY2022. The increase was mainly attributable to the increases in both amortisation of intangible assets and depreciation charges.

Net impairment losses of contract assets and trade receivables

Our net impairment losses of contract assets and trade receivables increased from approximately RMB0.2 million for FY2021 to approximately RMB3.3 million for FY2022. The increase was principally attributable to the increase in impairment losses on expected credit loss rate primarily due to the decrease in settlement rate of the outstanding trade receivables aged 1 to 2 years during FY2022 and the increase in outstanding amount of gross trade receivables aged over 1 year from approximately RMB1.8 million as at 31 December 2021 to approximately RMB4.4 million as at 31 December 2022. Amongst such outstanding balance, approximately RMB4.1 million was attributable to our customers from whom we derived an aggregate revenue of approximately RMB55.1 million during FY2022 and the remaining balance of approximately RMB0.3 million was attributable to three customers from whom we did not derive any revenue during FY2022.

Other operating expenses

Our other operating expenses was relatively stable and amounted to approximately RMB3.6 million in FY2021 and approximately RMB3.5 million in FY2022

[REDACTED] expenses

Our [REDACTED] expenses increased from approximately RMB[REDACTED] for FY2021 to approximately RMB[REDACTED] for FY2022.

Operating profit

Our operating profit slightly decrease by approximately 1.3% from approximately RMB30.5 million for FY2021 to approximately RMB30.1 million for FY2022. The decrease in our operating profit was principally attributable to the increases in subcontracting costs, materials, supplies and other project costs, net impairment losses of contract assets and trade receivables and increase in [REDACTED] expenses and partially offset by the increase in our revenue and decrease in staff costs as explained above.

Finance costs, net

Our net finance cost increased from approximately RMB0.3 million for FY2021 to approximately RMB0.8 million for FY2022. The increase was mainly attributable to the increase in finance costs of approximately RMB0.5 million as we utilised more bank borrowings during FY2022 as compared to FY2021 as evidenced by the increase in proceeds from bank borrowings from approximately RMB6.0 million for FY2021 to approximately RMB30.0 million for FY2022. The increase in indebtedness was in line with the increase in revenue derived from our ICT projects during FY2022 which normally requires larger amount of initial project costs. For further information of our borrowings, including their interest rates and maturity portfolio, please refer to the paragraphs under "Indebtedness" below.

Income tax expenses

Our income tax expenses increased from approximately RMB4.6 million in FY2021 to approximately RMB5.0 million in FY2022. We recorded increase in corporate income tax of approximately RMB1.2 million as WellCell Technology regained its recognition as a Key Software Enterprise under relevant PRC laws and regulations for FY2021 and was, therefore, entitled to a preferential income tax rate of 10% for FY2021, while such status for FY2022 has yet to be confirmed, which were partially offset by the increase in deduction from research and development expenditure of approximately RMB1.2 million and the decrease in PRC dividend withholding tax from RMB2.3 million in FY2021 to RMB2.2 million in FY2022.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year decreased by approximately RMB1.2 million from approximately RMB25.5 million for FY2021 to approximately RMB24.3 million for FY2022, representing a decrease of approximately 5.0%. The net profit margin decreased from approximately 12.6% for FY2021 to approximately 10.7% for FY2022 which was principally attributable to the increases in net impairment losses of contract assets and trade receivables and [REDACTED] expenses.

FY2021 compared to FY2020

Revenue

Our revenue increased by approximately RMB7.7 million from approximately RMB195.6 million for FY2020 to approximately RMB203.3 million for FY2021, representing an increase of approximately 4.0%. The increase was mainly attributable to the overall increase in all business lines (except for the software related segment which recorded a decrease in revenue).

We set out below the analysis of segmental revenue of our business segments:

- Wireless telecommunication network optimisation services: segmental revenue increased by approximately 6.8% from approximately RMB93.7 million for FY2020 to approximately RMB100.1 million for FY2021. The increase was mainly attributable to the increase in the average revenue generated from each project from approximately RMB1.0 million in FY2020 to RMB1.1 million in FY2021 while there is a slight decrease in number of projects that generated revenue for the segment from 95 in FY2020 to 93 in FY2021.

- Telecommunication network infrastructure maintenance and engineering services: there was no significant change in segmental revenue for FY2020 and FY2021, and we recorded an increase in revenue of approximately RMB2.1 million from FY2020 to FY2021. There was an increase in number of projects that generated revenue for the segment from 23 in FY2020 to 35 in FY2021, especially as we recorded an increase in revenue from projects in Guangxi Province, while there was a decrease in average revenue generated from each project from approximately RMB1.7 million in FY2020 to RMB1.2 million in FY2021. The decrease in average revenue generated from each project was mainly attributable to the decrease in revenue generated from the CX Heilongjiang Telecom Maintenance Project from approximately RMB17.1 million for FY2020 to approximately RMB14.9 million for FY2021 mainly as a result of the decrease in order in the project.

- ICT integration services: segmental revenue increased by approximately 10.4% from approximately RMB38.5 million for FY2020 to approximately RMB42.5 million for FY2021. The increase was mainly attributable to the increase in the number of projects that generated revenue for the segment from 13 in FY2020 to 25 in FY2021 which was in line with our continuous expansion in the segment. On the other hand, the average revenue generated from each project was approximately RMB3.0 million in FY2020 and RMB1.7 million in FY2021. The decrease in average revenue generated from each project was principally attributable to the fact that the number of project contributing revenue of less than RMB1 million increased from five in FY2020 to eighteen in FY2021.

- Software development and sales: segmental revenue decreased by approximately 20.1% from approximately RMB23.7 million for FY2020 to approximately RMB19.0 million for FY2021. The decrease was mainly attributable to the decrease in revenue derived from sales of software of approximately RMB1.9 million and software development of approximately RMB2.9 million.

Employee benefit expenses

Our employee benefit expenses experienced a decrease from approximately RMB55.7 million for FY2020 to approximately RMB46.4 million for FY2021. The decrease was principally attributable to the decrease in wages and salary of approximately RMB11.4 million as a result of the reduction in our average number of employees, which was partially offset by the increase in pension costs of approximately RMB2.4 million as the PRC government waived part of our pension contribution obligations during FY2020 in view of the COVID-19 pandemic. Our average number of employees of each month decreased from approximately 603 during FY2020 to approximately 490 during FY2021.

Subcontracting charges

Our subcontracting charges increased by approximately 25.1% from approximately RMB69.2 million for FY2020 to approximately RMB86.6 million for FY2021. The increase was mainly attributable to the increase in subcontracting charges for our wireless telecommunication network optimisation services of approximately RMB12.3 million and subcontracting charges for our ICT integration services of approximately RMB5.3 million. The considerable increase in subcontracting charges for our wireless telecommunication network optimisation services was consistent with our approach in increasing the use of subcontractors on projects with lower technical requirements.

Materials, supplies and other project costs

Our materials, supplies and other project costs decreased by approximately 8.4% from approximately RMB31.9 million for FY2020 to approximately RMB29.2 million for FY2021. The decrease was mainly attributable to the decrease in the project supplies costs which was consistent with the decrease in materials, supplies and other project costs of our ICT integration services.

Depreciation and amortisation

Our depreciation and amortisation expenses increased by approximately 38.0% from approximately RMB1.6 million for FY2020 to approximately RMB2.3 million for FY2021. The increase was mainly attributable to the increases in both amortisation of intangible assets and depreciation charges.

Other operating expenses

Our other operating expenses increased by approximately 14.7% from approximately RMB3.2 million for FY2020 to approximately RMB3.6 million for FY2021. The increase was mainly driven by the increase in contract bidding charges and stamp duty charged during the year. Our other operating expenses represented approximately 1.6% and 1.8% of our revenue for FY2020 and FY2021, respectively.

[REDACTED] expenses

Our [REDACTED] expenses increased from approximately RMB[REDACTED] for FY2020 to approximately RMB[REDACTED] for FY2021.

Operating profit

Our operating profit decreased by approximately 13.4% from approximately RMB35.2 million for FY2020 to approximately RMB30.5 million for FY2021. The decrease was mainly attributable to the increase in subcontracting charges of approximately RMB17.4 million and increase in [REDACTED] expenses of approximately RMB[REDACTED], which was partially offset by the increase in revenue of approximately RMB7.8 million and the decrease in employee benefit expenses of approximately RMB9.2 million.

Finance costs, net

Our net finance cost decreased by approximately 33.3% from approximately RMB0.5 million for FY2020 to approximately RMB0.3 million for FY2021. The decrease was mainly attributable to the reduction in finance costs of approximately RMB0.2 million as we utilised less bank borrowings during FY2021 as compared to FY2020 as evidenced by the reduction in proceeds from bank borrowings from approximately RMB23.7 million for FY2020 to approximately RMB6.0 million for FY2021. For further information of our borrowings, including their interest rates and maturity portfolio, please refer to the paragraphs under "Indebtedness" below.

Income tax expenses

Our income tax expenses decreased by approximately RMB0.5 million from approximately RMB5.1 million for FY2020 to approximately RMB4.6 million for FY2021, representing a decrease of approximately 9.8%. The decrease was mainly attributable to the decrease in corporate income tax of approximately RMB1.4 million as WellCell Technology regained its recognition as a Key Software Enterprise under relevant PRC laws and regulations for FY2021 and was, therefore, entitled to a preferential income tax rate of 10% for FY2021, which was partially offset by the increase in PRC dividend withholding tax from approximately RMB1.6 million for FY2020 to RMB2.3 million for FY2021.

Profit for the year and net profit margin

As a result of the foregoing, our profit for the year decreased by approximately RMB4.2 million from approximately RMB29.7 million for FY2020 to approximately RMB25.5 million for FY2021, representing a decrease of approximately 14.1%. The net profit margin reduced from approximately 15.2% for FY2020 to approximately 12.6% for FY2021. The decrease in net profit and net profit margin was mainly attributable to an increase in [REDACTED] expenses which amounted to approximately RMB[REDACTED] for FY2020 and RMB[REDACTED] for FY2021, and represented approximately [REDACTED]% of revenue for FY2020 and [REDACTED]% of revenue for FY2021.

MATERIAL POST BALANCE SHEET EVENTS

Save for the Reorganisation in preparation of the [REDACTED] and the declaration and payment of dividend as mentioned above, there was no material post-balance sheet events which had affected our financial positions.

Further, our Directors confirm that, since the end of the Track Record Period up to the Latest Practicable Date, the outbreak of COVID-19 did not have any material adverse impact on our business and results of operations. For details, please refer to the paragraphs headed "Business — Impact of the COVID-19 outbreak on our business" in this document.

MATERIAL ACQUISITIONS AND DISPOSALS

During the Track Record Period, we did not have any material acquisitions or disposals of subsidiaries or associated companies or joint ventures.

SIGNIFICANT INVESTMENTS

During the Track Record Period, we did not hold any significant investment.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our liquidity and capital requirements primarily through a combination of borrowings, inflows from our operating activities and contributions from our shareholders. Our level of borrowings during the Track Record Period and the relevant cost of borrowings are further analysed under the paragraphs under "Indebtedness" below. We generated operating profit before working capital changes of approximately RMB37.7 million, RMB33.0 million, RMB36.4 million, RMB16.5 million and RMB20.6 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively, which took into account the [REDACTED] expenses of approximately RMB[REDACTED], RMB[REDACTED], RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively. We require cash primarily for financing our settlements and/or prepayment of various project expenses, staff costs, operating expenses, interest expenses, our research and development costs and other working capital needs, as well as for financing our capital expenditures in connection with the purchase of property, plant and equipment. As at 31 December 2020, 2021 and 2022 and 30 June 2023, we had cash and cash equivalents of approximately RMB23.1 million, RMB21.5 million, RMB42.2 million and RMB31.5 million, respectively. Our Group's cash and cash equivalents are mainly held in RMB and the remaining are held in HK$.

Meanwhile, our Directors believe that we might face liquidity risk from time to time as a result of the mismatch of our operating cash flow arising from significant net cash outflow during the early stages of a project, where our cash outflow for our payables have not yet been recovered by our receivables for a prolonged period of time, until the accumulated progress payments received from our customer can materially cover the aggregate cost we have incurred. For details, please refer to the paragraphs headed "Risk factors — Our inability to manage cash flow mismatch arising from the incurring of material initial project costs for projects/work performed before these are recoverable/recovered may damage our financial position and prospects and give rise to liquidity or insolvency risks" in this document. During the Track Record Period, we normally incurred net operating cash outflows during the first half of our financial year. In view of the liquidity requirement, especially in our ICT integration projects, we had to adopt a cautious approach in considering potential ICT integration projects which had a contract sum exceeding RMB20 million and involved significant initial project costs, and had to decline business opportunities in relation to projects with larger contract sum due to concerns in liquidity management. Meanwhile, in order to mitigate our liquidity risk which may intensify along with our anticipated business growth, we have also put in place the internal control measures and procedures to strengthen our liquidity management and the details of which are set out in "Internal control and risk management measures" in the Business section.

We expect to finance our working capital requirements and the planned capital expenditures and investments for the 12 months following the date of this document with the following sources of funding:

(i) net cash inflows to be generated from our operating activities;

(ii) the cash and cash equivalents available, which were approximately RMB31.5 million as at 30 June 2023; and

(iii) the [REDACTED] to be received by our Group from the [REDACTED].

Based on the above, our Directors are satisfied, after due and careful enquiry, that in the absence of unforeseen circumstances our Group will have sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

For more information on our expected capital expenditure requirements, please refer to the sub-section headed "Capital expenditure" in this section below.

Cash flows of our Group

The following table sets out the selected cash flow data from the consolidated statements of cash flows for the Track Record Period:

	FY2020	FY2021	FY2022	6M2022	6M2023
	RMB'000	RMB'000	RMB'000	RMB'000 *(unaudited)*	RMB'000
Operating cash flows before working capital changes	37,711	32,951	36,447	16,471	20,550
Changes in working capital:					
Contract assets and trade receivables	(8,357)	(18,693)	(2,368)	(3,966)	(9,012)
Prepayments, deposits and other receivables	488	2,258	396	(2,414)	(7,568)
Amount due from the then intermediate holding company	—	(112)	(1,049)	(18)	(20)
Trade and bills payables	2,325	9,939	(11,982)	(10,337)	(2,585)
Other payables and accruals	(13,736)	6,636	(486)	(2,190)	7,391
Pledged bank deposits	180	60	—	—	—
Net cash generated from/(used in) operations	18,611	33,039	20,958	(2,454)	8,756
Income tax paid	(5,379)	(8,020)	(3,996)	(978)	(2,255)
Net cash generated from/(used in) operating activities	13,232	25,019	16,962	(3,432)	6,501
Net cash (used in)/generated from investing activities	(1,075)	(3,786)	(1,198)	(857)	77
Net cash (used in)/generated from financing activities	(12,130)	(22,821)	4,893	23,720	(17,270)
Net increase/(decrease) in cash and cash balances	27	(1,588)	20,657	19,431	(10,692)
Cash and bank balances at 31 December/30 June	23,130	21,542	42,199	40,973	31,507

Operating cash flows

Our cash inflow from operating activities is principally derived from the receipts of income from our principal businesses, while our major cash outflow in operating activities is principally attributable to our employee benefits expenses, subcontracting charges, material costs, supplies and other project costs and operating expenses attributable to our principal businesses.

Operating cash inflows before changes in working capital

Our operating cash inflows before changes in working capital was approximately RMB37.7 million, RMB33.0 million, RMB36.4 million, RMB16.5 million and RMB20.6 million for FY2020, FY2021, FY2022, 6M2022 and 6M2023, respectively.

For FY2020, our operating cash inflows before changes in working capital was principally attributable to profit before income tax of approximately RMB34.7 million, and non-cash depreciation and amortisation charged of approximately RMB1.6 million. Our operating cash inflows before changes in working capital of approximately RMB37.7 million for FY2020 took into account the non-recurring [REDACTED] expenses of approximately RMB[REDACTED] incurred during the year.

For FY2021, our operating cash inflows before changes in working capital was principally attributable to profit before income tax of approximately RMB30.1 million, and non-cash depreciation and amortisation charged of approximately RMB2.3 million. Our operating cash inflows before changes in working capital of approximately RMB33.0 million for FY2021 took into account the non-recurring [REDACTED] expenses of approximately RMB[REDACTED] incurred during the year.

For FY2022, our operating cash inflows before changes in working capital was principally attributable to profit before income tax of approximately RMB29.3 million, non-cash depreciation and amortisation charged of approximately RMB3.1 million and non-cash provision for impairment of contract assets and trade receivables of approximately RMB3.3 million. Our operating cash inflows before changes in working capital of approximately RMB36.4 million for FY2022 took into account the non-recurring [REDACTED] expenses of approximately RMB[REDACTED] incurred during the period.

For 6M2022, our operating cash inflows before changes in working capital was principally attributable to profit before income tax of approximately RMB13.3 million, non-cash depreciation and amortisation charged of approximately RMB1.5million and non-cash provision for impairment of contract assets and trade receivables of approximately RMB1.4 million. Our operating cash inflows before changes in working capital of approximately RMB16.5million for 6M2022 took into account the non-recurring [REDACTED] expenses of approximately RMB[REDACTED] incurred during the period.

For 6M2023, our operating cash inflows before changes in working capital was principally attributable to profit before income tax of approximately RMB17.7 million, non-cash depreciation and amortisation charged of approximately RMB1.2 million and non-cash provision for impairment of contract assets and trade receivables of approximately RMB1.3 million. Our operating cash inflows before changes in working capital of approximately RMB20.6 million for 6M2023 took into account the non-recurring [REDACTED] expenses of approximately RMB[REDACTED] incurred during the period.

Net cash generated from operating activities

For FY2020, our net cash generated from operating activities of approximately RMB13.2 million was principally attributable to our operating cash inflows before changes in working capital of approximately RMB37.7 million, which was partially offset by the decrease in other payables and accruals of approximately RMB13.7 million which was principally due to the decrease in contract liabilities of approximately RMB7.5 million and the decrease in accrued trade payables of approximately RMB3.6 million; the increase in contract assets and trade receivables of approximately RMB8.4 million which was principally due to increase in gross amount of contract assets of approximately RMB10.4 million; and income tax paid of approximately RMB5.4 million. The decrease in contract liabilities was mainly attributable to the projects of Customer C as our contract liabilities attributable to Customer C decreased by approximately RMB7.7 million, while the increase in contract assets was principally attributable to the increase in contract assets in relation to the projects with Customer C of approximately RMB5.8 million.

For FY2021, our net cash generated from operating activities of approximately RMB25.0 million was principally attributable to our operating cash inflows before changes in working capital of approximately RMB33.0 million, the increase in trade and bills payables of approximately RMB9.9 million which was principally attributable to the payables to our subcontractors and the increase in other payables and accruals of approximately RMB6.6 million principally attributable to the increase in contract liabilities of approximately RMB5.3 million. This was partially offset by the increase in contract assets and trade receivables of approximately RMB18.7 million and income tax paid of approximately RMB8.0 million. The increase in trade and bills payables was mainly attributable to the increase in payables to our two subcontractors of approximately RMB6.9 million in aggregate, and the increase in contract assets and trade receivables was principally attributable to the increase in contract assets and trade receivables in relation to the projects with three of our major customers, namely Customer C, Customer D and Customer A of approximately RMB8.7 million, RMB5.9 million and RMB5.9 million, respectively.

For FY2022, our net cash generated from operating activities of approximately RMB17.0 million was principally attributable to our operating cash inflows before changes in working capital of approximately RMB36.4 million and partially offset by the decrease in trade and bills payables of approximately RMB12.0 million and increase in contract assets and trade receivables of approximately RMB2.4 million. The decrease in trade and bills payables was principally attributable to the settlement of the subcontracting fees payable during FY2022, while the increase in contract assets and trade receivables was principally attributable to the increase in trade receivables from Customer E of approximately RMB7.1 million.

For 6M2022, our net cash used in operating activities of approximately RMB3.4 million was principally attributable to the decrease in trade and bills payable of approximately RMB10.3 million, increase in contract assets and trade receivables of approximately RMB4.0 million, increase in prepayments, deposits and other receivables of approximately RMB2.4 million and decrease in other payables and accruals of approximately RMB2.2 million, and partially offset by our operating cash inflows before changes in working capital of approximately RMB16.5 million. The decrease in trade and bills payable was principally attributable to the settlement of the subcontracting fees payable during 6M2022, while the increase in contract assets and trade receivables was principally attributable to the increase of contract assets attributable to the projects related to Guangzhou Chengxiang. On the other hand, the increase in prepayments, deposits and other receivables was principally attributable to the increase in deferred [REDACTED] expenses of approximately RMB[REDACTED], and the decrease in other payables and accruals was principally attributable to the reductions in both contract liabilities and accrued trade payables.

For 6M2023, our net cash generated from operating activities of approximately RMB6.5 million was principally attributable to our net operating cash inflow before working capital changes of approximately RMB20.6 million and increase in other payables and accruals of approximately RMB7.4 million principally driven by the increase in accrued subcontracting charges, materials costs and other direct project costs of approximately RMB6.2 million, and partially offset by the increase in contract assets and trade receivables of approximately RMB9.0 million as mainly driven by the increase in trade receivables of approximately RMB14.0 million, increase in prepayments, deposits and other receivables of approximately RMB7.6 million mainly driven by the increase in prepayment for projects of approximately RMB4.8 million and increase in deferred [REDACTED] expenses of approximately RMB[REDACTED], and decrease in trade and bills payable of approximately RMB2.6 million mainly driven by the settlement of payables to subcontractors.

For FY2020, FY2021, FY2022, 6M2022 and 6M2023, our operating cash outflow attributable to our contract assets and trade receivables was approximately RMB8.4 million, RMB18.7 million, RMB2.4 million, RMB4.0 million and RMB9.0 million, respectively, while we did not record operating cash inflow attributable to our trade and bills payables that can cover such cash outflow during each reporting period. Nevertheless, we still managed to record net cash generated from operating activities of approximately RMB13.2 million, RMB25.0 million, RMB17.0 million and RMB6.5 million for FY2020, FY2021, FY2022 and 6M2023, respectively, which was principally attributable to our profit before taxation. Meanwhile, our operating cashflow also included the payment of initial project costs of our projects, and we planned to finance part of our initial project costs for our ICT integration projects with the [REDACTED] from [REDACTED]. For details, please refer to "Business strategies — (I) Financing the initial funding needs for our future ICT integration projects" in this document.

Investing cash flows

During the Track Record Period, our investing cash flows were principally related to our purchase and disposal of property, plant and equipment, the additions of intangible assets mainly representing self-developed software, and our pledged bank deposits.

During FY2021, our net cash used in investing activities of approximately RMB3.8 million was principally attributable to the addition of property, plant and equipment of approximately RMB2.0 million, and the addition of intangible assets of approximately RMB1.8 million mainly representing self-developed software.

We did not record a material amount of net cash used in or generated from our investing activities for FY2020, FY2022, 6M2022 and 6M2023.

Financing cash flows

During the Track Record Period, our financing cash flows were principally related to the proceeds from our bank borrowings and the repayment thereof, dividend paid, consideration paid in relation to the Reorganisation, and advances from our Shareholders for the purposes of the Reorganisation and the repayment thereof.

During FY2020, our cash used in financing activities of approximately RMB12.1 million was principally attributable to the repayment of bank borrowings of approximately RMB19.4 million and the repayment to shareholders of approximately RMB15.1 million, which was partially offset by the proceeds from bank borrowings of approximately RMB23.7 million.

During FY2021, our cash used in financing activities of approximately RMB22.8 million was principally attributable to the dividend paid of approximately RMB20.0 million, which was partially offset by the proceeds from bank borrowings of approximately RMB6.0 million.

During FY2022, our cash generated from financing activities of approximately RMB4.9 million was principally attributable to proceeds from bank borrowings of approximately RMB30.0 million which was partially offset by the dividend paid of approximately RMB14.6 million and repayment of bank borrowings of approximately RMB7.9 million.

During 6M2022, our cash generated from financing activities of approximately RMB23.7 million was principally attributable to proceeds from bank borrowings of approximately RMB25.0 million.

During 6M2023, our cash used in financing activities of approximately RMB17.3 million was principally attributable to the dividend paid of approximately RMB14.3 million and repayment of bank borrowings of approximately RMB10.5 million, and partially offset by the proceeds from bank borrowings of approximately RMB10.0 million.

Subsequent to the Track Record Period, It is expected that subsequent to the [REDACTED], we will be partly financed by equity and our bank borrowings. The cost of our equity is represented by dividend and the cost of our borrowings is represented by our interest expenses. As stated the paragraph "Dividend" below, we have not designated a fixed dividend payout ratio and the declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors.

WORKING CAPITAL

The table below sets out the breakdown of our current assets and current liabilities as at 31 December 2020, 2021 and 2022, 30 June 2023 and [30 September] 2023.

	As at 31 December			As at 30 June	As at [30 September]
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Contract assets	59,264	72,758	67,895	61,520	63,968
Trade receivables	26,473	31,499	35,397	49,502	47,037
Prepayments, deposits and other receivables	13,199	10,941	10,545	18,113	20,007
Pledged bank deposits	60	4,130	—	—	—
Amount due from the intermediate holding company	—	112	1,161	1,181	1,181
Current income tax assets	—	2,662	1,051	111	—
Cash and cash equivalents	23,130	21,542	42,199	31,507	26,906
	122,126	143,644	158,248	161,934	159,099
Current liabilities					
Trade and bills payables	7,259	17,198	5,216	2,631	3,318
Contract liabilities, other payables and accruals	44,976	49,313	45,280	50,146	45,631
Bank borrowings	1,420	4,420	22,000	23,500	24,000
Lease liabilities	287	398	83	45	46
Amounts due to shareholders	1,261	3,970	1,860	2,588	19
Current income tax liabilities	806	—	—	—	445
	56,009	75,299	74,439	78,910	73,459
Net current assets	66,117	68,345	83,809	83,024	85,640

Our total current assets as at 31 December 2020, 2021 and 2022, 30 June 2023 and [30 September] 2023 amounted to approximately RMB122.1 million, RMB143.6 million, RMB158.2 million, RMB161.9 million and RMB[159.1] million, respectively, which primarily comprise contract assets, trade receivables, prepayment, deposits and other receivables, and cash and cash equivalents. Our total current liabilities as at 31 December 2020, 2021 and 2022, 30 June 2023 and [30 September] 2023 amounted to approximately RMB56.0 million, RMB75.3 million, RMB74.4 million, RMB78.9 million and RMB[73.5] million, respectively, which primarily comprise trade and bills payables, contract liabilities, other payables and accruals, bank borrowings and amounts due to shareholders.

We recorded an increase in our net current assets from approximately RMB66.1 million as at 31 December 2020 to approximately RMB68.3 million as at 31 December 2021. The increase was principally attributable to the profit recorded for FY2021 of approximately RMB25.5 million, which was partially offset by the dividend paid of approximately RMB20.0 million. The increase mainly comprised increase in contract assets of approximately RMB13.5 million, increase in trade receivables of approximately RMB5.0 million and increase in pledge bank deposits of approximately RMB4.1 million, and partially offset by the increase in trade and bills payable of approximately RMB9.9 million, increase in contract liabilities, other payables and accruals of approximately RMB4.3 million and increase in current bank borrowings of approximately RMB3.0 million.

We recorded an increase in our net current assets from approximately RMB68.3 million as at 31 December 2021 to approximately RMB83.8 million as at 31 December 2022. The increase was principally attributable to the profit recorded for FY2022 of approximately RMB24.3 million and partially offset by the dividend declared and paid of approximately RMB14.6 million. The increase mainly comprised increase in trade receivables of approximately RMB3.9 million, increase in cash and cash equivalents of approximately RMB20.7 million, decrease in trade and bills payables of approximately RMB12.0 million and decrease in contract liabilities, other payables and accruals of approximately RMB4.0 million, and partially offset by decrease in contract assets of approximately RMB4.9 million, the crease in pledged bank deposits of approximately RMB4.1 million, and increase in current bank borrowings of approximately RMB17.6 million.

We recorded a slight decrease in our net current assets from approximately RMB83.8 million as at 31 December 2022 to approximately RMB83.0 million as at 30 June 2023. The decrease was principally attributable to the declaration of dividend of approximately RMB14.3 million and RMB2.0 million of the non-current bank borrowing became current bank borrowings during 6M2023, and partially offset by the profit recorded for 6M2023 of approximately RMB14.7 million which had taken into account the [REDACTED] expenses of approximately RMB[REDACTED]. The decrease mainly comprised decrease in contract assets of approximately RMB6.4 million, decrease in cash and cash equivalents of approximately RMB10.7 million and increase in contract liabilities, other payables and accruals of approximately RMB4.9 million, and partially offset by the increase in trade receivables of approximately RMB14.1 million, increase in prepayment and deposits and other receivables of approximately RMB7.6 million.

Our unaudited net current assets position slightly enhanced by approximately RMB[2.6] million for the three months ended [30 September] 2023, from approximately RMB[83.0] million as at 30 June 2023 to approximately RMB[85.6] million as at [30 September] 2023.

Please refer to "Discussion of selected statements of financial position items" below for the discussions of our major current assets and current liabilities items.

DISCUSSION OF SELECTED STATEMENTS OF FINANCIAL POSITION ITEMS

Contract assets and trade receivables

Contract assets represent our rights to consideration for work completed but unbilled for its business. During Track Record Period, the majority of contract assets are transferred to trade receivables when the rights to consideration become unconditional which generally take less than 1 year. The balances of contract assets fluctuated from year-to-year during the Track Record Period as we provided varying amounts of services that were unbilled before the year-ends.

The following table sets out the breakdown of our contract assets and trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets	60,567	74,266	70,388	65,449
Less: provision for impairment of contract assets	(1,303)	(1,508)	(2,493)	(3,929)
	59,264	72,758	67,895	61,520
Trade receivables	26,947	31,941	38,187	52,138
Less: provision for impairment of trade receivables	(474)	(442)	(2,790)	(2,636)
	26,473	31,499	35,397	49,502
Contract assets and trade receivables	85,737	104,257	103,292	111,022

Our contract assets and trade receivables increased from approximately RMB85.7 million as at 31 December 2020, to approximately RMB104.3 million as at 31 December 2021, decreased to approximately RMB103.3 million as at 31 December 2022, and increased to approximately RMB[111.0] million as at 30 June 2023. The increase during FY2021 was mainly driven by the increase in contract assets, while the increase during 6M2023 was mainly driven by the increase in trade receivables. The increase in contract assets for FY2021 was principally attributable to the net increase in contract assets for projects of Customer C and Customer D of approximately RMB15.6 million in aggregate, which was consistent with the increase in revenue derived from these two customers from approximately RMB40.4 million in FY2020 to approximately RMB51.9 million in FY2021. The decrease in contract assets for FY2022 was mainly attributable to the projects of Customer C of approximately RMB12.2 million and partially offset by the increase in contract assets related to the projects of China Comservices and the customer of our TT Foshan Network Optimisation Project #1 of approximately RMB5.3 million in aggregate. The decrease in contract assets during 6M2023 was principally attributable to the net decrease in contract asset for projects related to the customers of our TT Foshan Network Optimisation Project #1, HS Wireless Supervision Project and DL Jieyang Network Optimisation Project of approximately RMB7.1 million in aggregate.

On the other hand, the increase in trade receivables for FY2021 was principally attributable to the increase in trade receivables from Customer A of approximately RMB4.3 million and the increase in trade receivables from the customer of our NF Guangdong Mobile Maintenance Project of approximately RMB3.5 million. The increase in trade receivables for FY2022 was principally attributable to the increase in trade receivables from Customer E of approximately RMB7.1 million. The increase in trade receivables during 6M2023 was principally attributable to the net increase in trade receivables for projects related to the customers of our DL Jieyang Network Optimisation Project, LQ Public Integrated Services Project and GG Guangxi Comprehensive Maintenance Project of approximately RMB9.7 million in aggregate.

The table below sets out an aging analysis of our trade receivables, based on invoice date, and our trade receivables turnover days as at the dates indicated:

	As at 31 December			As at 30 June	Subsequent settlement of outstanding amount as at 30 June 2023 up to the Latest Practicable Date
	2020	2021	2022	2023	
	RMB'000	RMB'000	RMB'000	RMB'000	
Within 180 days	23,596	24,638	33,416	40,843	23,598
Between 181 days and 365 days	3,171	5,498	375	9,183	5,532
Between 1 and 2 years	39	1,669	3,160	1,176	259
Over 2 years	141	136	1,236	936	131
Total	26,947	31,941	38,187	52,138	29,520

	FY2020	FY2021	FY2022	6M2023
Trade receivable and contract asset turnover days *(Note 1)*	153.0	170.5	167.2	170.4
Comprising:				
Trade receivables turnover days *(Note 2)*	51.5	52.0	53.9	67.5
Contract asset turnover days *(Note 3)*	101.5	118.5	113.3	102.9

Notes:

1. We calculate trade receivables and contract assets turnover days by dividing average trade receivables and contract assets by revenue and multiplied by 365 or 181 days (as applicable). Average trade receivables and contract assets is calculated by dividing by two the sum of trade receivables and contract assets at the beginning of the year/period and trade receivables and contract assets at the end of the year/period.

2. We calculate trade receivables turnover days by dividing average trade receivables by revenue and multiplied by 365 or 181 days (as applicable). Average trade receivables is calculated by dividing by two the sum of trade receivables at the beginning of the year/period and trade receivables at the end of the year/period.

3. We calculate contract assets turnover days by dividing average trade contract assets by revenue and multiplied by 365 or 181 days (as applicable). Average contract assets is calculated by dividing by two the sum of contract assets at the beginning of the year/period and contract assets at the end of the year/period.

During the Track Record Period, we experienced a relatively stable trade receivable and contract asset turnover days ranged from approximately 153.0 days to 170.5 days. The increase in trade receivable and contract asset turnover days from approximately 153.0 days during FY2020 to approximately 170.5 days during FY2021 was mainly attributable to an increase in contract assets from approximately RMB59.3 million as at 31 December 2020 to approximately RMB72.8 million as at 31 December 2021, while the increase in trade receivable and contract asset turnover days from approximately 167.2 days during FY2022 to approximately 170.4 days during 6M2023 was mainly attributable to an increase in trade receivables from approximately RMB35.4 million as at 31 December 2022 to approximately RMB49.5 million as at 30 June 2023, partially offset by a decrease in contract assets from approximately RMB67.9 million as at 31 December 2022 to approximately RMB61.5 million as at 30 June 2023.

Our trade receivable turnover days during FY2020 to FY2022 was relatively stable and amounted to approximately 51.5 days, 52.0 days and 53.9 days for FY2020, FY2021 and FY2022, respectively. Our trade receivable turnover days increased during 6M2023 principally due to an increase in our trade receivable from approximately RMB35.4 million as at 31 December 2022 to approximately RMB49.5 million as at 30 June 2023.

During the Track Record Period, we recorded a relatively stable contract asset turnover days (representing the average time lag between time of our revenue recognition and time of billing) which ranged from approximately 101.5 days to 118.5 days. The increase in contract asset turnover days from approximately 101.5 days during FY2020 to approximately 118.5 days during FY2021 was mainly attributable to an increase in contract assets from approximately RMB59.3 million as at 31 December 2020 to approximately RMB72.8 million as at 31 December 2021, while the decrease in contract asset turnover days from approximately 113.3 days during FY2022 to approximately 102.9 days during 6M2023 was mainly attributable to a decrease in contract assets from approximately RMB67.9 million as at 31 December 2022 to approximately RMB61.5 million as at 30 June 2023.

Although our revenue is principally recognized with reference to value of goods and services transferred to the customers to date as set out in progress reports which are confirmed by our customers (save as the portion of revenue attributable to variable consideration for certain contracts with contingent payment clauses whereby payment of our invoice is subject to full settlement by ultimate customers, which are estimated to be 10% to 20% of the total consideration of the projects and only recognised as revenue when the relevant amounts are confirmed, billed and paid), we may still experience a relatively long time lag between the time of revenue recognition and the time of invoice billing for projects with payment terms whereby the settlement of our invoice is contingent on the settlement of payment by the ultimate customers. Moreover, although the progress reports are confirmed by our customers, the projects are normally subject to final examination or assessment by the customer upon completion of the projects.

The table below sets out an aging analysis of our contract assets based on recognition date as at the dates indicated:

	As at 31 December			As at 30 June	Subsequent billing of outstanding amount as at 30 June 2023 up to the Latest Practicable Date
	2020	**2021**	**2022**	**2023**	
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	
Within 180 days	40,191	49,178	40,138	39,298	15,001
Between 181 days and 365 days	7,638	18,915	14,533	5,372	1,145
Between 1 year and 2 years	8,317	5,704	14,927	13,270	4,034
Over 2 years	4,421	469	790	7,509	3,891
	60,567	74,266	70,388	65,449	24,071

As at 31 December 2020, 2021 and 2022 and 30 June 2023, approximately 79.0%, 91.7%, 77.7% and 68.3% of our contract assets were aged within one year. The increase in contract assets aged over 1 year during FY2022 was principally attributable to the increase in contract assets aged over 1 year in relation to CX Harbin Ice Rink Project and YD Doumen Integrated Services Project of approximately RMB7.6 million in aggregate. Each of these two projects contained a contingent payment clause pursuant to which the settlement of our fee is conditional on the settlement of fee by the relevant end customer. As such, the timing of relevant billing is subject to the timing of settlement of fees by the relevant end customer despite our work in relation to these two projects having been substantially completed. The overall increase in contract assets aged over one year (including over two years) as at 30 June 2023 was mainly attributable to ZTF Hospital Automation Alteration Service Project of approximately RMB4.8 million.

During 6M2023, billings in respect of the YD Doumen Integrated Services Project in the amount of approximately RMB2.1 million had been issued and subsequent to the Track Record Period and up to the Latest Practicable Date, billings in respect of CX Harbin Ice Rink Project and ZTF Hospital Automation Alteration Service Project which amounted to approximately RMB3.6 million and RMB2.1 million, respectively, had been issued. To the best of estimate of our Directors in light of the latest update of these projects, it is currently expected that the remaining billing of the CX Harbin Ice Rink Project and ZTF Hospital Automation Alteration Service Project will be issued by the first quarter of 2024. Nevertheless, the total outstanding contract assets of CX Harbin Ice Rink Project had reduced by approximately RMB5.4 million during FY2022.

During the Track Record Period, none of our contract assets and trade receivables had become unrecoverable and been written off. As at 30 June 2023, all of our trade receivables aged between 181 days and 365 days were attributable to Group 1 customers, of which approximately [60.2]% had been subsequently settled. Meanwhile, based on past experience, only an insignificant portion of our trade receivables aged within 181 days to 365 days will eventually become aged over 2 years. As at 30 June 2023, approximately RMB2.2 million of our trade receivables was aged over 1 year, representing a decrease of approximately 52.0% as compared to 31 December 2022, and such outstanding balance was lower than the provision for impairment made as at 30 June 2023. On the other hand, as at 30 June 2023, approximately 83.1% of our contract assets aged between 181 days and 365 days were attributable to Group 1 customers, of which approximately [21.3]% had been subsequently settled. Meanwhile, the largest contract assets aged between 181 days and 365 days for Group 2 customers represented approximately 74.6% of the aggregate contract assets aged between 181 days and 365 days for Group 2 customers, and such outstanding balance represented approximately 17.1% of the revenue recognised for the project in FY2022. Based on past experience, and save for the projects mentioned above, the portion of our trade receivables aged within 181 days to 365 days which will eventually become aged over 2 years is not expected to be significant as compared to our amount of total contract assets. As at 30 June 2023, approximately RMB20.8 million of our contract assets was aged over 1 year, amongst which approximately RMB19.5 million was attributable to our customers which we had maintained a business relationship with and derived revenue from during 6M2023, and the remaining balance was lower than the balance of provision for impairment of contract assets as at 30 June 2023. Meanwhile, approximately 88.0% of our outstanding contract assets as at 30 June 2023 was attributable to Group I customers (being state-owned and/or listed companies and their subsidiaries). Taking into account of the aforesaid, the Directors consider that the amount of provision made as at 30 June 2023 was sufficient, and had no material concerns from the perspective of recoverability.

As at the Latest Practicable Date, approximately RMB[24.1] million or [36.8]% of our contract assets as at 30 June 2023 had been billed (of which approximately RMB[7.9] million were attributable to contract assets aged over one year), and approximately RMB[29.5] million or [56.6]% of our outstanding trade receivables as at 30 June 2023 had been settled (of which approximately RMB[0.7] million were attributable to trade receivables aged over one year).

Prepayments, deposits and other receivables

Other than the prepayments for project material costs or [REDACTED] expenses, we did not record material amount of prepayments, deposits and other receivables as at 31 December 2020, 2021 and 2022 and 30 June 2023. The following table sets out the breakdown of our prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments for project material costs and subcontracting costs	11,148	5,647	744	5,517
Other prepayments	440	700	623	619
Rental and other deposits	66	201	174	302
Deposits for tendering	647	1,140	2,148	2,039
Other receivables	267	323	379	635
Deferred [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	13,199	10,941	10,545	18,113

The decrease in our prepayments, deposits and other receivables during FY2021 was principally attributable to the utilisation of prepayments for project material costs, which was partially offset by the increase in deferred [REDACTED] expenses of approximately RMB[REDACTED]. The slight decrease in our prepayments, deposits and other receivables during FY2022 was principally attributable to the decrease in prepayment for project material costs of approximately RMB4.9 million and partially offset by increase in deferred [REDACTED] expenses of approximately RMB[REDACTED]. The increase in our prepayment, deposits and other receivables during 6M2023 was principally attributable to the increase in prepayment for subcontracting costs of approximately RMB4.2 million and the increase in deferred [REDACTED] expenses of approximately RMB[REDACTED].

As at 31 December 2020, our prepayments for project material costs were related to the initial project costs paid in relation to our ICT integration service projects. Taking into account that ICT integration services is the business line that requires the most initial project costs, we planned to finance such initial project costs with part of our [REDACTED] from the [REDACTED]. For details, please refer to our "Business — Business strategies" in this document.

As at the Latest Practicable Date, approximately [11.4]%, or approximately RMB[2.1] million, of the outstanding prepayment, deposits and other receivables as at 30 June 2023 were subsequently utilised or settled. Given our deferred [REDACTED] expenses accounted for a significant portion of our prepayments, deposits and other receivables as at 30 June 2023, and part of our prepayments for project materials costs and subcontracting costs and deposits for tendering had yet to be utilised or released, as the case may be, the subsequent utilisation/settlement rate was not high.

Trade and bills payables

During the Track Record Period, our trade and bills payables principally represented the amount payable in relation to our material suppliers and our subcontractors. The increase in trade payables from approximately RMB7.3 million as at 31 December 2020 to approximately RMB17.2 million as at 31 December 2021 was principally attributable to the increase in trade payables in relation to subcontracting charges which was consistent with the overall increase in subcontracting charges. The increase in trade and bills payables during FY2021 was mainly attributable to the increase in payables to our two subcontractors of approximately RMB6.9 million in aggregate. The decrease in trade and bills payables during FY2022 was principally attributable to the settlement of trade payable to three subcontractors of approximately RMB9.0 million in aggregate. The decrease in trade and bills payable during 6M2023 was principally attributable to the settlement of trade payable in relation to subcontracting fees

The table below sets out an aging analysis of our trade and bills payables based on invoice date as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 180 days	4,061	13,462	2,668	990
Between 181 days and 365 days	2,307	2,450	505	126
Over 365 days	891	1,285	2,043	1,515
	7,259	17,198	5,216	2,631

As at 31 December 2020, 2021 and 2022 and 30 June 2023, approximately 87.7%, 92.5%, 60.8% and 42.4% of our trade and bills payables were aged within one year. The decrease in such ratio during FY2022 was principally attributable to the increase in trade and bills payables aged over 1 year payable to two subcontractors of approximately RMB1.0 million in aggregate. The increase in such ratio during 6M2023 was principally attributable to the reduction of payables to our subcontractors aged within one year.

Given our trade and bills payables principally represented the amount payable in relation to our material suppliers and our subcontractors, our trade payables turnover days was calculated by dividing average trade and bills payables by the aggregate of subcontracting charges and materials, supplies and other project costs, and multiplied by 365 or 181 days. The average trade and bills payables is calculated by dividing by two the sum of trade and bills payables at the beginning of the year and trade and bills payables at the end of the year/period. Our trade payables turnover days was approximately 22.0 days, 38.6 days, 25.6 days and 9.1 days for FY2020, FY2021, FY2022 and 6M2023, respectively. The increase in trade payables turnover days for FY2021 was mainly attributable to the increase in trade and bills payables to our subcontractors as mentioned above and was consistent with the increase in our subcontracting charges during the Track Record Period. The decrease in FY2022 and 6M2023 was principally attributable to the reduction in trade and bills payables as described above.

As at the Latest Practicable Date, approximately [37.8]%, or approximately RMB[1.0] million, of the outstanding trade and bills payables as at 30 June 2023 were subsequently settled.

Contract liabilities, other payables and accruals

During the Track Record Period, our contract liabilities, other payables and accruals principally represented accrued subcontracting charges, materials costs and other direct project costs, accrued employee benefits expenses, other tax payables mainly related to value-added tax, contract liabilities in relation to our projects, and accrued [REDACTED] expenses. The following table sets out the breakdown of our contract liabilities, other payables and accruals as at the dates indicated:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued employee benefits expenses	7,368	2,832	2,026	1,411
VAT or other tax payables	3,162	4,311	1,877	2,369
Other payables and accruals	881	568	846	989
Accrued subcontracting charges, materials costs and other direct project costs	32,038	31,232	32,873	39,111
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contract liabilities	1,190	6,499	2,303	1,618
Total	44,976	49,313	45,280	50,146

Our contract liabilities, other payables and accruals increased from approximately RMB45.0 million as at 31 December 2020 to approximately RMB49.3 million as at 31 December 2021. The increase was principally attributable to the increase in contract liabilities of approximately RMB5.3 million and the increase in accrued [REDACTED] expense of approximately RMB[REDACTED], which was partially offset by the decrease in accrued employee benefits expenses of approximately RMB4.5 million. Our contract liabilities, other payables and accruals decreased from approximately RMB49.3 million as at 31 December 2021 to approximately RMB45.3 million as at 31 December 2022. The decrease was principally attributable to the decrease in contract liabilities of approximately RMB4.2 million. Our contract liabilities, other payables and accruals increased from approximately RMB45.3 million as at 31 December 2022 to approximately RMB50.1 million as at 30 June 2023. The increase was principally attributable to the increase in accrued subcontracting charges, materials costs and other direct project of approximately RMB6.2 million.

As at the Latest Practicable Date, approximately [71.5]%, or approximately RMB[35.8] million, of the outstanding contract liabilities, other payables and accruals as at 30 June 2023 were subsequently settled or billed or recognised as revenue.

Bank borrowings

Information related to our bank borrowings is further set out in the paragraphs headed "Indebtedness" in this section below.

Amounts due to shareholders

The amounts due to shareholders increased to approximately RMB4.0 million as at 31 December 2021 as our shareholders settled certain [REDACTED] expenses on our behalf during FY2021. The amount reduced to approximately RMB1.9 million as at 31 December 2022 principally due to repayment thereof during FY2022, and increased to approximately RMB2.6 million as at 30 June 2023 as our shareholders settled certain [REDACTED] expenses on our behalf during 6M2023. The amounts due were non-trade in nature, unsecured, interest free and repayable on demand, and are expected to be settled before the [REDACTED]. For further details of our related party transactions, please refer to note 26 to the Accountant's Report set out in Appendix I to this document.

Net assets position

We recorded increase in net assets from approximately RMB65.5 million as at 31 December 2020 to approximately RMB71.1 million as at 31 December 2021, which was principally attributable to the profit recorded for FY2021 of approximately RMB25.5 million, partially offset by the dividend paid of approximately RMB20.0 million. We recorded a further increase in net assets to approximately RMB80.7 million as at 31 December 2022, which was principally attributable to our profit recorded for FY2022 of approximately RMB24.3 million, partially offset by the dividend declared and paid of approximately RMB14.6 million. We recorded a slight increase in our net assets to approximately RMB81.1 million as at 30 June 2023, which was principally attributable to the profit recorded for 6M2023 of approximately RMB14.7 million, partially offset by the declaration of dividend of approximately RMB14.3 million during 6M2023.

Capital structure

Based on the unaudited consolidated management account of the Company which contained our unaudited statement of financial position as at [30 September] 2023, we had net assets of approximately RMB[84.0] million, comprising non-current assets of approximately RMB[3.4] million (mainly comprising intangible assets of approximately RMB[0.7] million and property, plant and equipment of approximately RMB[1.6] million), net current assets of approximately RMB[85.6] million (mainly comprising contract assets of approximately RMB[64.0] million, trade receivables of approximately RMB[47.0] million, cash and cash equivalents of approximately RMB[26.9] million, prepayments, deposits and other receivables of approximately RMB[20.0] million, which was partially offset by bank borrowings of approximately RMB[24.0] million, contract liabilities, other payables and accruals of approximately RMB[45.6] million, and trade and bills payable of approximately RMB[3.3] million) and non-current liabilities of approximately RMB[5.1] million.

INDEBTEDNESS

Set forth below is the breakdown of our borrowings or other material liabilities outstanding as at 31 December 2020, 2021 and 2022, 30 June 2023 and 30 September 2023 (being the being the latest practicable date for the preparation of this indebtedness statement in this document):

	As at 31 December			As at 30 June	As at 30 September
	2020	2021	2022	2023	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Borrowings	6,280	7,860	30,000	29,500	29,000
Lease liabilities	583	435	83	166	143

Borrowings

As at 31 December 2020, 2021 and 2022 and 30 June 2023, our borrowings represented our bank borrowings. The following table sets out a breakdown of our borrowings by scheduled repayment with reference to the Accountant's Report set out in Appendix I to this document:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings				
Within 1 year or on demand	1,420	4,420	22,000	23,500
Between 1 and 2 years	1,420	3,440	4,000	4,500
Between 2 and 5 years	3,440	—	4,000	1,500
Total	6,280	7,860	30,000	29,500

In view of the potential increase in working capital requirement of our projects, we have materially increased our bank borrowings level during FY2022, which was consistent with the fact that the initial project costs of our revenue-contributing ICT integration services projects in FY2022 already amounted to approximately RMB30.5 million.

Our outstanding bank borrowings as at 31 December 2022 and 30 June 2023 carried interest rates based on the loan prime rate as announced by the National Interbank Funding Center plus zero base points to 40 base points. Our outstanding bank borrowings as at 31 December 2020 and 31 December 2021 carried floating interest rates based on the loan prime rate as announced by the National Interbank Funding Center plus 20 base points to 80 base points.

All our borrowings as at 31 December 2020, 2021 and 2022, 30 June 2023 and 30 September 2023 were denominated in Renminbi. The weighted average effective interest rate of our borrowings as at 31 December 2020, 2021 and 2022, 30 June 2023 and 30 September 2023 was approximately 4.2%, 4.3%, 3.9%, 3.9% and 3.9%, respectively.

As at 30 June 2023, our unutilised bank facility amounted to approximately RMB5.5 million which we may further draw down depending on our business needs.

Taking into account our business nature and given that we did not own any fixed or other material assets (such as real estate property) which may serve as collateral for securing additional debt financing, our Directors currently do not have any material external debt financing plan for the Group.

We had no seasonality of borrowing requirement during the Track Record Period. In respect of our outstanding borrowings as at 30 June 2023, all of which are unsecured, are subject to various financial and other covenants including, without limitation (i) the maintenance of debt/loan-to-assets ratio below certain stipulated percentage; (ii) to comply with periodic credit assessment and reporting requirements as well as to notify the lender in respect of prescribed material or adverse events; (iii) to seek prior consent prior to any material corporate reorganisation or restructuring; (iv) restriction on distribution of dividend; and (v) restrictions on purpose of use of drawn-down amounts. The Group intends to comply with all relevant covenants concerning our bank borrowings, and based on the financial position of the Group as at 30 June 2023, our Directors are of the view that the risk of breach of financial covenants to be remote. We have not breached any covenants in connection with any bank borrowings of the Group over the Track Record Period and up to the Latest Practicable Date, and (subject to unforeseen circumstances beyond our control), we expect to be able to comply existing covenants upon and after [REDACTED].

Save as disclosed above and apart from intra-group liabilities, as at 30 September 2023, we did not have any other borrowings, mortgages, charges, debentures or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptances, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees. Our Group has unutilised banking facilities of approximately RMB[6] million as at 30 September 2023. Our Directors confirmed that there have been no material changes in the indebtedness and contingent liabilities of our Group since [30 September] 2023 and up to the Latest Practicable Date.

For further details of our borrowings, please also refer to note 23 to the Accountant's Report set out in Appendix I to this document.

Funding and treasury policies

We negotiate with banks to obtain banking facilities according to our development plans and needs. For repayment arrangements, our accounting department will keep track of the status to ensure that the bank borrowings can be repaid on time. We will generally deposit the surplus cash into the bank as general working capital. As at the Latest Practicable Date, we did not have any significant funding and treasury policy in respect of investment of our cash surplus.

CAPITAL EXPENDITURES

Our capital expenditure during our Track Record Period primarily related to expenditures on our property, plant and equipment, and our intangible assets. Our capital expenditures amounted to approximately RMB1.1 million, RMB3.9 million, RMB1.3 million and RMB0.1 million for FY2020, FY2021, FY2022 and 6M2023, respectively.

We anticipate that our future capital expenditures shall still be principally related to our property, plant and equipment, and our intangible assets, as we expand our business. Our projected capital expenditures for the two years ending 31 December 2024 are currently expected to be approximately RMB[1.0] million, which are currently expected to be partially financed by inflows from operating activities, our cash and cash equivalents and partially financed by the [REDACTED] from the [REDACTED].

Our planned capital expenditures are projections only and are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We may make necessary adjustments depending on the existing market conditions and status of the various expansion plans.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, we did not have any material capital commitments.

LEASE COMMITMENTS

We lease our office premises with lease terms ranging from 2 years to 6 years. The following table sets out our future minimum lease payments pursuant to the relevant lease agreements as at 31 December 2020, 2021 and 2022 and 30 June 2023:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within one year	329	321	139	50
Later than one year and not more than five years	321	—	101	76
Total	650	321	240	126

The above amounts have been recognised as our lease liabilities as at the respective reporting date pursuant to the adoption of HKFRS 16.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, we were not involved in any legal proceedings pending or, to our knowledge, threatened against our Group which could have a material adverse effect on our business or operations. The Directors confirm that as at the Latest Practicable Date, we did not have any material contingent liabilities nor any dispute or unresolved tax issues with the relevant tax authorities.

KEY FINANCIAL RATIOS

The following table shows certain key financial ratios as at the dates or for the periods indicated:

	As at or for the year ended 31 December			As at or for the six months ended 30 June
	2020	2021	2022	2023
Current ratio[1]	2.2	1.9	2.1	2.1
Quick ratio[2]	2.2	1.9	2.1	2.1
Gearing ratio				
— Non-ordinary payables[3]	1.9%	5.6%	2.3%	3.2%
Interest coverage ratio[4]	7,098.4%	9,208.2%	3,749.4%	4,651.8%
Return on assets[5]	23.4%	17.0%	14.9%	8.8%
Return on equity[6]	45.3%	35.9%	30.0%	18.1%

Notes:

1. Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective dates.

2. Quick ratio is calculated as the current assets excluding inventories divided by the total current liabilities as the respective dates.

3. Gearing ratio — non-ordinary payables is calculated as the payables incurred not in the ordinary course of business divided by total equity as at the respective date and multiplied by 100%.

4. Interest coverage ratio is calculated based on the profit before interest and tax divided by net finance costs of the respective years and multiplied by 100%.

5. Return on assets is calculated as the net profit divided by the total assets as at the respective date and multiplied by 100%.

6. Return on equity is calculated as the net profit attributable to our equity holders divided by the equity attributable to our equity holders as at the respective date and multiplied by 100%.

Current ratio and quick ratio

During the Track Record Period, we did not maintain any inventory, and therefore, our current ratios equaled to our quick ratios, which amounted to approximately 2.2 times, 1.9 times, 2.1 times and 2.1 times as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively. The reduction in current ratios and quick ratios during FY2021 was mainly attributable to the declaration and payment of dividend of approximately RMB20.0 million during FY2021, which was partially offset by our profit recorded during FY2021, and in the meantime, we experienced growth in both of our current assets and liabilities. We experienced improvement in current ratio and quick ratio during FY2022 as we recorded growth in current assets while reduction in current liabilities. Such improvement was in line with the profit recorded by us during FY2022 and the fact that we have reduced our trade and bills payables by settling the relevant outstanding amounts as mentioned above. While we did not experience material fluctuation in current ratio and quick ratio during 6M2023 as the impact of declaration of dividend of approximately RMB14.3 million during the period was offset by the net profit of approximately RMB14.7 million recorded during 6M2023.

Gearing ratio

Our gearing ratio — non-ordinary payable was calculated based on the payables incurred not in the ordinary course of business, which mainly included the amounts due to our shareholders. Our gearing ratio — non-ordinary payable was approximately 1.9%, 5.6%, 2.3% and 3.2% as at 31 December 2020, 2021 and 2022 and 30 June 2023, respectively.

Interest coverage ratio

During the Track Record Period, we did not rely heavily on bank borrowings to finance our operations and our net finance costs was approximately RMB0.5 million, RMB0.3 million, RMB0.8 million and RMB0.4 million for FY2020, FY2021 and 6M2023 and FY2022, respectively, and we maintained high interest coverage ratios of approximately 7,098.4%, 9,208.2%, 3,749.4% and 4,651.8% for FY2020, FY2021, FY2022 and 6M2023 respectively.

Return on assets

We recorded a relatively stable return on assets during the Track Record Period which amounted to approximately 23.4%, 17.0%, 14.9% and 8.8% for FY2020, FY2021, FY2022 and 6M2023, respectively. Our return on assets for FY2021 was reduced to approximately 17.0% and such reduction was principally attributable to the recording of [REDACTED] expenses of approximately RMB[REDACTED] during the year, which represented approximately [REDACTED]% of our total assets as at 31 December 2021. Our return on assets for FY2022 was reduced to approximately 14.9% and such reduction was principally attributable to the fact that we recorded decrease in net profit as discussed above as compared to growth in our total assets during FY2022. Our return on assets for 6M2023 was further reduced to approximately 8.8%, and such reduction was principally attributable to the fact that the financial period was just six months, we recorded [REDACTED] expenses of approximately RMB[REDACTED] and PRC dividend withholding tax of approximately RMB1.7 million, representing approximately 4.6% of our total assets in aggregate as at 30 June 2023, and we experienced continuous growth in total assets during the Track Record Period. The annualised return on assets for 6M2023 was approximately 18.4%.

Return on equity

For FY2021, our return on equity reduced to approximately 35.9% and such reduction as compared to FY2020 was principally attributable to the recording of [REDACTED] expenses of approximately RMB[REDACTED] during the year, which represented approximately [REDACTED]% of our equity as at 31 December 2021. For FY2022, our return on equity further reduced to approximately 30.0% and such reduction was principally attributable to the fact that we recorded decrease in net profit as discussed above as compared to growth in our total equity during FY2022. Our equity recorded a growth of approximately 13.6% during FY2022 as we had a relatively small equity base as a private company during the Track Record Period. For 6M2023, our return on equity further reduced to approximately 18.1%, and such reduction was principally attributable to the fact that the financial period was just six months, we recorded [REDACTED] expenses of approximately RMB[REDACTED] and PRC dividend withholding tax of approximately RMB1.7 million, representing approximately 9.4% of our total equity in aggregate as at 30 June 2023. The annualised return on equity for 6M2023 was approximately 39.4%.

FINANCIAL RISK AND CAPITAL MANAGEMENT

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. For further details of our financial risk management, please refer to the section headed "Business — Internal control and risk management measures" and note 3 of the Accountant's Report as set out in Appendix I to this document. We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance of debt and equity. Our overall strategy remained unchanged during the Track Record Period.

Given that the majority of our income and expenses of our business operations (except for the [REDACTED] expenses) are mainly settled in RMB, we considered that our exposure to exchange rate risk is not significant and we did not use any financial instrument for hedging purpose during the Track Record Period.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets, which was prepared to illustrate the effect of the [REDACTED] on the audited consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2023 as if the [REDACTED] had taken place on 30 June 2023, was approximately HK$[REDACTED] per Share to HK$[REDACTED] per Share (equivalent to approximately RMB[REDACTED] per Share and RMB[REDACTED] per Share), respectively, based on the indicative [REDACTED] Range of HK$[REDACTED] per [REDACTED] to HK$[REDACTED] per [REDACTED]. Please refer to Appendix II to this document for the bases and assumptions in calculating the unaudited pro forma adjusted consolidated net tangible assets figure.

[REDACTED] EXPENSES

Our Directors estimate that the total amount of expenses in relation to the [REDACTED] will be approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), mainly comprising professional parties' fees and [REDACTED] commission. Based on an [REDACTED] of HK$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range of HK$[REDACTED] per [REDACTED] to HK$[REDACTED] per [REDACTED]), the [REDACTED] from the [REDACTED] are expected to be approximately RMB[REDACTED]. The estimated expenses in relation to the [REDACTED] represent approximately 43.2% of the [REDACTED] from the [REDACTED]. Out of the total [REDACTED] expenses amounted to RMB[REDACTED] (or equivalent to approximately HK$[REDACTED] in Hong Kong dollars), approximately RMB[REDACTED] is directly attributable to the issue of the [REDACTED] and is expected to be accounted for as a deduction from equity upon [REDACTED]. The remaining amount of approximately RMB[REDACTED], shall be charged to profit or loss and other comprehensive income, and approximately RMB[REDACTED], RMB[REDACTED], RMB[REDACTED], RMB[REDACTED] and RMB[REDACTED] have been charged prior to the Track Record Period, during FY2020, FY2021, and FY2022 and 6M2023, respectively, while approximately RMB[REDACTED] is expected to be incurred in the remaining of FY2023. Expenses in relation to the [REDACTED] are non-recurring in nature. Our Group's financial performance and results of operations for FY2023 will be adversely affected by the estimated expenses in relation to the [REDACTED].

Out of the estimated total [REDACTED] expenses of approximately HK$[REDACTED], (i) approximately HK$[REDACTED] is attributable to [REDACTED]-related expenses; and (ii) approximately HK$[REDACTED] is attributable to [REDACTED]-related expenses which include (a) estimated fees in the amount of approximately HK$[REDACTED] to legal advisers and reporting accountant; and (b) other fees and expenses of approximately HK$[REDACTED].

DIVIDEND

We had declared and paid dividends of approximately RMB20.0 million during FY2021 and approximately RMB14.6 million during FY2022, and declared dividend of approximately RMB14.3 million during 6M2023, while we did not declare dividends for FY2020. However, the declaration and payment of future dividends will be subject to the decision of the Board having regard to various factors, including but not limited to our operations and financial performance, profitability, business development, prospects, capital requirements and economic outlook. The declaration and payment of future dividend will also be subject to any applicable laws. The historical dividend payments may not be indicative of future dividend trends. We do not have any predetermined dividend payout ratio.

DISTRIBUTABLE RESERVES

As at 30 June 2023, the reserve available for distribution to shareholders of the Company was approximately RMB0.7 million.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had no material off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarised in note 26 to the Accountant's Report as set out in Appendix I to this document. Our Directors are of the view that these related party transactions were conducted on an arm's length basis and these transactions would not distort our track record results nor make the historical results not reflective of our future performance.

RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Our Directors consider that the results of our Group during the Track Record Period are indicative of our future performance. Taking into account the expected continuous growth of the telecommunication and related services industries in the PRC as mentioned in the CIC Report, the projects we secured, the [REDACTED] from the [REDACTED] and our [REDACTED] status, our Directors expect that our ability to secure additional projects will be strengthen, our revenue with continue to grow with the market and our ICT integration service will continue to be one of the major drivers of our business growth. On the other hand, as a result of the expected business expansion and increase in average salaries as mentioned in the CIC Report, the Directors also expect that we will experience increase in our project related costs. Further take into account the development trend of the telecommunication and related service industries as mentioned in the CIC Report, the Directors are optimistic on the overall growth and development of the Group subsequent to the [REDACTED].

Further, please refer to the section headed "Risk factors — Factors affecting our Group's results of operations and financial condition" in this document for the factors that may affect our financial and trading prospects, the sections headed "Business — Business strategies" and the "Future plans and [REDACTED]" for our business development strategies and implementation plans respectively.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the expenses in connection with the [REDACTED], there has been no material adverse change in our financial or trading position or prospects since 30 June 2023 and up to the date of this document, and there had been no events since 30 June 2023 and up to the date of this document which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set out in Appendix I to this document.

REASONS FOR THE [REDACTED]

Our Directors believe that our Group has a genuine funding need to support our expansion plans through the [REDACTED] and the [REDACTED] will further benefit our Group for the following reasons:

- Our Directors believe that there is an optimistic potential for us to expand our market share in the industries in which we operate in the PRC. In particular, according to the CIC Report, the market size of the wireless telecommunication network optimisation services industry, telecommunication network infrastructure maintenance and engineering service industry, ICT integration service industry and telecommunication network-related software industry in the PRC is expected to grow at CAGRs of approximately 4.9%, 8.3%, 8.5% and 9.5% from 2022 to 2027, respectively. Further, our Directors believe that there is generally a strong demand for relevant services in light of rapid 5G development in the PRC, which do not appear to be particularly susceptible to social, economic and public health factors. For instance, despite the COVID-19 pandemic, our Group's revenue for FY2021 and FY2022 as compared to FY2020 and FY2021 increased by approximately RMB7.8 million and RMB23.2 million, respectively, representing an increase of approximately 4.0% and 11.4%, respectively. Therefore, by implementing our expansion plans, our Directors believe that we will be able to leverage the market growth and deepen our market penetration.

- Our Directors believe that the [REDACTED] from the [REDACTED] will enable us to implement our business strategies with a view to enhancing our competitiveness and achieve business expansion. For more benefits of and details in the plans we intend to implement, please refer to the paragraphs headed "Implementation plan" in this section.

- Our Directors consider that it is necessary to maintain a sufficient level of working capital as our Group had generally relied on cash inflows from customers to meet payment obligations to our suppliers and subcontractors as well as to meet the expenses required in our daily operations during the Track Record Period. Our Group in the past generally relied upon our internal resources and/or bank borrowings for our business expansion, which would constrain our expansion to a limited scale. Moreover, if our Group continues to utilise our internal resources only, our Directors believe that our Group may not be able to capitalise upon the growth opportunities in the PRC telecommunication market and there is no guarantee that our Group's internal resources can continue to provide sufficient capital, or that our Group will be able to obtain sufficient bank borrowings on favourable terms, prior to the full implementation of our Group's proposed and future business strategies.

- Assuming our Group utilises debt financing instead of the [REDACTED] from the [REDACTED] of approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), our Group's total borrowing-to-asset ratio (calculated by dividing total borrowings by total asset) will increase from approximately [17.8]% as at 30 June 2023 to approximately [62.8]%. Interest payments incurred in excessive debt financing for our business operation and expansion plans would adversely affect our financial performance. Our Directors believe equity financing entails less risks to our Group as Shareholders will look to the long-term benefits from investing in our Group instead of the periodic repayment of debt and interest associated with debt financing. Without the [REDACTED], our Group would remain a private company and as such there is no guarantee that banks or other financial institutions would grant loans or other facilities to us to enable our Group to implement our business strategies without the imposition of stringent financing requirements. Further, debt financing generally entails interest obligations which are subject to fluctuating lending rates from time to time, which may be affected by external macro and micro economic factors. Our Group may also be required to pledge cash deposits, investment properties and certain property, plant and equipment to banks, together with the provision of personal guarantees by our Controlling Shareholders as security for the banking facilities obtained by our Group, which may cause difficulty to us (as a high-tech enterprise with relatively less fixed assets) in obtaining banking borrowings in the PRC. Our Directors are of the view that fund-raising through an initial [REDACTED] will reduce our financing costs and increase our ability to improve our financial leverage.

- In addition, our Directors believe that being a company [REDACTED] in Hong Kong will give us a long-term advantage as it would expand our shareholder and capital base by making our [REDACTED] available and accessible to international and mainland Chinese investors on the Stock Exchange. Our Directors also believe that there is a strong investor support for [REDACTED] companies on the Stock Exchange in both primary and secondary fund raising. As such, the [REDACTED] in Hong Kong can allow us to have a good channel for potential fund raising in the future.

- As we generally obtain our business through open tenders and private quotations, reputation and company profile is one of the factors in our customers' consideration of our tenders or quotations. Our Directors believe that having a [REDACTED] status can generate a better corporate profile for us, which can create greater assurance to our existing and potential customers and can potentially lead to higher prospects of success in securing more business opportunities from customers. As a company [REDACTED] in Hong Kong, we may also have more bargaining power towards our customers, suppliers and subcontractors, which may help our Group obtain better terms in conducting business with them. Our Directors believe that our customers, suppliers and subcontractors would, in general, prefer doing business with a [REDACTED] company compared with a private company given a [REDACTED] company's corporate and financial transparency accountability and credibility which generally reduces their counterparty risk.

- Our Directors believe that being [REDACTED] in the Hong Kong stock market will enable us to attract more talent to join our Group and gain access to a larger pool of talent, which will improve our service quality. In addition, the [REDACTED] status will also facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with employment with a company [REDACTED] in Hong Kong. Furthermore, the [REDACTED] status will facilitate us to adopt various rewarding systems such as the Share Option Scheme or other employee incentive schemes to, subject to our discretion, reward employees with outstanding performance (including experienced management and technical personnel), which can facilitate both the attracting and retaining of talent to enhance our ability to offer quality services and achieve sustainable growth.

- We believe that our operational efficiency, financial transparency, risk management and corporate governance will be improved through compliance with rigorous disclosure and corporate governance standards applicable to a company [REDACTED] on the Stock Exchange. For instance, the appointment of independent non-executive Directors will ensure transparency in management and fairness in business decisions and operations, the independent non-executive Directors will contribute to the enhancement of corporate value by providing advice and oversight based on their extensive administrative experience and specialised knowledge; and the formation of audit committee will review and monitor the effectiveness of our financial controls, internal controls and risk management measures.

BUSINESS STRATEGIES

Our business objectives include:

(i) Strengthening our financial capabilities in order to be in position to undertake more and larger ICT integration projects;

(ii) Improving our service capabilities, quality and offering by conducting research and development;

(iii) Expanding the pool of target users of our telecommunication network-related software; and

(iv) Strengthening our capability in exploring and undertaking new businesses opportunities.

Please refer to the paragraphs headed "Business — Business strategies" in this document for further details. Our Directors consider that the [REDACTED] from the [REDACTED] would facilitate the implementation of our business strategies and our future plans.

IMPLEMENTATION PLAN

With a view to achieving our business strategies as set out in the paragraphs headed "Business — business strategies" in this document, our Directors have devised an implementation plan, the summary of which and the corresponding business strategies are set out below:

	Implementation plan	Corresponding business strategies
(I)	Financing the initial funding needs of our future ICT integration projects	Strengthening our financial capabilities in order to be in position to undertake more and larger ICT integration projects
(II)	Pursuing new research and development undertakings:	
	(a) Undertaking 5G industry application research and development projects	Improving our service capabilities, quality and offering by conducting research and development
	(b) Developing a telecommunication network optimisation services software based on end-user data	Improving our service capabilities, quality and offering by conducting research and development
	(c) Developing an easy-to-use wireless telecommunication network testing software	Expanding the pool of target users of our telecommunication network-related software
(III)	Expanding our manpower in project management to cater for the anticipated expansion plans and business growth	Strengthening our capability in exploring and undertaking new business opportunities
(IV)	Financing our sales and marketing funding needs for expansion of manpower and marketing activities	Strengthening our capability in exploring and undertaking new business opportunities

(I) Financing the initial funding needs for our future ICT integration projects

Owing to the nature of our ICT integration services, we are typically required during the early stage of an ICT integration project to procure a range of hardware, software and other equipment (including servers, storage devices, cables and optical fibers, operating system software and security software) which will form the functioning framework of an ICT system, the specifications of which are generally provided by our customers. In addition, we may also need to engage third-party subcontractors to provide ancillary services (such as cabling, light-current power work, and other construction and installation work) required for the project. These costs for procuring such hardware, software, equipment and payments to subcontractors are generally included in our contract price, but we generally receive payment of the contract price from customers only at a later stage of the project, which is in line with industry practice. As a result, for liquidity management purpose, we need to reserve or secure significant operating funds for payment of initial project costs to mitigate the impact of any liquidity mismatch arising from significant net cash outflow during the early stages of our ICT integration projects, where our cash outflow for our payables are not yet recovered by payment of our receivables for a prolonged period of time, until the accumulated progress payments received from our customers can materially cover the aggregate cost we have incurred. For more details about our ICT integration services, please refer to the paragraph headed "Business — Our services — (II) Integrator — ICT integration services" in this document.

The table below sets out the breakdown of our initial project costs (being all the accumulated cash outflow for the provision of ICT integration services before receipt of the first payment of our fees or contract price from the customer in each ICT integration project) incurred for ICT integration projects during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
	RMB'000 (approximately)	RMB'000 (approximately)	RMB'000 (approximately)	RMB'000 (approximately)
ICT integration services	24,668	27,200	30,802	22,365
Total initial project costs during the Track Record Period (approximately):				105,035

Note: For the purpose of the information involving initial project costs, the timing (i.e. the particular year/period in the Track Record Period) of incurrence of the initial project costs for a project is deemed to coincide with the timing of revenue recognition of that project.

During the Track Record Period, initial project costs, which would be recognised as part of the major operating costs in connection with the provision of our ICT integration services, accounted for approximately 64.7%, 70.1%, 71.5% and 81.8%, of the total operating costs for providing ICT integration services for the respective periods. Meanwhile, during the Track Record Period, (i) the average percentage of initial project costs (excluding staff cost) to awarded contract value for our ICT integration projects which required initial projects costs was approximately 58.9%, 55.7%, 70.6% and 64.0% respectively; (ii) the average amount of working capital required as initial project costs per project for our ICT integration projects which required initial project costs was approximately RMB6.2 million, RMB2.5 million, RMB2.4 million and RMB1.3 million, respectively. Subsequent to the Track Record Period and up to the Latest Practicable Date, our initial project costs remained at a similarly high level when compared with the initial project costs incurred during the Track Record Period.

According to the CIC Report, while the average percentage of initial project costs to awarded contract value for ICT integration projects may vary greatly from company to company and from project to project depending on, among other things, the size and nature of, and hardware and software required for, ICT integration projects undertaken by an ICT integration service provider, such average percentage of our Group during the Track Record Period was not anomalous or unreasonable compared with other industry players in the ICT integration service industry in the PRC, and the fluctuations in such average percentage of our Group during the Track Record Period was not uncommon in the industry due to the variances among different ICT integration projects as explained above.

For our ICT integration projects which required initial project costs and (i) commenced during the Track Record Period or (ii) commenced before the Track Record Period and was on-going and/ or completed during the Track Record Period: (a) we had received first payment of our contract price from our customers for only approximately 81.3% of these projects and the average time gap between the first payment of initial project costs incurred by us and the receipt of the first payment was approximately 163.6 days; and (b) we had achieved breakeven (when receipt of payments from customers that could cover our initial project costs incurred) for approximately 80.8% of these projects during the Track Record Period and the average time gap between the first payment of initial project costs by us and the achieving of breakeven was approximately 188.4 days.

On the above basis, our ICT integration projects on average generally started generating cash inflow within approximately four to five months after the first payment of initial projects costs by us. As a result, we generally experienced time lags between making payments for the initial project costs and receiving payments from our customers. Further, we generally issue invoices to our customers typically after passing periodic acceptance assessments conducted by customers. The credit terms we grant to our customers for our ICT integration services generally range from 15 to 60 days from the invoice date. However, there is no assurance that our customers will make payment on time and in full. For each of FY2020, FY2021, FY2022 and 6M2023, the number of our trade receivables and contract assets turnover days was approximately 153.0 days, 170.5 days, 167.2 days and 170.4 days, respectively, details of which are discussed in the paragraphs headed "Financial information — Discussion of selected statements of financial position items — Contract assets and trade receivables" in this document. On the other hand, as part of the major operating costs in connection with the provision of our ICT integration services, which includes the prepayments for project material costs, the initial project costs usually need to be settled at the early stage of an ICT project. If we fail to properly manage our exposure from such cash flow mismatch between our payment of initial projects costs to our suppliers and subcontractors and receipt of payments from our customers, or if our customers fail to make payment on time and/or in full, our cash flows and financial position could be materially and adversely affected. As a result, for liquidity management purpose, we need to reserve or secure significant operating funds as initial project costs to mitigate the impact of any cashflow mismatch and we had to adopt a cautious approach in considering potential ICT integration projects which had a large contract sum, details of which are discussed in the paragraphs headed "Organic growth of our Group and presence of demand from customers — Presence of demand for ICT integration services on a larger scale" in this section below.

During the Track Record Period, we recorded stable growth in our ICT integration services business, which generated revenue of approximately RMB38.5 million, RMB42.5 million, RMB54.6 million and RMB35.6 million respectively, representing a CAGR of approximately 19.1% from FY2020 to FY2022 and an approximately 2.3% growth from 6M2022 to 6M2023. As such, to enable the continued growth and expansion of this business line and to capture the opportunities brought about by favourable government policies as described above, we will require additional funds for payment of initial project costs in order to kick-start and advance new projects, and a lack of such funds may affect our ability to take on new undertakings and in turn limit our growth potential.

Since the end of the Track Record Period and up to the Latest Practicable Date, we had already secured eight new ICT integration projects with an aggregate expected contract sum of approximately RMB18.1 million, and we estimate that the aggregate initial project costs to be incurred for these new projects will amount to approximately RMB9.1 million. Furthermore, taking into account the continuous growth in ICT market and the enhancement of our experience in ICT integration services, it is estimated that we will submit an increased number of tenders and private quotations for new ICT integration projects of different scale to capture the market opportunities. In the event that we perform these new projects concurrently or within similar timelines, we will be required to pay substantial initial project costs before receipt of payments from our customers and thus, our cash flow and liquidity condition would be affected if we do not have sufficient working capital. In view of the foregoing, based on the historical initial project costs we incurred as set out in the table above, we expect to apply approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], for settling part of the initial project costs expected to be incurred for future ICT integration projects, a breakdown of which is as follows:

	FY2024	FY2025	FY2026	FY2027	Total
	RMB'000 (approximately)	RMB'000 (approximately)	RMB'000 (approximately)	RMB'000 (approximately)	RMB'000 (approximately)
Initial project costs for ICT integration services	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Owing to the generally shorter project cycle of our Group's ICT integration projects, we have yet to identify any specific ICT integration projects for the three years from April 2024 to March 2027 towards which we may utilise the allocated [REDACTED]. Our Directors have therefore adopted a prudent basis in determining the amount of the above allocated [REDACTED] as compared with the historical initial project costs we incurred as set out above. Our Directors believe that such basis is reasonable and can avoid excessive allocation of [REDACTED] from the [REDACTED]. Nevertheless, for illustration purposes only, set out in the table below are the expected service scope, project period, contract value and required initial project costs of the potential ICT integration projects of the Group for the three years from April 2024 to March 2027 towards which we may utilise the allocated [REDACTED], which are estimated based on the ICT integration projects undertaken by the Group during the Track Record Period:

Potential ICT integration projects	**FY2024** ***(from April 2024)***	**FY2025**	**FY2026**	**FY2027** ***(up to March 2027)***	**Total**
	(RMB'000) (approximately)	**(RMB'000) (approximately)**	**(RMB'000) (approximately)**	**(RMB'000) (approximately)**	**(RMB'000) (approximately)**
Expected service scope*(Note 1)*	ICT integration projects can take many forms. The expected service scope of our potential ICT integration projects may include the integration of building and facility management system, data server facilities, electronic management platform and others, which may involve equipment installation and commissioning, system integration testing, training and online operation, software and hardware environment configuration and other related services.				
Expected project period*(Note 2)*	Project period of our potential ICT integration projects is expected to be less than one year.				
Expected total contract value*(Note 3)*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Expected total initial project costs required*(Note 4)*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. Based on the service scope of historical ICT integration projects undertaken by the Group during the Track Record Period.

2. Based on the typical project cycle of our Group's ICT integration projects (from tender or private quotation to completion) which generally lasted for less than approximately one year during the Track Record Period.

3. Based on aggregate total contract amount awarded to us for ICT integration services in FY2022, projected based on the CAGR of approximately 2.11% for such contract amount from FY2020 to FY2022, and adjusted proportionally for FY2024 and FY2027.

4. Based on the average percentage of initial project costs out of the aggregate contract amount of our ICT integration projects which required initial project costs awarded for the period from FY2020 to FY2022.

(II) Pursuing new research and development undertakings

The telecommunication network support service industry and ICT integration service industry are rapidly evolving industries which are constantly experiencing new advancements and challenges. Our Directors believe that such and other advancements in the industry are expected to bring about new demand for upgraded services and software. Further, in order to be able to address customers' fast changing needs, it is imperative for us to engage in new research and development undertakings based on the latest industry trends, namely the following:

(a) *Undertaking 5G industry application research and development projects*

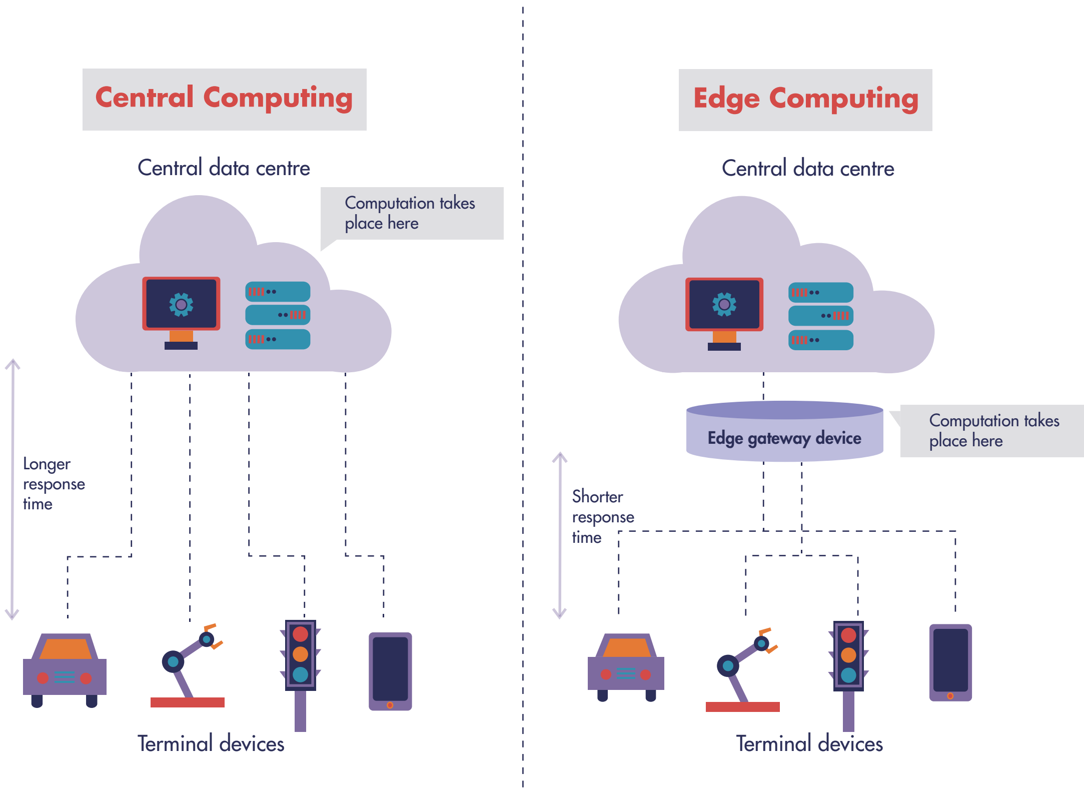
5G, as the latest broadband cellular network technology, supports higher quality and higher rate broadband wireless communication than 4G and uses wider bandwidth resources. According to the CIC Report, MIIT officially issued 5G commercial licences to telecommunication operators in June 2019, marking the PRC telecommunication network service industry's official step into the 5G era, and operators have since then gradually ceased the large-scale construction of 4G networks and shifted their focus to the construction of 5G networks. With the continuous commercial development of 5G networks, MIIT aims to reach 3.6 million 5G base stations by 2025, according to the CIC Report.

According to the International Telecommunication Union, the United Nations specialised agency for information and communication technologies, the major usage scenarios and applications of 5G can be categorised into the following:

	Usage scenarios	Explanation and examples
1	Ultra-reliable and low latency communications ("**uRLLC**")	uRLLC has stringent requirements for, among others, low latency (information transmission delay) which is fundamental in applications such as wireless control of industrial manufacturing processes, remote medical procedures and transportation and traffic safety.
2	Massive machine type communications ("**mMTC**")	mMTC refers mainly to applications that require the connection of numerous devices for non-delay-sensitive data transmission, such as smart city and smart home devices and environmental detection systems.
3	Enhanced Mobile Broadband ("**eMBB**")	eMMB enables improved performance and a more seamless user experience in accessing multi-media content, services and data. It covers a variety of applications, including wide-area coverage (i.e. for vast areas which require seamless coverage and mobility) and hotspot (i.e. for areas with high user density which require high traffic capacity but with a low mobility requirement).

Owing to the nature of uRLLC and mMTC, 5G will be a significant foundation when applied to ICT integration services in IoT networks. In particular, uRLLC can enable the real-time transmission of data between devices to achieve a close-to-instantaneous response by the system, which is crucial for applications in, for example, manufacturing, medical and transportation and traffic fields (such as the use of automated factory machines, surgical robots and autonomous vehicles, respectively) that require minimum delay and high precision.

One of the major challenges of the uRLLC applications of 5G is the need to minimise transmission latency. This can be achieved by edge computing, i.e. moving the data processing closer to the functional terminal devices of an IoT (such as sensors and controllers). Traditionally, data in an IoT system is transmitted to and from and processed by physically distant data centres or by cloud computing, which may require longer transmission time and is thus subject to latency. In contrast, under edge computing, processing of delay-sensitive data is conducted near or at the source of the data, i.e. the IoT devices, and hence data can be collected from terminal IoT devices, processed locally at a physically nearby data storage and processing server (i.e. a "gateway" device) and then transmitted back to that or other IoT devices in a swifter manner, whereas data which is not delay-sensitive can be stored and processed by distant data centres or cloud computing. The differences between a traditional data centre model and edge computing are illustrated by the following diagram:



In this regard, we plan to undertake certain 5G industry application research and development projects ("**5G R&D Projects**") to develop and eventually commercialise different industry applications based on uRLLC and edge computing of 5G. Set out below are the major research directions of our 5G R&D Project:

	Project directions	Description
1	5G multi-industry integrated solutions	We plan to develop specific integrated solutions (including customised hardware and software layout and plans) that extend the use of 5G and edge computing to other industry applications, such as smart factory management, agriculture and fisheries system, wildfire prevention system and smart city management. For instance, smart factory management is one of the 5G usage scenarios that require low latency communications. In order to lower the risk of industrial accidents, emergency shut-off devices, for example, need to react to hazard detectors instantaneously without delay. This can be facilitated by designing an ICT integration solution utilising 5G edge computing.
2	Supporting developments	For each new industry application, we plan to develop a set of 5G edge computing hardware and software, including edge computing gateways and ancillary customised software, edge computing cloud platforms, and signal conversion equipment (e.g. converting 5G signal into WiFi signal), which are specifically designed and/or programmed to fit the relevant industry application settings and scenarios. In particular: *Gateway devices* As mentioned above, in an edge computing setting, data from terminal devices can be sent to, stored and processed in a nearby device, i.e. a gateway, to accelerate the processing of data and response time.

Project directions	Description
	We plan to develop, for each new 5G industry application, gateway devices and ancillary software compatible with the relevant industry application settings which function near terminal devices to process and store data therefrom locally and connect the devices and the wireless network, thus minimising data latency. *Cloud Platforms* Although an edge computing system deploys edge gateways to achieve low-latency data transmission, it does not dispense with a cloud data centre, which serves as an essential control centre of the edge system performing overall remote management and monitoring of edge devices and processing more scalable data. We plan to develop, for each new 5G industry application, cloud platforms specifically for edge computing which serve to conduct systematic centralised management and coordination of a large number of edge computing devices. Such platforms are expected to achieve faster service response in an edge computing system. In addition, such new customised cloud platform may also be adopted in the existing 5G ICT solutions of our Group to improve their performance.
3 Ancillary software	In addition to the above, as 5G and edge computing can be applied to numerous industries applications and scenarios, the specifications and/ or functions of ancillary software may differ for different applications. Depending on the field in which our customers operate, we plan to develop customised ancillary software which is compatible with the applications in the relevant field. Such new software may also be adopted in the existing 5G ICT solutions of our Group to improve their performance.

As mentioned above, the uRLLC application of 5G is fundamental to IoT systems that require an instantaneous response, which can be utilised in a wide range of usages. Our Directors therefore believe that the research results of the 5G R&D Projects in the above research directions can be applied to and extend the reach of our ICT integration services to other areas, such as smart facilities management and environmental monitoring and detection, thus expanding our business scope and revenue streams. Although potential ICT integration projects based on the research results of the 5G R&D Projects may differ from our past and existing ICT integration projects in terms of applications, settings and equipment, we believe our current business model in relation to ICT integration services (which in essence involves system design, equipment and material procurement, installation and implementation, and system commissioning of a wireless communication network) will apply to potential new projects which involve the uRLLC and 5G edge computing applications. For instance, for a potential smart factory ICT integration project, the same operational flow will apply, which consists of (i) design of overall layout of a factory monitoring and detection system; (ii) procurement or preparation of the 5G edge computing and other hardware and software; (iii) installation of the said hardware and software; (iv) testing and compatibility check, etc. Accordingly, we do not foresee any material difficulty in applying the research results of the 5G R&D Projects in our Group's ICT integration services.

Apart from future ICT integration project utilising the research results of the 5G R&D Projects, we may also provide customised software development services to potential customers in relation to 5G industry applications.

We plan to apply approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], for undertaking the 5G R&D Projects, including remuneration of research and other personnel, costs of equipment and software, and other corporate expenses. If the cost of the 5G R&D Projects exceeds the allocated [REDACTED], we expect to settle the excess by our internal resources and/or bank borrowings. Set out below is the breakdown of the cost of implementing the above strategy, with the amount to be incurred over the specified periods:

Expenses to be incurred for:	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**Total**
	(approximately) (in RMB'000)	**(approximately) (in RMB'000)**	**(approximately) (in RMB'000)**	**(approximately) (in RMB'000)**	**(approximately) (in RMB'000)**
Remuneration of research and other personnel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Costs of equipment and software	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other corporate expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Despite the initial investment required for the research and development of the 5G R&D Projects, our Directors believe that it will assist our Group in extending the reach of our ICT integration services and software to 5G applications and thereby increase our market share. With the capability to take on ICT integration projects and offer software which involve the use of 5G applications, we believe a greater pool of potential customers and variety of potential projects will open up to our Group. To the best estimate of our Directors in light of the current market conditions, after the research and development in relation to the 5G R&D Projects are completed the payback period (i.e. when the total future net cash flow generated from operating activities can fully cover the total initial investment amount) for the 5G R&D Projects would be not more than approximately two and a half years and that breakeven (i.e. when revenue generated from research results covers the then relevant operating costs and expenses) could be achieved within a period of not more than one month, upon commencement of undertaking ICT integration projects and relevant software development projects based on the development results of the 5G R&D Projects, which is expected to commence in 2027 if our implementation plan takes place as we have planned. Such estimations have taken into consideration a number of factors including, among others: (i) the initial investment required for the research and development of the 5G R&D Projects; (ii) estimated economic benefit arising from ICT integration projects expected to be secured in the future which involve substantially the use of the development results of the 5G R&D Projects and from the relevant software development projects; and (iii) estimated operating costs in relation to the new business brought about by the 5G R&D Projects. The estimations are however subject to change due to uncertainties in general economic and market conditions, market demands, costs of labour and supplies, and other factors beyond our control. Based on our cost and benefit analysis, we believe the benefits resulting from the 5G R&D Projects will in the long run outweigh the estimated costs required for its research and development.

The table below sets out the breakdown of the number of the research and other personnel required as stated in the table above, and the total expenses to be incurred for the same based on their respective monthly salary and other benefits:

		FY2024	FY2025		FY2026		FY2027
Personnel required	**Monthly salary**	**From April 2024 to December 2024**	**From January 2025 to March 2025**	**From April 2025 to December 2025**	**From January 2026 to March 2026**	**From April 2026 to December 2026**	**From January 2027 to March 2027**
	(Approximately) (RMB)						
Project leader *(Note 1)*	[REDACTED]	1	1	1	1	1	1
Technical director *(Note 2)*	[REDACTED]	1	1	1	1	1	1
System architect *(Note 3)*	[REDACTED]	1	1	1	1	1	1
Product manager *(Note 4)*	[REDACTED]	4	4	4	4	4	4
Hardware engineer *(Note 5)*	[REDACTED]	1	1	1	1	1	1
Software engineer *(Note 6)*	[REDACTED]	1	1	2	2	2	2
System engineer *(Note 7)*	[REDACTED]	—	—	1	1	1	1
Equipment engineer *(Note 8)*	[REDACTED]	—	—	1	1	1	1
Industry analyst *(Note 9)*	[REDACTED]	1	1	2	2	2	2
Testing personnel *(Note 10)*	[REDACTED]	1	1	1	1	1	1
Other supporting personnel *(Note 11)*	[REDACTED]	5	5	7	7	7	7
Total remuneration to be paid (Approximately) (RMB'000)		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other employee benefits (Approximately) (RMB'000)		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total expenses to be incurred (Approximately) (RMB'000)		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The project leader is mainly responsible for setting the research and development direction and plan, supervising and managing the research and other personnel, monitoring development progress, and in general overseeing the development of new products and services throughout from initial design to final assessment.

2. The technical director is mainly responsible for the overall design of new products and services and providing technical advice and guidance to the research personnel.

3. A system architect is mainly responsible for designing the overall framework of a software system based on particular functional requirements, and guiding the development of the system. We intend to hire one system architect who will be responsible for all three of our proposed research and development undertakings, namely the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software. The [REDACTED] from the [REDACTED] earmarked for remuneration of the system architect will be shared among the three undertakings.

4. A product manager is mainly responsible for investigating, organising and reporting customer requirements for a particular type of products or services, analysing whether the functions of an intended product or service can meet the requirements and demand of target customers or users, and collecting opinions from target customers in respect of a developing product or service.

5. A hardware engineer is mainly responsible for the design, development, assembling, installation and testing of hardware involved in a research and development project, and coordinating with software engineers and other personnel to ensure compatibility within the solutions.

6. A software engineer is mainly responsible for the design, coding and installation of software involved in a research and development project, and preparing user manual for software developed.

7. A system engineer is mainly responsible for assisting in building the overall framework of a software system and resolving issues arising in the course of system development or operation.

8. An equipment engineer is mainly responsible for testing the functions, performance and reliability of equipment involved in a research and development project, analysing and reporting the testing results, and following up on resolving issues discovered during the tests.

9. An industry analyst is mainly responsible for analysing the industry application of new products and services in development and designing sales strategy.

10. Testing personnel are mainly responsible for planning and executing the testing of the individual functions and overall operation of software developed, and reporting the testing results.

11. Other supporting personnel include various supporting and ancillary personnel who are generally responsible for providing administrative, technical and ancillary support to other personnel, etc.

The table below sets out the breakdown of the expenses to be incurred for purchasing equipment and software:

Equipment and software to be purchased	Description and use	Unit required	Average unit costs	Total expenses to be incurred
			(approximately) (in RMB'000)	(approximately) (in RMB'000)
Computer and development equipment	Computer and other equipment for development, such as laptops and mobile phones	16	[REDACTED]	[REDACTED]
Development software	Subscription of development software	—	[REDACTED]	[REDACTED]
Cloud server	Subscription of cloud data storage and data sharing services	—	[REDACTED]	[REDACTED]
Total				[REDACTED]

(b) ***Developing a telecommunication network optimisation services software based on end-user data***

Our wireless telecommunication network optimisation service has been one of our major business lines which generated the most revenue for us during the Track Record Period, accounting for approximately 47.9%, 49.2%, 45.1% and 37.3%, respectively, of our total revenue during the corresponding periods. Given the continuous developments in relevant telecommunication network standards and levels of complication, our Directors consider that in order to maintain our competitiveness in providing wireless telecommunication network optimisation services, it is imperative that we should continue to improve our service standard and provide optimisation solutions that better address the needs of the end-users. In view of this, we plan to develop a telecommunication network optimisation services software based on desensitised end-user data (the "**Optimisation Platform**") which utilises more comprehensive user perception and behaviour data in performing telecommunication network optimisation.

Currently in the industry, when telecommunication operators engage service providers like our Company to perform telecommunication network analysis and optimisation, the mainstream optimisation approach is to collect and analyse data and parameters in the wireless telecommunication network environment which may indicate the performance of a telecommunication network, such as network coverage and signal strength. These parameters can assess the overall quality of the wireless telecommunication network connection, but may not accurately identify the source or location of a telecommunication network issue encountered by users outside of the wireless environment (i.e. other components that form a wireless telecommunication network, such as the core network, access network and bearer network, an illustration of which is set out in the paragraphs headed "Business — Our services" in this document). High performance of a local wireless telecommunication network environment and good base station coverage as measured by parameters may not always guarantee satisfactory end-user perception, since there are other factors that affect user experience, such as the settings and condition of end-users' own terminal devices (e.g. mobile phones), or issues taking place at the server end of a website or an application.

In view of the above, our Directors believe that in order to better address user perception and experience in telecommunication network optimisation, it is imperative to develop the Optimisation Platform which makes use of end-user(s) own data (with sensitive personal information removed). The advantage of using end-user data in analysis and optimisation is that it provides more directed analysis for assessing user experience and enables more accurate trouble-shooting, since user data can reveal the telecommunication network quality and issues directly experienced by individual end-users, and not just the performance of the objective telecommunication network environment within the wireless environment in general. Set out below is the expected data acquisition and analysis flow in connection with the Optimisation Platform:

Stages		Description
1	Source data acquisition	To pre-process (such as organising data format) desensitised source data*(Note)* obtained from third-party data providers
2	Categorisation of data	To categorise data into different groups according to the usage of the data (e.g. grouping video streaming data into one category, and voice call data into another)
3	Analysis of data	To perform statistical analysis on the data and present analysed data

Note: The data to be obtained from third-party data providers (such as big data companies) will be desensitised (i.e. with private and personal information filtered and removed) by the providers. According to our PRC Legal Advisers, such desensitised data does not constitute personal data or important data contemplated under the Personal Information Protection Law* (個人信息保護法) and the Data Security Law* (數據安全法) of the PRC respectively and we are therefore not subject to the obligations under such laws by reason of using the desensitised data.

With the end-user data collected and analysed according to the aforementioned flow, the Optimisation Platform is expected to be capable of serving, among others, the following major functions:

	Functions	Description
1	Coverage analysis	Through analysing end-user data, automatically identify the areas with coverage issues and perform one-stop analysis with information about base station distribution, building density, etc., to uncover issues such as weak coverage, cross-area coverage and overlapping coverage.
2	Speed analysis	Directly identify low-speed areas and provide status tracking, and perform analysis which compares the base station KPIs with the actual rates of user terminals, which can be displayed geographically on a map.
3	Perception analysis	Through analysing end-user data, perform analysis of indicators which reflect actual user perception, such as webpage access rate, upload and download speed, voice service, instant messaging, video streaming and gaming quality.
4	Specific location evaluation	Evaluate the telecommunication network quality of key testing locations, such as commercial areas, office areas, residential areas, hospitals, administrative organisations and transportation hubs, which may have different telecommunication network requirements and focuses and thus require different testing parameters.
5	Complaint evaluation	Organise the user complaint data from telecommunication operators and display the distribution geographically on a map, and perform testing and analysis of the major complaint areas.

	Functions	Description
6	User behaviour analysis	Based mainly on mass data acquired from end-users, analyse the business model and user behaviour in the wireless telecommunication network or particular telecommunication network areas (such as commercial areas, residential areas school districts) from various perspectives including data usage, user concentration and duration for which users are online. The analysis could provide a reference basis for the formulation of the telecommunication network resource allocation strategies and telecommunication network optimisation measures.

The Optimisation Platform is expected to be applied to provide a new service under our business line of wireless telecommunication network optimisation services to offer a different perspective of optimisation and increase customer satisfaction. In particular, it is expected to serve as an extension of our wireless telecommunication network optimisation service by offering a different perspective, i.e. one that is based on end-user perception and behaviour data as explained above, in telecommunication network optimisation. In practice, in the stage of collecting and analysing telecommunication network data, in addition to collection of data and parameters through our existing software, customers may also engage us to deploy the Optimisation Platform to obtain more comprehensive data and achieve more user-centred solutions and market and user analysis. For the detailed operational flow in providing wireless telecommunication network optimisation services, please refer to the paragraphs headed "Business — Our services — (I) Telecommunication Network Support Services — (a) Wireless telecommunication network optimisation services". As such, we believe that the Optimisation Platform can be integrated into our Group's existing business and complement our wireless telecommunication network optimisation service offerings.

We plan to apply approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], for developing the Optimisation Platform, including remuneration of development and other personnel, costs of development resources (such as source data for testing the software's functionality) and equipment (such as computers), and other corporate expenses. If the cost for developing the Optimisation Platform exceeds the allocated [REDACTED], we expect to settle the excess by our internal resources and/or bank borrowings. Set out below is the breakdown of the cost of implementing the above strategy, with the amount to be incurred over the specified periods:

Expenses to be incurred for:	FY2024	FY2025	FY2026	FY2027	Total
	(approximately) (in RMB'000)	(approximately) (in RMB'000)	(approximately) (in RMB'000)	(approximately) (in RMB'000)	(approximately) (in RMB'000)
Remuneration of development and other personnel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Costs of development resources and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other corporate expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Despite the initial investment required for the research and development of the Optimisation Platform, our Directors believe that it will improve the quality of telecommunication network optimisation by targeting user perception and experience, and hence boost our business of providing wireless telecommunication network optimisation services. To the best estimate of our Directors in light of the current market conditions, after the Optimisation Platform is developed, the payback period (i.e. when the total future net cash flow generated from operating activities covers the total initial investment amount) for the Optimisation Platform would be not more than approximately one year, and breakeven (i.e. when revenue generated from research results covers the relevant operating costs and expenses) could be achieved within a period of not more than approximately two months, upon commencement of undertaking wireless telecommunication network optimisation projects involving the use of the Optimisation Platform, which is expected to commence in 2027 if our implementation plan takes place as we have planned. Such estimations have taken into consideration a number of factors including, among others: (i) the initial investment required for the research and development of the Optimisation Platform; (ii) estimated economic benefit arising from projects secured in the future for performing wireless telecommunication network optimisation services using the Optimisation Platform; and (iii) estimated operating costs in relation to the projects secured in the future for performing wireless telecommunication network optimisation services using the Optimisation Platform; The estimations are however subject to change due to uncertainties in general economic and market conditions, market demands, costs of labour and supplies, and other factors beyond our control. Based on our cost and benefit analysis, we believe the benefits resulting from the Optimisation Platform will in the long run outweigh the estimated costs required for its research and development.

The table below sets out the breakdown of the number of the development and other personnel required as stated in the table above, and the total expenses to be incurred for the same based on their respective monthly salary:

		FY2024	FY2025		FY2026		FY2027
Personnel required	**Monthly salary**	**From April 2024 to December 2024**	**From January 2025 to March 2025**	**From April 2025 to December 2025**	**From January 2026 to March 2026**	**From April 2026 to December 2026**	**From January 2027 to March 2027**
	(Approximately) (RMB)						
System architect *(Note 1)*	[REDACTED]	1	1	1	1	1	1
Product manager *(Note 2)*	[REDACTED]	1	1	1	1	1	1
Software engineer *(Note 3)*	[REDACTED]	3	3	4	4	2	2
Testing personnel *(Note 4)*	[REDACTED]	1	1	1	1	2	2
Other supporting personnel *(Note 5)*	[REDACTED]	5	5	4	4	3	3
Total expenses to be incurred (Approximately) (RMB'000)		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. A system architect is mainly responsible for designing the overall framework of a software system based on particular functional requirements, and guiding the development of the system. We intend to hire one system architect who will be responsible for all three of our proposed research and development undertakings, namely the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software. The [REDACTED] from the [REDACTED] earmarked for remuneration of the system architect will be shared among the three undertakings.

2. A product manager is mainly responsible for investigating, organising and reporting customer requirements for a particular type of products or services, analysing whether the functions of an intended product or service can meet the requirements and demand of target customers or users, and collecting opinions from target customers in respect of a developing product or service.

3. A software engineer is mainly responsible for the design, coding and installation of software involved in a research and development project, and preparing user manual for software developed.

4. Testing personnel are mainly responsible for planning and executing the testing of the individual functions and overall operation of software developed, and reporting the testing results.

5. Other supporting personnel include various supporting and ancillary personnel who are generally responsible for providing administrative, technical and ancillary support to other personnel, etc.

The table below sets out the breakdown of the expenses to be incurred for purchasing development resources and equipment:

Equipment and resources to be purchased	Description and use	Unit required	Average unit costs	Total expenses to be incurred
			(Approximately) (in RMB'000)	(Approximately) (in RMB'000)
Computer and development equipment	Computer and other equipment for development, such as laptops and mobile phones	10	[REDACTED]	[REDACTED]
Development software and data	Subscription of development software and purchase of testing and end-user data	—	[REDACTED]	[REDACTED]
Cloud server	Subscription of cloud data storage and data sharing services	—	[REDACTED]	[REDACTED]
Total				[REDACTED]

(c) *Developing an easy-to-use wireless telecommunication network testing software*

During the Track Record Period, we offered for sale certain software developed by us, such as Wangyou Renwoxing* (網優任我行) and the Smart Bee* (小蜜蜂) testing software, details of which are set out in the paragraphs headed "Business — Our software" in this document. The target users of these software are mainly personnel with technical knowledge in telecommunication network optimisation. In order to expand the target market for our products and the pool of users who may purchase our software, we plan to develop wireless telecommunication network testing software (the "**Easy-to-use Testing Software**") which will be positioned as an easy-to-use software and target ordinary non-technical users.

To the understanding and knowledge of our Directors, the telecommunication network testing software in the market generally require users to have (i) specific technical knowledge, due to the fact that the current telecommunication technological environment is complicated by, among other things, the coexistence of multiple standards (2G/3G/4G/5G) and the fragmentation of testing scenarios and (ii) specific terminal devices which are compatible with the telecommunication network testing software for running these. These have given rise to the following problems:

(1) the target users of the telecommunication network testing software are limited to corporations which have personnel with the technical knowledge in the field to operate the software, while ordinary non-technical personnel may have significant difficulty in this regard;

(2) within a corporation, only technical personnel may have the expertise to use telecommunication network testing software, but a large number of non-technical personnel (such as marketing and customer service personnel) may also require network testing in order to understand the telecommunication network conditions of their customers;

(3) as a result of (2) above, a substantial workload is imposed on technical personnel, such as compiling testing reports. This may adversely affect the operational efficiency of a corporate customer; and

(4) as traditional telecommunication network software usually requires the use of specific terminal devices which are generally not accessible to most non-technical personnel and are available in corporations usually in limited quantities, the use of such software may not be readily available to ordinary users.

Consistent with the trend of the development of 5G and IoT as described above, the demand for telecommunication network testing is expected to rise in the areas of, for instance, smart cities, smart homes, smart transportation and traffic systems. In these telecommunication network environments, there may not always be sufficient or any technical personnel to perform telecommunication network testing. Therefore, our Directors believe that there will be demand for testing software which is user-friendly and can be operated by ordinary users without necessitating technical expertise.

It is against this background that we plan to develop the Easy-to-use Testing Software. The expected functions of the software include, among others: (i) automatic data acquisition and testing of signal strength, coverage, transmission rate; (ii) drive test (testing along major roads of an area) and call quality test (testing at different fixed spots of an area); (iii) displaying of basic information, operation condition, performance and alert of a connected telecommunication network and base station location and distribution; and (iv) reporting of telecommunication network issues. Set out below is a summary of the expected differences between the Easy-to-use Testing Software and traditional telecommunication network testing software:

	The Easy-to-use Testing Software	Traditional telecommunication network testing software (including the software developed by us)
Signal testing (testing of strength and condition)	✓	✓
Signal analysis (analysis of exchanges between terminal devices and base stations for more accurate and detailed analysis of telecommunication issues that take place over the wireless telecommunication network)	×	✓
Drive test and call quality test	✓	✓
Data sharing	Available as an in-app function, more efficient	Generally requiring manual saving and distribution, less efficient
Testing report	Automatically generated	Typically require user to compile
Target user	Telecommunication network optimisation, maintenance, marketing, engineering testing, IoT installation, management, planning personnel	Telecommunication network optimisation personnel
Technical requirement	Lower: through simplification of interface, technical terms and jargons, representation of testing results, etc.	Higher
Price	Lower	Higher
Compatibility with terminal devices	Compatible with end-user's own terminal devices (e.g. mobile phones)	Usually require a specific terminal device and not readily compatible with other devices

Our new software is intended to be available for both individual users who have the need for telecommunication network testing and technical and non-technical personnel of corporations. The basic functions of the software are intended to be offered for free in order to induce popularisation and build confidence among users and, on payment of a monthly subscription fee by users, more advanced function will also be available for use. Furthermore, the Easy-to-use Testing Software may also be applied in our wireless telecommunication network optimisation services as a convenient and handy alternative testing tool (for instance, testing report can be automatically generated) which may enhance the working efficiency in carrying our wireless telecommunication network optimisation services.

We plan to apply approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED], for developing the Easy-to-use Testing Software, including remuneration of development and other personnel, costs of development resources (such as cloud server and development software) and equipment (such as computers) and other corporate expenses. If the cost for developing the new software exceeds the allocated [REDACTED], we expect to settle the excess by our internal resources and/or bank borrowings. Set out below is the breakdown of the cost of implementing the above strategy, with the amount to be incurred over the specified periods:

Expenses expected to be incurred for:	**FY2024**	**FY2025**	**FY2026**	**FY2027**	**Total**
	(approximately) (in RMB'000)	**(approximately) (in RMB'000)**	**(approximately) (in RMB'000)**	**(approximately) (in RMB'000)**	**(approximately) (in RMB'000)**
Remuneration of development and other personnel	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Costs of development resources and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Other corporate expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Despite the initial investment required for the research and development of the Easy-to-use Testing Software, our Directors believe that it will enable us to develop our software sales business by offering a new product that accommodates not only our traditional target users, namely telecommunication network optimisation personnel, but also other technical and non-technical personnel in other fields and industries. To the best estimate of our Directors in light of the current market conditions, after the Easy-to-use Testing Software is developed and officially launched on the market, the payback period (i.e. when the total future net cash flow generated from operating activities covers the total investment amount) for the Easy-to-use Testing Software would be not more than approximately one year, and breakeven (i.e. when revenue generated from research results covers the relevant operating costs and expenses) could be achieved within a period of not more than approximately two months, upon commencement of sales of the Easy-to-use Testing Software, which is expected to commence in 2027 if our implementation plan takes place as we have planned. Such estimations have taken into consideration a number of factors including, among others: (i) the initial investment required for the research and development of the Easy-to-use Testing Software; (ii) estimated economic benefit arising from the monthly subscription of the Easy-to-use Testing Software by users; and (iii) estimated operating costs in relation to the sales and maintenance of the Easy-to-use Testing Software. The estimations are however subject to change due to uncertainties in general economic and market conditions, market demands, costs of labour and supplies, and other factors beyond our control. Based on our cost and benefit analysis, we believe the benefits resulting from the Easy-to-use Testing Software will in the long run outweigh the estimated costs required for its research and development.

The table below sets out the breakdown of the number of the development and other personnel required as stated in the table above, and the total expenses to be incurred for the same based on their respective monthly salary:

		FY2024	FY2025		FY2026		FY2027
Personnel required	**Monthly salary**	**From April 2024 to December 2024**	**From January 2025 to March 2025**	**From April 2025 to December 2025**	**From January 2026 to March 2026**	**From April 2026 to December 2026**	**From January 2027 to March 2027**
	(Approximately) (RMB)						
System architect *(Note 1)*	[REDACTED]	1	1	1	1	1	1
Product manager *(Note 2)*	[REDACTED]	1	1	1	1	1	1
Software engineer *(Note 3)*	[REDACTED]	2	2	2	2	2	2
Testing personnel *(Note 4)*	[REDACTED]	1	1	1	1	1	1
Other supporting personnel *(Note 5)*	[REDACTED]	1	1	2	2	3	3
Total expenses to be incurred (Approximately) (RMB'000)		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. A system architect is mainly responsible for designing the overall framework of a software system based on particular functional requirements, and guiding the development of the system. We intend to hire one system architect who will be responsible for all three of our proposed research and development undertakings, namely the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software. The [REDACTED] from the [REDACTED] earmarked for remuneration of the system architect will be shared among the three undertakings.

2. A product manager is mainly responsible for investigating, organising and reporting customer requirements for a particular type of products or services, analysing whether the functions of an intended product or service can meet the requirements and demand of target customers or users, and collecting opinions from target customers in respect of a developing product or service.

3. A software engineer is mainly responsible for the design, coding and installation of software involved in a research and development project, and preparing user manual for software developed.

4. Testing personnel are mainly responsible for planning and executing the testing of the individual functions and overall operation of software developed, and reporting the testing results.

5. Other supporting personnel include various supporting and ancillary personnel who are generally responsible for providing administrative, technical and ancillary support to other personnel, etc.

The table below sets out the breakdown of the expenses to be incurred for purchasing development resources and equipment:

Equipment and resources to be purchased	Description and use	Unit required	Average unit costs	Total expenses to be incurred
			(Approximately) (in RMB'000)	**(Approximately) (in RMB'000)**
Computer and development equipment	Computer and other equipment for development, such as laptops and mobile phones	6	[REDACTED]	[REDACTED]
Development software	Subscription of development software	—	[REDACTED]	[REDACTED]
Cloud server	Subscription of cloud data storage and data sharing services	—	[REDACTED]	[REDACTED]
Total				[REDACTED]

In summary, the estimated total investment costs for pursuing our new research and development undertakings are approximately: (i) HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for undertaking 5G industry application research and development projects; (ii) HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for developing a telecommunication network optimisation services software based on end-user data; and (iii) HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for developing an easy-to-use wireless telecommunication network testing software. The table below sets out the detailed implementation schedule of our new research and development undertakings:

Research and development activities	FY2024	FY2025	FY2026	FY2027	Total
	Approximately RMB'000	Approximately RMB'000	Approximately RMB'000	Approximately RMB'000	Approximately RMB'000
Undertaking 5G industry application research and development projects	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Developing a telecommunication network optimisation services software based on end-user data	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Developing an easy-to-use wireless telecommunication network testing software	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

As illustrated in the table above, the total amount of the [REDACTED] from the [REDACTED] to be invested in pursuing our new research and development undertakings, being approximately RMB[REDACTED], will be applied progressively over the period from FY2024 to FY2027. Our Directors believe that the said amount is not out of line with or disproportionate to our historical research and development expenses, which amounted to approximately RMB[REDACTED] in total during the Track Record Period (being a period of 3.5 years).

(III) Expanding our manpower in project management to cater for the anticipated expansion plans and business growth

During the Track Record Period, we deployed our project managers to oversee the execution and implementation of our projects. Our project managers are mainly responsible for the formulation of project solutions, implementation plans and contingency plans, project cost and personnel planning, and supervision of the implementation of solutions and services by technical personnel and subcontractors. In essence, therefore, a project manager serves as the person-in-charge, inspector and coordinator of a project who we believe are of great importance to our business operations. For more details about the responsibilities of our personnel and our business operational flow, please refer to the paragraphs headed "Business — Our business operational flow" in this document.

The table below sets out the movement in the number of project managers employed by our Group during the Track Record Period:

	FY2020	FY2021	FY2022	6M2023
Beginning of the year/period	43	43	28	27
Newly employed/promoted or transferred to position of project manager	9	3	4	1
(Resigned/terminated/promoted or transferred to other position)	(9)	(18)[(Note)]	(5)	0
End of year/period	43	28	27	28

Note: During the Track Record Period, our project managers mainly comprised: (i) the core team of project managers who were more senior in our Group, had more stable employment relationship with us and served a supervisory role among other project managers; and (ii) the ad hoc team of project managers who may be hired (or deployed through transferral from other positions) for particular projects, especially those which took place in a province or city where we did not have material and regular operations, in which case hiring a project manager based in that province or city would be more cost-effective. In view of the above background, the decrease of 18 project managers during FY2021 was mainly attributable to the completion of work of a large number of projects during the same year. After those projects were completed, we may invite the ad hoc project managers to take up projects in other provinces or cities or mutually agree to cease their employment with us if they chose to stay in their then locations. Our Directors expect that when new projects commence (in particular considering the business opportunities arising after implementation of the expansion plans as detailed in this section), the number of project managers will be restored to, or even exceed, the previous level.

As at the Latest Practicable Date, we had 28 project managers.

During the Track Record Period, mainly depending on the geographical location of a project, our business may be taken charge of by eight different branch business departments in Hebei, Shandong, Hunan, Guangdong, Guangxi, Xining, Guiyang and Sichuan, respectively. Along with the implementation of our business strategies and the general industry growth, we expect to capture more business opportunities which will necessitate the expansion of manpower. As such, we plan to hire additional project managers in each of our branch business departments in the PRC to supervise our future new projects under different business lines. The tables below set forth our hiring plan of the project managers:

Main responsibilities	Preferred experience and qualifications
• to formulate solutions based on project requirements and objectives; • to formulate project implementation plans including logistics arrangements and contingency plans; • to perform overall planning of project budget and cost and deployment of personnel; • to oversee delivery and implementation of solutions and services rendered by technical personnel and subcontractors; and • to maintain communication with our customers.	• approximately 6 years of experience or above in the fields of telecommunication network support services and/or ICT integration services; • relevant academic background, such as a bachelor's degree in computer science or engineering; • qualification of telecommunication engineer, telecommunication network optimisation engineer or similar qualifications issued by a reputable authority, organization or industry leader.

Place of deployment of new project managers (branch department)	Number of new project managers to be deployed	Expected total annual remuneration(Note)	Expected total remuneration for three years
		(approximately) (in RMB'000)	(approximately) (in RMB'000)
Hebei	2	[REDACTED]	[REDACTED]
Shandong	2	[REDACTED]	[REDACTED]
Hunan	2	[REDACTED]	[REDACTED]
Guangdong	8	[REDACTED]	[REDACTED]
Guangxi	3	[REDACTED]	[REDACTED]
Xining	2	[REDACTED]	[REDACTED]
Guiyang	2	[REDACTED]	[REDACTED]
Sichuan	2	[REDACTED]	[REDACTED]
Total	23	[REDACTED]	[REDACTED]

Note: The annual remuneration of a project manager is calculated by reference to an expected monthly salary of approximately RMB[REDACTED] and an annual bonus equivalent to one month's salary.

Our Directors believe that the hiring of a total of 23 additional project managers is justified and in the interest of our Group having considered the following factors:

(i) The general industry growth in the PRC and the implementation of the expansion plans as detailed in this section is expected to enable our Group to secure more projects which would in turn necessitate the deployment of additional project managers;

(ii) However, our existing manpower is unlikely to satisfy the need for more project management personnel resulting from the potential increase in the number of projects. Our projects generally require the deployment of project managers to take charge of and oversee the execution and implementation of solutions. During the Track Record Period, based on the number of our on-going project and number of project managers, each of our project managers were in charge of, on average, approximately 3, 5, 7 and 5 projects respectively. As elaborated above, our project managers serve as the person-in-charge, inspector and coordinator of our projects and are therefore required to devote substantial time and attention in order to closely supervise the progress of the projects on a day-to-day basis and handle and resolve any issues in relation thereto throughout. Our Directors believe that the capacity of our project managers are therefore fully occupied and do not have spare capacity in taking up additional projects while ensuring the quality of our services; and

(iii) From an internal control perspective, our Directors believe that it is conducive to our Group to alleviate the workload of our project managers and reduce the number of projects simultaneously undertaken by each of them, for the reasons that (a) our project managers can allocate more time to the performance of their duties in each stage and aspect of a project, which can lower the chances of mistakes and oversight due to time constraints and workload pressure; (b) in the event of unexpected resignation or prolonged absence from work of any project managers, the remaining project managers will have more spare capacity to take the place in leading the projects of the departing managers, thus minimising the disruption to project progress and quality; (c) appropriately lightening the workload and pressure of our project managers is consistent with our policy to promote employee well-being and may also benefit talent management and retention.

Payment of remuneration of the above project managers to be hired, determined based on the market salary level, seniority of the position and level of education, qualification, knowledge, skill and experience required, will be funded by the [REDACTED] of the [REDACTED] which will cover up to approximately 36 months of their employment. After the [REDACTED] of the [REDACTED] allocated to such purpose have been used up, payment of the remuneration of the said project managers will be funded by our internal resources. In addition, other related expenses such as social insurance and housing provident fund contributions will also be funded by our internal resources. As at the Latest Practicable Date, no recruitment exercise had been initiated yet. We plan to commence such exercise gradually upon [REDACTED].

We expect to apply approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for expanding our manpower in project management. If the cost for expanding our manpower in project management exceeds the allocated [REDACTED], we expect to settle the excess by our internal resources and/or bank borrowings.

(IV) Financing our sales and marketing funding needs for expansion of manpower and marketing activities

Our four regional business departments are respectively responsible for our operations in the Central, Northern, Western and South Western regions of the PRC. Our regional managers and regional business departments explore potential business opportunities by attending to query and request of our existing and potential customers, approaching potential new customers to promote our services and software, identifying potential projects open for tender, and maintaining communication and relationships with customers. For more information, please refer to the paragraphs headed "Business — Sales and marketing" in this document. Our Directors consider that after implementing our expansion plans as described above in this section, we will be able to offer new solutions (such as 5G edge computing solutions) and software (such as the Easy-to-use Testing Software) to customers in the future. To facilitate the promotion of such new solutions and software and our existing service and software offerings, we will need to invest more resources in expanding our sales and marketing operations.

In view of the above, we plan to strengthen our sales and marketing operations by adopting the following plans.

(1) *Hiring more sales and marketing personnel for different regional business departments.* We plan to hire five additional sales and marketing personnel, including two in the Central region's business department (which manages the operations of our headquarters in Guangdong) and one in each of the Northern, Western and South Western regions' business departments. Details of the our hiring plan are set out in the table below:

Main responsibilities	Preferred experience and qualifications
• to attend to query or request from existing or potential new customers in relation to potential business opportunities; • to identify and communicate with potential new customers and arrange in order to promote our services and software; and • to identify new business opportunities from available open tenders posted online or otherwise advertised.	• approximately six years of experience or above in the fields of sales and marketing and telecommunication or information technology; and • relevant academic background, such as in telecommunication or information technology.

Place of deployment of new sales and marketing personnel (regional business department)	Number of new sales and marketing personnel to be deployed	Expected total annual remuneration (Note)	Expected total remuneration for three years
		(approximately) (in RMB'000)	(approximately) (in RMB'000)
Central region	2	[REDACTED]	[REDACTED]
Northern region	1	[REDACTED]	[REDACTED]
Western region	1	[REDACTED]	[REDACTED]
South Western region	1	[REDACTED]	[REDACTED]
Total	5	[REDACTED]	[REDACTED]

Note: The annual remuneration of a sales and marketing personnel is calculated by reference to an expected monthly salary of approximately RMB[REDACTED].

Payment of remuneration of the above sales and marketing personnel to be hired, determined based on the market salary level, seniority of the position and level of education, qualification, knowledge, skill and experience required, will be funded by the [REDACTED] of the [REDACTED] which will cover up to approximately 36 months of their employment. After the [REDACTED] of the [REDACTED] allocated to such purpose have been used up, payment of the remuneration of the said sales and marketing personnel will be funded by our internal resources. In addition, other related expenses such as social insurance and housing provident fund contributions will also be funded by our internal resources. As at the Latest Practicable Date, no recruitment exercise had been initiated yet. We plan to commence such exercise gradually upon [REDACTED].

(2) *Funding our sales and marketing activities*. We also plan to use the [REDACTED] of the [REDACTED] to fund the sales and marketing activities to be conducted by our regional business departments and sales and marketing personnel, including preparing promotional materials in relation to our existing and new services and software, paying visit to existing and potential customers to introduce our services and software and explore business opportunities, participating in telecommunication, ICT and related events such as conferences, exhibitions or symposia, and/or travelling and other relevant expenses, etc.

We expect to apply approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the [REDACTED] from the [REDACTED] for financing our sales and marketing funding needs for expansion of manpower and marketing activities.

MARKET DEMAND AND STRATEGIES TO CAPTURE SUCH DEMAND

Factors indicating sufficient market and customer demand for our Group's services and products

Our Directors believe that our Group's proposed expansion based on the implementation plans as detailed in the paragraphs headed "Implementation plan" in this section will be supported by sufficient market and customer demand, having considered the following factors:

Industry advancements and favourable policies are expected to boost market growth and demand

(i) *The forecast growth in the ICT integration service industry in the PRC.* According to the CIC Report, due to the development of 5G and IoT, demand for ICT integration services has been boosted in the past few years. Meanwhile, the PRC government has published favourable policies which are expected to continually promote the growth of the ICT integration service industry, such as the Development Plan for the Digital Economy of the 14th Five-Year Plan* ("十四五" 數字經濟發展規劃) issued by the State Council in 2022. As downstream industries are expected to continue to carry out digitalisation transformation, the demand for ICT integration services is expected to further increase in the future, as a result of which the total revenue of the ICT integration service industry in the PRC is expected to grow to approximately RMB254.0 billion in 2027, with a CAGR of 8.5% from 2022 to 2027, according to the CIC Report.

(ii) *The forecast growth in the telecommunication network support service industry in the PRC.*

(a) According to the CIC Report, pursuant to the 13th Five-Year Plan, the PRC is expected to accelerate the construction of the telecommunication network industry and encourage the commercial use of 5G internet. To meet the end-users' needs for high-quality and personalised services, telecommunication operators are expected to continue to increase their telecommunication network coverage, improve telecommunication network service quality, and maintain stable and continuous spendings on wireless telecommunication network optimisation services in the future; as a result, the market size of the wireless telecommunication network optimisation service industry in the PRC is expected to increase from approximately RMB12.2 billion in 2022 to approximately RMB15.5 billion in 2027, representing a CAGR of approximately 4.9%, according to the CIC Report.

(b) According to the CIC Report, as the end of 2022, the number of 5G stations in the PRC reached 2.3 million units, and with the continuous commercial development of 5G, the Ministry of Industry and Information Technology of the PRC (MIIT) aims to set up 3.6 million units of 5G base stations by 2025. According to the CIC Report, the market size of the telecommunication network infrastructure maintenance service industry in the PRC is expected to reach approximately RMB112.8 billion in 2027, representing a CAGR of approximately 6.8% from 2022 to 2027.

(c) According to the CIC Report, along with the construction of 5G base stations and other related facilities as mentioned above, the market size of the telecommunication network infrastructure engineering service industry is expected to reach approximately RMB485.9 billion in 2027, representing a CAGR of approximately 8.6% from 2022 to 2027.

(iii) *The forecast growth in the software products and development service industry in the PRC.* According to the CIC Report, the total revenue of the telecommunication network software products and development service industry in the PRC is expected to grow to approximately RMB1,620.3 million in 2027, with a CAGR of 9.5% from 2022 to 2027, due to the development of 5G which brought new demand for telecommunication network software. Furthermore, in 2020, the MIIT published the "Notice on Promoting the Accelerated Development of 5G*" (關於推動5G加快發展的通知), which attached great importance to the research and application of telecommunication network software, according to the CIC Report.

(iv) *Other future trends of the telecommunication network services and ICT industries in the PRC.* There are other industry trends and developments according to the CIC Report which our Directors believe may heighten the market demand for the services and products of our Group, including: (a) the continuous evolution of telecommunication technology which initiates the upgrade of telecommunication network and hence triggers new demands for ICT integration services; (b) the increasing complexity of telecommunication network service technology attributable to the continuous upgrading of telecommunication network infrastructure, which prompts growing customer needs for third-party telecommunication network service providers; (c) the development towards a healthy and fair market attributable to the standardised tendering and bidding management measures formulated by telecommunication operators in selecting service providers; (d) the trend that customers from vertical industries and government sector increasingly require ICT integration service providers that have extensive industry knowledge and can provide customised services; and (e) favorable government policies in general.

Organic growth of our Group and presence of demand from customers

(v) *The growth of our business during the Track Record Period.* There had generally been growing demand for our services and products during the Track Record Period. Our Group's revenue for FY2021 and FY2022 as compared to FY2020 and FY2021 increased by approximately RMB7.8 million and RMB23.2 million, respectively, representing an increase of approximately 4.0% and 11.4%, respectively. Our revenue increased by approximately RMB10.6 million from 6M2022 to 6M2023, representing an increase of approximately 10.3%.

(vi) *Presence of demand for ICT integration services on a larger scale.* In the course of our day-to-day exercise of identifying potential business opportunities, we have noticed the presence of ICT integration projects available for tender which have a larger scale than the projects we undertook during the Track Record Period. As these projects typically require more substantial initial input of capital and resources, we may not have sufficient financial capacity to engage in such projects while maintaining a healthy level of available working capital. In particular, during the Track Record Period, we had to adopt a cautious approach in considering potential

ICT integration projects which had a large contract sum and involved significant initial project costs, and had to decline business opportunities in relation to at least approximately seven projects with larger contract sum due to concerns in liquidity management. By way of illustration, set out below are the details of some examples of such missed business opportunities:

ICT integration project description	Approximate contract sum of project	Expected initial project costs required to be incurred	Estimated amount of profits that could have been generated from the project
	(RMB) (approximately)	(RMB) (approximately)	(RMB) (approximately)
(i) Setting up a cloud healthcare information platform for a medical institution	15.9 million	11.0 million	1.8 million
(ii) Setting up a sustainable development goals integrated service platform for a research institute	18.0 million	12.0 million	2.1 million
(iii) Setting up a data centre for a hospital	11.7 million	10.0 million	1.3 million
(iv) Setting up an information platform, a video and audio fingerprinting system, etc. for a research institute	34.9 million	20.0 million	4.0 million
(v) Upgrading a cloud healthcare information platform for a medical institution	43.5 million	22.0 million	5.0 million
(vi) Setting up an integrated system of a research and education centre for a medical institution	18.3 million	11.0 million	2.1 million
(vii) Setting up an integrated management system for multi-functional lamp poles	12.4 million	10.0 million	1.4 million

Our Directors therefore believe that with the [REDACTED] from the [REDACTED], the pool of potential ICT integration projects in the market which we are capable of undertaking in terms of financial capacity can be expanded.

(vii) *Indication of interest from existing customers.* By way of assessing the customer demand for our intended developments, we have distributed a questionnaire to the relevant contact persons of our customers (including our five largest customers during the Track Record Period) to solicit their views on our proposed services and products. The questionnaire included introduction of the commercial use of the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software. Out of 57 respondents, 37, 33 and 38 had indicated that they are interested in the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software, respectively, and would recommend the relevant customers to consider procuring such services or products.

Strategies to capture the growing market demand for our Group's services and products and compete with other market players

Our Directors believe that the aforementioned industry growth and customers' indicated demand present attractive market opportunities and potential for our Group to expand our market share in the industries in which we operate in the PRC. In order to capture and capitalise on such opportunities, we intend to adopt the following strategies:

(i) *Enhance interaction with customers and gauge their interest and requirements.* In conducting research and development for our proposed initiatives, namely the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software, we will endeavour to ensure that the design of certain features of such proposed services and products (such as software user interface) align with the preference of our target customers and the end-users. In order to understand the specific requirements of the target customers and end-users, we will continue to solicit the opinions of our existing and/or potential customers through various means such as face-to-face or telephone interviews and distribution of questionnaires. Our Directors believe that this can enable us to more accurately address and respond to the market demand.

(ii) *Form a team of talents with market knowledge and awareness.* A part of the [REDACTED] from the [REDACTED] allocated to pursuing new research and development undertakings, i.e. the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software, will be used for forming a team of research and other personnel comprising, among others, system architects, hardware engineers, software engineers, system engineers, etc., who will work together in administering the aforesaid undertakings and building our proprietary technologies. In selecting research and development team members, we will strategically give priority to candidates who have worked for industry-leading corporations with cutting-edge technologies to enhance our research capabilities and those possessed with relevant market knowledge and thorough understanding of the industry trend and competitive landscape. Our Directors believe that those candidates who can apply their experience and understanding in our new research and development undertakings will facilitate the development of services and products which can compete with those of the market incumbents.

(iii) *Engage in continuous market research and modifications.* Before and during the course of carrying out our new research and development undertakings, our management and our research personnel will, from time to time, conduct market research in relation to competing services and products in the market which are similar to our proposed undertakings (if any), with a view to understanding their strengths and weaknesses and applying the findings to improve our own developments. Our Directors believe that ongoing market research would enable us to keep abreast of the latest market innovations, trends and competing products, which would facilitate and building our proprietary technologies the continuous modifications and upgrade of our services and products and maintain our competitiveness.

(iv) *Set up a team to conduct promotional activities.* As detailed in the paragraphs headed "Implementation plan" in this section, we propose to apply part of the [REDACTED] from the [REDACTED] for funding our sales and marketing activities. In order to enhance the effectiveness of the promotional efforts, we intend to designate a team of marketing personnel to specifically take charge of the execution of the marketing activities in relation to the 5G R&D Projects, the Optimisation Platform and the Easy-to-use Testing Software and coordinate with our technical personnel to approach existing and new customers, such as visiting different customers and presenting the new services and products.

[REDACTED]

We estimate the aggregate [REDACTED] from the [REDACTED] (after deducting [REDACTED] and estimated expenses in connection with the [REDACTED] and assuming and [REDACTED] of HK$[REDACTED] per Share, being the mid-point of the indicative range of the [REDACTED] of HK$[REDACTED] to HK$[REDACTED] per Share, and assuming the [REDACTED] is not exercised) will be approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]). Our Directors currently intend to apply the [REDACTED] from the [REDACTED] as follows:

1. approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used for financing the initial funding needs for our future ICT integration projects.

2. approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used for pursuing new research and development undertakings including:

   i. *Undertaking 5G industry application research and development projects*: approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) which include: (i) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being remuneration of research and other personnel; (ii) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being costs of equipment and software; and (iii) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being other corporate expenses;

   ii. *Developing a telecommunication network optimisation services software based on end-user data*: approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) which include: (i) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being remuneration of development and other personnel; (ii) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being costs of development resources and equipment; and (iii) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being other corporate expenses; and

   iii. *Developing an easy-to-use wireless telecommunication network testing software*: approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]) which include: (i) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being remuneration of development and other personnel; (ii) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being costs of development resources and equipment; and (iii) approximately HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), being other corporate expenses;

3. approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used for expanding our manpower in project management to cater for the anticipated expansion plans and business growth;

4. approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used for financing our sales and marketing funding needs for expansion of manpower and marketing activities;

5. approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used for repaying part of our bank borrowings, the salient terms of which are set out below:

Borrower	Lender	Loan amount	Outstanding balance as at the Latest Practicable Date	Drawdown date	Maturity date	Interest rate (per annum)	Use of loan amount
		(RMB million)	(RMB million) (approximately)				
WellCell Technology	Agricultural Bank of China	[REDACTED]	[REDACTED] [REDACTED]	12 April 2023 3 April 2023	2 April 2024	China 1-Year Loan Prime Rate	Payment of material costs and subcontracting charges
WellCell Technology	Bank of China	[REDACTED]	[REDACTED]	20 January 2022	19 January 2025	China 1-Year Loan Prime Rate +0.4%	Daily business operation, payment of wages and salaries and technical service

6. approximately [REDACTED]%, or HK$[REDACTED] (equivalent to approximately RMB[REDACTED]), will be used for our general working capital purposes.

The [REDACTED] from the issue of the [REDACTED] will be utilised by 2027 and approximately [REDACTED]% will be used as working capital and funding for other general corporate purposes according to our current business plans. If the [REDACTED] is fixed at the high-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will increase by approximately HK$[REDACTED]. We intend to apply the additional [REDACTED] for the above purposes on a pro-rata basis. If the [REDACTED] is set at the low-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share, the [REDACTED] we receive from the [REDACTED] will decrease by approximately HK$[REDACTED] and we will reduce the amount allocated to financing the initial funding needs for our future projects, repaying part of our bank borrowings and/or our general working capital purpose.

If the [REDACTED] is exercised in full, we estimate that the additional [REDACTED] from the [REDACTED] of these additional Shares to be received by us, will be approximately (i) HK$[REDACTED], assuming the [REDACTED] is fixed at the high-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share; (ii) HK$[REDACTED], assuming the [REDACTED] is fixed at the mid-point of the indicative range of the [REDACTED], being HK$[REDACTED] per Share; and (iii) HK$[REDACTED], assuming the [REDACTED] is fixed at the low-end of the indicative range of the [REDACTED], being HK$[REDACTED] per Share. Any additional [REDACTED] received by us from the exercise of the [REDACTED] will also be allocated to the above businesses and projects on a pro-rata basis.

The possible use of our [REDACTED] outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the [REDACTED] as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, our Directors consider that the [REDACTED] from the issue of the [REDACTED] under the [REDACTED] and our Group's internal resources will be sufficient to finance our Group's business plans up to 2027.

To the extent that the [REDACTED] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will deposit the unused [REDACTED] into short-term demand deposits with authorised financial institutions (under the SFO or other applicable PRC laws and regulations, as the case may be) and/or licensed banks in Hong Kong and/or the PRC only.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages [I-1 to I-3], received from the Company's reporting accountant, [PricewaterhouseCoopers], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[To insert the firm's letterhead] ***[DRAFT]***

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WELLCELL HOLDINGS CO., LIMITED, HALCYON CAPITAL LIMITED AND EDDID CAPITAL LIMITED

Introduction

We report on the historical financial information of WellCell Holdings Co., Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4 to I-65], which comprises the consolidated statements of financial position as at 31 December 2020, 2021 and 2022 and 30 June 2023, the Company's statement of financial position as at 31 December 2021 and 2022 and 30 June 2023, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4 to I-65] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [REDACTED] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public

Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at 31 December 2021 and 2022 and 30 June 2023, the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 30 June 2023 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2022 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period 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 Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-4] have been made.

Dividends

We refer to Note 27 to the Historical Financial Information which contains information about the dividends paid by WellCell Holdings Co., Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants

Hong Kong
[date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by [PricewaterhouseCoopers] in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Consolidated Statements of Comprehensive Income

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	*5*	195,570	203,336	226,513	103,237	113,838
Other income	*7*	3,053	3,092	3,434	1,799	1,224
Other (losses)/gains, net	*8*	(57)	(122)	(21)	(45)	238
Employee benefit expenses	*9*	(55,664)	(46,425)	(20,041)	(9,992)	(9,108)
Subcontracting charges		(69,194)	(86,593)	(121,592)	(50,085)	(63,199)
Materials, supplies and other project costs		(31,854)	(29,168)	(38,220)	(20,232)	(14,650)
Depreciation and amortisation	*6(a)*	(1,648)	(2,275)	(3,066)	(1,545)	(1,219)
Net impairment losses of contract assets and trade receivables	*3.2(b)*	(804)	(173)	(3,333)	(1,379)	(1,282)
Other operating expenses	*6(b)*	(3,180)	(3,649)	(3,496)	(1,619)	(1,848)
[REDACTED] expenses	*6(c)*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Operating profit		35,208	30,479	30,070	13,549	18,049
Finance income	*10*	73	47	94	49	147
Finance costs	*10*	(569)	(378)	(896)	(326)	(535)
Finance costs, net	*10*	(496)	(331)	(802)	(277)	(388)
Profit before income tax		34,712	30,148	29,268	13,272	17,661
Income tax expense	*11*	(5,052)	(4,624)	(5,009)	(3,901)	(3,003)
Profit for the year/period attributable to the equity holders of the Company		29,660	25,524	24,259	9,371	14,658
Total comprehensive income for the year/period attributable to the equity holders of the Company		29,660	25,524	24,259	9,371	14,658
Earnings per share attributable to equity holders of the Company						
Basic and diluted	*12*	74	64	61	23	37

Consolidated Statements of Financial Position

		As at 31 December			As at 30 June
		2020	2021	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	*13*	2,579	3,187	2,533	2,104
Intangible assets	*14*	1,709	2,836	1,607	1,076
Deferred tax assets	*20*	267	195	793	985
		4,555	6,218	4,933	4,165
Current assets					
Contract assets	*18*	59,264	72,758	67,895	61,520
Trade receivables	*18*	26,473	31,499	35,397	49,502
Prepayments, deposits and other receivables	*16*	13,199	10,941	10,545	18,113
Pledged bank deposits	*17*	60	4,130	—	—
Amount due from the intermediate holding company	*26*	—	112	1,161	1,181
Current income tax recoverable		—	2,662	1,051	111
Cash and cash equivalents	*17*	23,130	21,542	42,199	31,507
		122,126	143,644	158,248	161,934
Total assets		126,681	149,862	163,181	166,099
EQUITY					
Equity attributable to equity holders of the Company					
Share capital		—	—	—	—*
Combined capital		22,000	22,000	22,000	—
Reserves		43,516	49,086	58,742	81,068
Total equity		65,516	71,086	80,742	81,068
LIABILITIES					
Non-current liabilities					
Bank borrowings	*23*	4,860	3,440	8,000	6,000
Lease liabilities	*19*	296	37	—	121
		5,156	3,477	8,000	6,121
Current liabilities					
Trade and bills payables	*21*	7,259	17,198	5,216	2,631
Contract liabilities, other payables and accruals	*22*	44,976	49,313	45,280	50,146
Bank borrowings	*23*	1,420	4,420	22,000	23,500
Lease liabilities	*19*	287	398	83	45
Amounts due to shareholders	*26*	1,261	3,970	1,860	2,588
Current income tax liabilities		806	—	—	—
		56,009	75,299	74,439	78,910
Total liabilities		61,165	78,776	82,439	85,031
Total equity and liabilities		126,681	149,862	163,181	166,099

* *The balance was less than RMB1,000.*

Statement of Financial Position of the Company

	Note	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 30 June 2023 RMB'000
ASSETS				
Non-current asset				
Investment in subsidiary	*30(e)*	—	—	24
Current assets				
Other receivables	*30(f)*	—	—	2
Amount due from the intermediate holding company	*30(a)*	—*	859	859
Total assets		—*	859	885
EQUITY				
Equity attributable to equity holder of the Company				
Share capital	*30(b)*	—*	—*	—*
Capital reserve	*30(d)*	—	—	24
(Accumulated losses)/retained earnings	*30(d)*	(40)	723	710
Total (deficit)/equity		(40)	723	734
LIABILITIES				
Current liabilities				
Other payables and accruals		—	56	—
Amount due to a subsidiary	*30(c)*	40	80	151
Total liabilities		40	136	151
Total equity and liabilities		—*	859	885

* *The balance was less than RMB1,000.*

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company					
	Share capital	Combined capital	Capital reserve	Statutory reserve	Retained earnings	Total equity
	RMB'000	RMB'000 *(Note a)*	RMB'000	RMB'000 *(Note b)*	RMB'000	RMB'000
Balance at 1 January 2020	—	22,000	(26,608)	6,711	33,753	35,856
Comprehensive income						
Profit for the year	—	—	—	—	29,660	29,660
Total comprehensive income	—	—	—	—	29,660	29,660
Transaction with equity holders						
Appropriation *(Note b)*	—	—	—	3,343	(3,343)	—
Total transaction with equity holders	—	—	—	3,343	(3,343)	—
Balance at 31 December 2020	—	22,000	(26,608)	10,054	60,070	65,516
Balance at 1 January 2021	—	22,000	(26,608)	10,054	60,070	65,516
Comprehensive income						
Profit for the year	—	—	—	—	25,524	25,524
Total comprehensive income	—	—	—	—	25,524	25,524
Transactions with equity holders						
Appropriation *(Note b)*	—	—	—	2,729	(2,729)	—
Dividend paid *(Note 27)*	—	—	—	—	(19,954)	(19,954)
Total transactions with equity holders	—	—	—	2,729	(22,683)	(19,954)
Balance at 31 December 2021	—	22,000	(26,608)	12,783	62,911	71,086

	Attributable to equity holders of the Company					
	Share capital	**Combined capital**	**Capital reserve**	**Statutory reserve**	**Retained earnings**	**Total equity**
	RMB'000	**RMB'000** *(Note a)*	**RMB'000**	**RMB'000** *(Note b)*	**RMB'000**	**RMB'000**
Balance at 1 January 2022	—	22,000	(26,608)	12,783	62,911	71,086
Comprehensive income						
Profit for the year	—	—	—	—	24,259	24,259
Total comprehensive income	—	—	—	—	24,259	24,259
Transactions with equity holders						
Appropriation *(Note b)*	—	—	—	2,927	(2,927)	—
Dividend paid *(Note 27)*	—	—	—	—	(14,603)	(14,603)
Total transactions with equity holders	—	—	—	2,927	(17,530)	(14,603)
Balance at 31 December 2022	—	22,000	(26,608)	15,710	69,640	80,742
Balance at 1 January 2022	—	22,000	(26,608)	12,783	62,911	71,086
Comprehensive income						
Profit for the period	—	—	—	—	9,371	9,371
Total comprehensive income	—	—	—	—	9,371	9,371
Transaction with equity holders						
Appropriation *(Note b)*	—	—	—	1,342	(1,342)	—
Total transaction with equity holders	—	—	—	1,342	(1,342)	—
Balance at 30 June 2022 (unaudited)	—	22,000	(26,608)	14,125	70,940	80,457

	Attributable to equity holders of the Company					
	Share capital	**Combined capital**	**Capital reserve**	**Statutory reserve**	**Retained earnings**	**Total equity**
	RMB'000	**RMB'000** *(Note a)*	**RMB'000**	**RMB'000** *(Note b)*	**RMB'000**	**RMB'000**
Balance at 1 January 2023	—	22,000	(26,608)	15,710	69,640	80,742
Comprehensive income						
Profit for the period	—	—	—	—	14,658	14,658
Total comprehensive income	—	—	—	—	14,658	14,658
Transactions with equity holders						
Reclassification of combined capital to share capital and capital reserves upon the completion of the Reorganisation *(Note 1.2(i))*	—*	(22,000)	22,000	—	—	—*
Appropriation *(Note b)*	—	—	—	1,516	(1,516)	—
Dividend paid *(Note 27)*	—	—	—	—	(14,332)	(14,332)
Total transactions with equity holders	—*	(22,000)	22,000	1,516	(15,848)	(14,332)
Balance at 30 June 2023	—*	—	(4,608)	17,226	68,450	81,068

* *The balances were rounded to the nearest thousand.*

Notes:

(a) The Company was incorporated on 14 September 2021 and the Reorganisation was completed on 27 April 2023. For the purpose of the Historical Financial Information, the combined capital as at 31 December 2020, 2021 and 2022 represented the aggregate amounts of share capital of the companies then comprising the Group after elimination of the inter-company investment costs.

(b) The People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current year. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretional surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

Consolidated Statements of Cash Flows

		Year ended 31 December			Six months ended 30 June	
		2020	2021	2022	2022	2023
	Note	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	*24(a)*	18,611	33,039	20,958	(2,454)	8,756
Income tax paid		(5,379)	(8,020)	(3,996)	(978)	(2,255)
Net cash generated from/(used in) operating activities		13,232	25,019	16,962	(3,432)	6,501
Cash flows from investing activities						
Purchase of property, plant and equipment		(470)	(2,023)	(1,238)	(906)	(70)
Proceeds from disposal of property, plant and equipment	*24(b)*	—	19	—	—	—
Additions of intangible assets		(678)	(1,829)	(54)	—	—
Interest received		73	47	94	49	147
Net cash (used in)/generated from investing activities		(1,075)	(3,786)	(1,198)	(857)	77
Cash flows from financing activities						
Proceeds from bank borrowings	*24(c)*	23,720	6,001	30,000	25,000	10,000
Repayments of bank borrowings	*24(c)*	(19,440)	(4,421)	(7,860)	(3,710)	(10,500)
Interest paid	*24(c)*	(569)	(378)	(896)	(326)	(535)
Dividend paid	*27*	—	(19,954)	(14,603)	—	(14,332)
Change in pledged deposits for bills payables		—	(4,130)	4,130	4,130	—
Advances from shareholders	*24(c)*	98	2,787	1,656	1,088	728
Repayment to shareholders	*24(c)*	(15,077)	(78)	(3,766)	—	—
Payment of principal element of lease liabilities	*19(c)*	(231)	(349)	(221)	(155)	(106)
Payment of [REDACTED] expenses		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Net cash (used in)/generated from financing activities		(12,130)	(22,821)	4,893	23,720	(17,270)
Net increase/(decrease) in cash and cash equivalents		27	(1,588)	20,657	19,431	(10,692)
Cash and cash equivalents at beginning of the year/period		23,103	23,130	21,542	21,542	42,199
Cash and cash equivalents at end of the year/period	*17*	23,130	21,542	42,199	40,973	31,507

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

WellCell Holdings Co., Limited (the "Company") was incorporated in the Cayman Islands on 14 September 2021 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is 71 Fort Street, P.O. Box 500, George Town, Grand Cayman, KY1-1106, Cayman Islands.

The Company is an investment holding company, and its subsidiaries now comprising the Group are principally engaged in providing telecommunication network support services, information and communication technology integration services and telecommunication network-related software development services to our customers (the "[REDACTED] Business"). The ultimate holding company of the Company is Shine Dynasty Limited ("Shine Dynasty"), a company incorporated in the British Virgin Islands (the "BVI"). The ultimate controlling shareholder is Mr. Jia Zhengyi ("Mr. Jia") who has been controlling the group companies.

1.2 Reorganisation

Immediately prior to the reorganisation (the "Reorganisation") as described below and during the Track Record Period, the [REDACTED] Business was carried out by Guangdong WellCell Technology Company Limited* ("WellCell Technology") (廣東經緯天地科技有限公司) and Guangdong WellCell Intelligent Technology Company Limited* ("WellCell Intelligent") (廣東經緯天地智能科技有限公司) (collectively the "Operating Companies") which were controlled by Mr. Jia throughout the Track Record Period.

In preparation for the initial [REDACTED] ("[REDACTED]") and [REDACTED] (the "[REDACTED]") of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation ("the Reorganisation") which principally involved the following steps:

(a) On 5 July 2018, Shine Dynasty, a company incorporated in the BVI with limited liability and was authorised to issue a maximum number of 50,000 shares of 1 United States dollar ("USD") each. Upon incorporation, 1 share of USD1 was allotted and issued at par and credited as fully paid to Mr. Jia.

(b) On 8 February 2019, WellCell Group Co., Limited ("WellCell Group") (經緯天地集團有限公司) was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of USD1 each. Upon incorporation, 103 shares, 75 shares, 10 shares, 8 shares and 4 shares were allotted and issued to Shine Dynasty wholly owned by Mr. Jia, Cheer Partners Limited ("Cheer Partners") wholly held by Mr. Lin Qihao ("Mr. Lin"), Mr. Fung Man Hon ("Mr. Fung"), Dazzling Power Limited ("Dazzling Power") wholly held by Mr. Cong Bin ("Mr. Cong") and Diamond Skyline Limited ("Diamond Skyline") wholly held by Ms. Chen Shen Mao ("Ms. Chen"), respectively. Subsequently on 1 September 2021, Mr. Fung transferred his entire equity interest in WellCell Group to Golden Concord Holding Limited ("Golden Concord") wholly held by Mr. Fung.

(c) On 19 February 2019, WellCell Hong Kong Limited ("WellCell HK") (經緯天地香港有限公司) was incorporated in Hong Kong with limited liability with 1 share of 1 Hong Kong dollar ("HK$") allotted and issued to WellCell Group.

(d) On 1 March 2019, WellCell HK acquired 51.5%, 37.5%, 5%, 4% and 2% equity interest in WellCell Technology from Mr. Jia, Mr. Lin, Mr. Fung, Mr. Cong and Ms. Chen, respectively, at a total consideration of RMB28,600,000.

(e) On 3 July 2019, WellCell Intelligent was incorporated in the PRC with limited liability by WellCell HK with a registered capital of RMB10,000,000. After its incorporation, WellCell Intelligent became a wholly-owned subsidiary of WellCell HK.

(f) On 11 August 2021, WellCell International Co., Limited ("WellCell International") was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares of par value of USD1 each. Upon incorporation, 1 share was allotted and issued as fully paid to WellCell Group at par.

(g) On 27 August 2021, WellCell International acquired the entire equity interest of WellCell HK from WellCell Group. In consideration of acquisition, WellCell International issued and allotted 1 share to WellCell Group.

(h) On 14 September 2021, the Company was incorporated in the Cayman Islands with initial authorised share capital of 38,000,000 shares of HK$0.01 each. Upon incorporation, 1 share of the Company of HK$0.01 was issued and allotted to the initial subscribing shareholder. On the same day, the subscriber share was transferred to WellCell Group and the Company further issued and allotted 199 shares as fully paid to WellCell Group.

(i) On 27 April 2023, the Company acquired 100% equity interest in WellCell International at a consideration of the issue and allotment of 200 shares to WellCell Group.

Upon completion of the Reorganisation on 27 April 2023, the Company became the holding company of the companies comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interests in the following subsidiaries:

Name of subsidiary	Place, date of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Issued and paid up capital/ registered capital	Effective interest held by the Group As at 31 December 2020	2021	2022	As at 30 June 2023	As at the date of this report	Name of statutory auditors Year ended 31 December 2020	2021	2022
Direct Interests:											
WellCell International Co., Limited	The BVI: 11 August 2021, limited liability company	Investment holding in BVI	USD1	N/A	100%	100%	100%	100%	N/A	(i)	(i)
Indirect Interests:											
WellCell Hong Kong Limited	Hong Kong: 19 February 2019, limited liability company	Investment holding in Hong Kong	HK$1	100%	100%	100%	100%	100%	(ii)	(ii)	(ii)
Guangdong WellCell Technology Company Limited* (廣東經緯天地科技有限公司)#	The PRC: 20 March 2003, limited liability company	Provision of maintenance and engineering services for telecommunication network and infrastructure	RMB22,000,000	100%	100%	100%	100%	100%	(iii)	(iii)	(iii)
Guangdong WellCell Intelligent Technology Company Limited* (廣東經緯天地智能科技有限公司)#	The PRC: 3 July 2019, limited liability company	Sales of telecommunication network related software in the PRC	RMB515,298	100%	100%	100%	100%	100%	(iii)	(iii)	(iii)

(i) No audited statutory financial statements have been issued for the subsidiaries as they are not required to issue audited financial statements under the statutory requirements of their places of incorporation.

(ii) The statutory auditor for the years ended 31 December 2020, 2021 and 2022 was PricewaterhouseCoopers, Certified Public Accountants.

(iii) The statutory auditor for the years ended 31 December 2020, 2021 and 2022 was Zhuhai Deyuan Certified Public Accountants* (珠海德源會計師事務所).

All companies now comprising the Group have adopted 31 December as their financial year end date.

* The English translation is for identification purpose only. These companies do not have official English name.

\# Registered as wholly foreign owned enterprises under PRC law.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the [REDACTED] Business had been and continues to be conducted through the Operating Companies. Pursuant to the Reorganisation, the [REDACTED] Business is held by the Company. The Company has not been involved in any business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the [REDACTED] Business with no change in management of such business and the ultimate controlling shareholder remains the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [REDACTED] Business, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the [REDACTED] Business for all periods presented.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years/periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires the directors of the Group to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information, are disclosed in Note 4.

The relevant accounting policies have been consistently applied to this Historical Financial Information throughout the Track Record Period.

New standard and amendments to existing standards not yet adopted

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements (Amendments)	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group will adopt the above new standard and amendments to existing standards as and when they become effective. Management has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these standards and amendments to existing HKFRS.

2.2 Principles of consolidation

2.2.1 *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combination*

Except for the Reorganisation, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amounts of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries now comprising the Group have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amounts of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re- measured to its fair value at the date when control is lost, with the change in carrying amounts recognised in profit or loss. The fair value is the initial carrying amounts for the purposes of subsequently accounting for the retained interest as an associate or a financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

2.4 Foreign currency translation

2.4.1 *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information is presented in RMB, which is the Company's functional and the Group's presentation currency.

2.4.2 *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are generally recognised in profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities held at fair value through other comprehensive income are recognised in other comprehensive income.

2.4.3 *Group companies*

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amounts or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Furniture, fixtures and office equipment	3 to 5 years
Plant and machinery	3 to 5 years
Motor vehicles	3 to 5 years
Leasehold improvements	Shorter of estimated useful lives or remaining lease terms

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amounts if the asset's carrying amount is greater than its estimated recoverable amounts.

Gain or loss on disposal are determined by comparing proceeds with carrying amounts and are recognised in profit or loss.

2.6 Intangible assets

2.6.1 ***Acquired software for own use***

Acquired software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. They have a finite useful life and are carried at cost less accumulated amortisation and impairment losses.

2.6.2 ***Self-developed software***

Development costs that are directly attributable to the design and testing of identifiable and unique software controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Costs associated with maintaining self-developed software programmes are recognised as an expense as incurred.

2.6.3 ***Research and development***

Research expenditure and development expenditure that do not meet the criteria in Note 2.6.2 above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2.6.4 ***Amortisation methods and periods***

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

System software	5 years
Self-developed software	3 years

2.7 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.8 Financial assets

2.8.1 ***Classification***

The Group classifies its financial assets as assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.8.2 ***Recognition and measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments to be measured at amortised costs.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired.

2.8.3 ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Impairment of financial assets

The Group has the following types of financial assets measured at amortised cost subject to HKFRS 9's expected credit loss model:

- Contract assets and trade receivables;
- Other receivables;
- Cash and cash equivalents and pledged bank deposits

The Group assesses on a forward-looking basis the expected credit loss associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

In assessing whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers that a default event occurs when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse to actions such as realising security. The Group considers information that is reasonable and supportable, including historical experience and forward-looking information that is available.

For contract assets and trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the contract assets and trade receivables. The provision matrix is determined based on historical default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. To manage risk arising from cash and cash equivalents and pledged bank deposits, the Group only transacts with reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade, bills and other payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2.16 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get 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 eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amounts can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance costs.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

2.18.1 ***Current income tax***

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2.18.2 ***Deferred income tax***

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial information. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

2.18.3 ***Offsetting***

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

2.19.1 ***Short-term obligations***

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated statement of financial position.

2.19.2 ***Other long-term employee benefit obligations***

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

2.19.3 ***Defined contribution plans***

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.19.4 ***Bonus plans***

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities.

Revenue is recognised when or as the control of the services or goods is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the services or goods may transfer over time or at a point in time. Control of the services or goods is transferred over time if the Group's performance:

(i) provides all of the benefits received and consumed simultaneously by the customer; or

(ii) creates and enhances an asset that the customer controls as the Group performs; or

(iii) does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services or goods transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the purchaser obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on output method that best depicts the Group's performance in satisfying the performance obligation. The output method is made reference to the direct measurements of the value to the customer of goods or services transferred to date, provided that the value to the customer is established according to the progress report confirmed by customer.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it 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.

Certain contracts entered into by the Group in the provision of wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and information and communication technology integration services include performance penalties and contingent payment clauses that give rise to variable consideration.

For variable consideration arising from performance penalties, the Group's entitlement to the consideration is contingent on the meeting of specified performance criteria as stated in the customer contract.

For variable consideration arising from contingent payment clauses, the Group is subcontracted by the customers who are engaged by the ultimate users as contractors of projects, and the Group's receipts of payment from the customers are in turn contractually contingent on the customers receiving the acceptance and payment from the ultimate users, only after which the customers will settle with the Group.

The Group uses the expected value method to estimate the amount of variable consideration because this method best predicts the amount of variable consideration to which the Group will be entitled. Accumulated historical receipts, background of ultimate project user, duration of project and involvement of numbers of parties in the project are used to estimate the variable consideration arising from performance penalties and contingent payment clauses, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that estimates of variable consideration are constrained until it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment. A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised. The Group applies the practical expedient and recognises costs of obtaining a contract as an expense when incurred because the amortisation period is normally within one year or less.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration or an amount of consideration is due from the customer.

Revenue is recognised when specific criteria have been met for the Group's activities as described below:

2.20.1 ***Wireless telecommunication network optimisation services***

Revenue from provision of wireless telecommunication network optimisation services is recognised over time in accordance with output method for measuring progress when the related services are rendered.

2.20.2 ***Telecommunication network infrastructure maintenance and engineering services***

Revenue from provision of telecommunication network infrastructure maintenance and engineering services is recognised over time in accordance with output method for measuring progress when the related services are rendered.

2.20.3 ***Information and communication technology integration services***

Revenue from information and communication technology integration services is recognised over time in accordance with the output method for measuring progress when the related services are rendered.

2.20.4 ***Software development and related services***

Revenue from software development and related services is recognised over time in accordance with the output method for measuring progress when the related services are rendered.

2.20.5 ***Sales of software***

Sales of software transferred at a point in time are recognised when control of the goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products, the customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

2.21 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.22 Equipment rental income

Equipment rental income receivable is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset.

2.23 Leases

The Group leases various properties and machineries. Rental contracts are typically made for fixed periods of three months to six years. Lease terms are negotiated on an individual basis and contain various terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as right-of-use assets (included in property, plant and equipment) and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the entity's incremental borrowing rate.

Right-of-use assets are measured at costs comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases for property, plant and machinery with a lease term of less than 12 months.

2.24 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the year/period in which the dividend is approved by the Company's shareholders or directors, where appropriate.

2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

2.26 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amounts of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policies and practices focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Market risk

3.1.1 ***Foreign exchange risk***

The Group operates mainly in the PRC with most of the transactions settled in RMB. Management considers that the Group is not exposed to any significant foreign exchange risk for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 as there are no significant financial assets or liabilities of the Group denominated in the currencies other than the respective functional currencies of the Group's entities.

During the Track Record Period, the Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

3.1.2 ***Interest rate risk***

The Group's interest rate risk is mainly attributable to its cash at banks, pledged bank deposits and bank borrowings with floating interest rates. Details of the Group's cash at banks, pledged bank deposits and bank borrowings have been disclosed in Notes 17 and 23 to the Historical Financial Information respectively.

Other than cash at banks, pledged bank deposits and bank borrowings, the Group does not have significant interest-bearing assets or liabilities.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, if interest rates on cash at bank, pledged bank deposits and bank borrowings had been 100 basis points higher/lower with all variables held constant, profit before income tax for the year/period then ended would have been approximately RMB169,000 higher/lower, approximately RMB137,000 higher/lower, approximately RMB122,000 higher/lower and approximately RMB20,000 higher/lower, respectively, mainly as a result of higher/lower of interest income on cash at banks and pledged bank deposits netted with higher/lower interest expenses on the bank borrowings.

3.2 Credit risk

The credit risk of the Group mainly arises from cash and cash equivalents, pledged bank deposits, contract assets and trade receivables, deposits and other receivables. The carrying amounts of each financial asset represent the Group's maximum exposure to credit risk in relation to financial assets.

(a) ***Risk management***

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group's cash and cash equivalents and pledged bank deposits were deposited with high quality financial institutions. Therefore, the Group does not expect any loss from non-performance by these counterparties.

For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, 60%, 61%, 51% and 47% of the Group's revenue was derived from its top five customers respectively. As at 31 December 2020, 2021 and 2022 and 30 June 2023, 36%, 47%, 40% and 39% of the total contract assets and trade receivables were due from the Group's top five customers respectively.

(b) *Impairment of assets*

The Group has the following types of financial assets measured at amortised cost subject to HKFRS 9's expected credit loss model:

- Cash and cash equivalents and pledged bank deposits;
- Other receivables; and
- Contract assets and trade receivables

Cash and cash equivalents and pledged bank deposits

While cash and cash equivalents and pledged bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they were placed in reputable institutions with sound credit ratings.

Other receivables

For other receivables, the impairment loss is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there is a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime expected credit loss. As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group has assessed that the expected credit losses for these deposits and other receivables were immaterial under 12-month expected losses method as the management considered the credit risk of other receivables as low as counterparties have the capacity to meet their contractual cash flow obligations in the near term. Therefore, no loss allowance provision for these balances was recognised.

Contract assets and trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all contract assets and trade receivables.

To measure the expected credit losses, contract assets and trade receivables have been grouped into two categories by the Group's management based on credit risk characteristics. Contract assets and trade receivables from state-owned and/or listed companies and their subsidiaries are grouped as one category ("Group 1"), and the remaining contract assets and trade receivables from other customers, being private companies that are neither state-owned nor listed, are classified as another category ("Group 2").

The expected loss rates are based on the corresponding historical credit losses experienced, industry credit loss rate and payment profiles of sales, in respect of these two groups of customers. These historical loss rates are then adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product of PRC and the consumer price index of the PRC in which the Group primarily sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categories a receivable for write off when a debtor falls to make contractual payments. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, they are recognised in profit or loss.

On these bases, the loss allowances for contract assets and trade receivables as at 31 December 2020, 2021 and 2022 and 30 June 2023 were determined as follows:

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
31 December 2020				
Group 1				
Collective basis				
• Contract assets	1.8%	46,330	819	45,511
• Trade receivables				
— Within 180 days	0.4%	12,848	48	12,800
— Between 181 days and 365 days	0.4%	1,633	6	1,627
— Between 1 year and 2 years	5.1%	39	2	37
— Over 2 years	100%	141	141	—
Group 2				
Collective basis				
• Contract assets	3.4%	14,237	484	13,753
• Trade receivables				
— Within 180 days	2.3%	10,748	242	10,506
— Between 181 days and 365 days	2.3%	1,538	35	1,503
31 December 2021				
Group 1				
Collective basis				
• Contract assets	1.9%	70,028	1,304	68,724
• Trade receivables				
— Within 180 days	0.4%	22,381	89	22,292
— Between 181 days and 365 days	0.4%	4,835	19	4,816
— Between 1 year and 2 years	5.5%	1,669	92	1,577
— Over 2 years	100%	136	136	—
Group 2				
Collective basis				
• Contract assets	4.8%	4,238	204	4,034
• Trade receivables				
— Within 180 days	3.6%	2,257	82	2,175
— Between 181 days and 365 days	3.6%	663	24	639

	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
31 December 2022				
Group 1				
Collective basis				
• Contract assets	3.1%	60,683	1,861	58,822
• Trade receivables				
— Within 180 days	1.5%	30,962	456	30,506
— Between 181 days and 365 days	1.5%	375	6	369
— Between 1 year and 2 years	19.4%	2,181	424	1,757
— Over 2 years	100%	1,236	1,236	—
Group 2				
Collective basis				
• Contract assets	6.5%	9,705	632	9,073
• Trade receivables				
— Within 180 days	6.8%	2,454	167	2,287
— Between 1 year and 2 years	51.2%	979	501	478
30 June 2023				
Group 1				
Collective basis				
• Contract assets	6.0%	57,617	3,443	54,174
• Trade receivables				
— Within 180 days	1.6%	32,703	511	32,192
— Between 181 days and 365 days	1.6%	9,183	143	9,040
— Between 1 year and 2 years	19.8%	398	79	319
— Over 2 years	100%	935	935	—
Group 2				
Collective basis				
• Contract assets	6.2%	7,832	486	7,346
• Trade receivables				
— Within 180 days	6.9%	8,140	560	7,580
— Between 1 year and 2 years	52.3%	779	408	371

Impairment losses on contract assets and trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Movements of the provision for impairment of contract assets and trade receivables were as follows:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
At beginning of the year/period	973	1,777	1,950	1,950	5,283
Provision for impairment of contract assets and trade receivables	804	173	3,333	1,379	1,282
At end of the year/period	1,777	1,950	5,283	3,329	6,565

3.3 Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

The Group maintains liquidity by a number of sources including orderly realisation of receivables that the Group considers appropriate. Long-term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group's total undrawn banking facilities amounted to approximately RMB2,900,000, RMB2,140,000, RMB5,000,000 and RMB5,000,000 respectively, and the Group's total drawn banking facilities amounted to approximately RMB6,280,000, RMB7,860,000, RMB30,000,000 and RMB29,500,000 respectively.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances within twelve months equal their carrying balances as impact from discounting is not significant.

	Repayable on demand	Less than 1 year	Between 1 and 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020				
Trade and bills payables	—	7,259	—	7,259
Other payables and accruals	—	33,256	—	33,256
Amounts due to shareholders	1,261	—	—	1,261
Bank borrowings	—	1,655	5,083	6,738
Lease liabilities	—	314	305	619
	1,261	42,484	5,388	49,133
At 31 December 2021				
Trade and bills payables	—	17,198	—	17,198
Other payables and accruals	—	35,671	—	35,671
Amounts due to shareholders	3,970	—	—	3,970
Bank borrowings	—	4,646	3,570	8,216
Lease liabilities	—	412	37	449
	3,970	57,927	3,607	65,504
At 31 December 2022				
Trade and bills payables	—	5,216	—	5,216
Other payables and accruals	—	39,074	—	39,074
Amounts due to shareholders	1,860	—	—	1,860
Bank borrowings	—	22,609	8,286	30,895
Lease liabilities	—	84	—	84
	1,860	66,983	8,286	77,129
At 30 June 2023				
Trade and bills payables	—	2,631	—	2,631
Other payables and accruals	—	44,748	—	44,748
Amounts due to shareholders	2,588	—	—	2,588
Bank borrowings	10,371	14,173	6,148	30,692
Lease liabilities	—	50	126	176
	12,959	61,602	6,274	80,835

3.4 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt and total capital represent total bank borrowings and total equity, respectively, as shown in the consolidated statement of financial position. The total debt to total capital ratios at 31 December 2020, 2021 and 2022 and 30 June 2023 were as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total bank borrowings	6,280	7,860	30,000	29,500
Total equity	65,516	71,086	80,742	81,068
Total debt to total capital ratio	9.6%	11.1%	37.2%	36.4%

The increase in total debt to total capital ratio from 9.6% as at 31 December 2020 to 11.1% as at 31 December 2021 was mainly due to the additional drawdown of bank borrowings during the year ended 31 December 2021.

The increase in total debt to total capital ratio from 11.1% as at 31 December 2021 to 37.2% as at 31 December 2022 was mainly due to the additional drawdown of bank borrowings during the year ended 31 December 2022.

The decrease in total debt to total capital ratio from 37.2% as at 31 December 2022 to 36.4% as at 30 June 2023 was mainly due to the repayment of bank borrowings and increase in equity during the six months ended 30 June 2023.

3.5 Fair value estimation

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group did not have any financial assets or financial liabilities in the consolidated statement of financial position which were measured at fair value.

The carrying amounts of the Group's financial assets and financial liabilities, approximated their fair values due to their short maturities.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Estimation of variable consideration

Certain contracts entered into by the Group in the provision of wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and information and communication technology integration services include performance penalties and contingent payment clauses that give rise to variable consideration.

For variable consideration arising from performance penalties, the Group's entitlement to the consideration is contingent on the meeting of specified performance criteria as stated in the customer contract. The Group considers experience in similar types of customer contract in estimating the amount of variable consideration.

For variable consideration arising from contingent payment clauses, the Group is subcontracted by the customers who are engaged by the ultimate users as contractors of projects, and therefore the Group's receipts of payment from the customers are in turn contractually contingent on the customers receiving the acceptance and payment from the ultimate users, only after which the customers will then settle with the Group. In estimating the outcome of acceptance and payment by the ultimate project users, the Group considers, among other things, the financial strength of the ultimate project users and the level of technical complexities of the projects.

Based on the above, the management of the Group estimated the variable consideration arising from contingent payment clauses to be ranging from 10% to 20% of the total consideration of the projects. The respective revenue would not be recognised at contract inception until the uncertainty associated with the variable consideration is subsequently resolved. Variable consideration arising from performance penalties is not significant during the reporting period.

4.2 Impairment of receivables and contract assets

The Group makes provision for impairment of receivables and contract assets based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward-looking estimates at the end of each reporting period. The identification of impairment of receivables and contract assets requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of receivables and contract assets and loss for impairment of receivables and contract assets recognised in the periods in which such estimates have been changed.

4.3 Income taxes

The Group is subject to income taxes mainly in Hong Kong and the PRC. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax expense in the periods in which such estimate is changed.

5 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and its subsidiaries now comprising the Group principally engage in providing telecommunications network support services, information and communication technology integration services and telecommunications network-related software development services to our customers.

The CODM has been identified as the directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. The directors have determined the operating segment based on these reports.

The directors consider the Group's operation from a business perspective and determine that the Group has one reportable operating segment being provision of services and products for telecommunication network and infrastructure.

(a) Revenue

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Timing of revenue recognition					
Over time					
— Wireless telecommunication network optimisation services	93,673	100,085	102,136	39,413	42,404
— Telecommunication network infrastructure maintenance and engineering services	39,654	41,787	44,516	21,244	18,709
— Information and communication technology integration services	38,515	42,505	54,592	34,756	35,550
— Software development and related service	12,206	9,287	21,745	5,629	12,667
	184,048	193,664	222,989	101,042	109,330
At a point in time					
— Sales of software	11,522	9,672	3,524	2,195	4,508
	195,570	203,336	226,513	103,237	113,838

(b) Revenue from major customers who have individually contributed 10% or more of the total revenue of the Group, including sales to a group of entities which are known to be under common control with that customer, is set out below:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Customer A	41,502	48,768	53,917	19,890	25,710
Customer B	38,679	39,376	N/A*	N/A*	N/A*
Customer C	23,163	N/A*	N/A*	N/A*	N/A*

* The corresponding customers did not contribute over 10% of the total revenue of the Group for the respective year/period.

(c) Segment revenue by customers' geographical location

The Group is domiciled in the PRC. All revenue is derived from external customers in the PRC for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

(d) Details of contract liabilities

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities *(Note 22)*	1,190	6,499	2,303	1,618

Notes:

(i) Contract liabilities represent advanced payments received from the customers for services that have yet been transferred to the customers. The contract liabilities fluctuated during the Track Record Period due to fluctuation in sales with advanced payments.

(ii) During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, all brought-forward contract liabilities of approximately RMB8,646,000, RMB1,190,000, RMB6,499,000 and RMB2,303,000 at the beginning of the financial year/period were fully recognised as revenue.

(e) Unsatisfied performance obligations

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020, 2021 and 2022 and 30 June 2023 and the expected timing of recognising revenue is as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	53,378	32,962	86,068	70,344
More than one year but less than two years	10,883	12,587	6,873	8,729
	64,261	45,549	92,941	79,073

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its contracts for services such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for services that had an original expected duration of one year or less.

The amounts disclosed above do not include variable consideration which is constrained.

(f) Non-current assets by geographical location

As at 31 December 2020, 2021 and 2022 and 30 June 2023, all of the Group's non-current assets were located in the PRC.

6 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

(a) Depreciation and amortisation

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation charges					
— Property, plant and equipment *(Note 13)*	885	1,257	1,555	781	620
— Right-of-use assets *(Note 13)*	251	316	228	125	68
Total depreciation charges *(Note 13)*	1,136	1,573	1,783	906	688
Amortisation of intangible assets *(Note 14)*	512	702	1,283	639	531
	1,648	2,275	3,066	1,545	1,219

(b) Other operating expenses

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Expenses of short-term leases in respect of offices and staff quarters	95	—	145	29	2
Auditor's remuneration					
— Audit services (excluding [REDACTED] expenses)	105	111	107	41	42
— Non-audit services	10	10	10	5	5
Office expenses	379	511	343	116	134
Professional fees	498	433	475	355	195
Other taxes and levies	1,007	1,062	1,197	527	865
Entertainment expenses	281	382	267	128	212
Others	805	1,140	952	418	393
	3,180	3,649	3,496	1,619	1,848

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the Group incurred expenses for the purpose of research and development of approximately RMB16,345,000, RMB10,760,000, RMB16,606,000, RMB4,637,000 and RMB5,397,000 respectively, which comprised employee benefit expenses, depreciation and amortization and other expenses.

(c) [REDACTED] expenses

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

7 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government subsidies *(Note a)*	587	873	1,800	1,426	243
Tax credit of input tax additional deduction and VAT refund	1,484	1,909	1,326	288	846
Equipment rental income *(Note b)*	963	146	286	64	89
Sundry income	19	164	22	21	46
	3,053	3,092	3,434	1,799	1,224

Notes:

(a) During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, there were no unfulfilled conditions or other contingencies attaching to these grants.

(b) Equipment is leased to customers under operating leases with fixed lease payments.

8 OTHER LOSSES/(GAINS), NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss on disposal of property, plant and equipment	51	24	—	—	—
Gain on disposal of right-of-use assets and lease liabilities on early termination of a lease	—	—	(22)	(2)	—
Exchange losses/(gains), net	6	98	43	47	(238)
	57	122	21	45	(238)

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Wages and salaries	52,986	41,594	16,382	7,999	7,164
Pension cost — defined contribution plans *(Note a)*	1,861	4,241	3,314	1,811	1,603
Other staff welfares	817	590	345	182	341
Total employee benefit expenses (including directors' remunerations)	55,664	46,425	20,041	9,992	9,108

Notes:

(a) Pensions costs — defined contribution plans

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiary operating in the PRC contributes to state-sponsored retirement plans for its employees. For the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, depending on the provinces of the employees' registered residences and their current region of work, the subsidiary contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees.

During the year ended 31 December 2020, the Human Resources and Social Security Bureau of Guangdong Province has announced that, to provide relief of the impact of the Coronavirus Disease 2019 ("COVID-19"), all micro, small and medium size enterprises in Guangdong Province were partially exempted from employer contributions to pension, unemployment and work-related injury insurance schemes from the period between February and December 2020.

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, no forfeited contributions were utilised by the Group to reduce its contributions, and no forfeited contribution was available as at 31 December 2020, 2021 and 2022 and 30 June 2023 to reduce future contributions.

Hong Kong

Retirement benefit costs — defined contribution schemes

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions are subject to a cap of HK$1,500 per month.

No forfeited contribution is available to reduce the contribution payable in future year.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2, 2, 2, 1 and nil directors for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, whose emoluments are reflected in the analysis presented in Note 28. The emoluments payable to the remaining 3, 3, 3, 4 and 5 individuals for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023 are as follows:

	Year ended 31 December			**Six months ended 30 June**	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Wages and salaries	752	1,010	1,590	858	1,124
Pension costs — defined contribution plans	31	57	75	63	95
	783	1,067	1,665	921	1,219

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(unaudited)	
Emolument bands					
HK$1 to HK$1,000,000	3	3	3	4	5

During the Track Record Period, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS, NET

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Finance income					
Interest income on cash at banks	73	47	94	49	147
Finance costs					
Interest expenses on					
— Bank borrowings	(526)	(346)	(887)	(319)	(530)
— Leases *(Note 19(b))*	(43)	(32)	(9)	(7)	(5)
	(569)	(378)	(896)	(326)	(535)
Finance costs, net	(496)	(331)	(802)	(277)	(388)

11 INCOME TAX EXPENSE

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year/period, based on the existing legislation, interpretations and practices in respect thereof.

The general enterprise income tax rate in the PRC is 25%. During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, WellCell Technology, the Group's major operating subsidiary in the PRC, has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%. In addition to being recognised as high and new technology enterprises, WellCell Technology was recognised as a key software enterprise under relevant PRC laws and regulations for the years 2021 and 2022 so WellCell Technology was entitled to a preferential income tax rate of 10% during the years of 2021 and 2022.

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, a 10% withholding tax was levied on dividend declared by a company in the PRC to its foreign shareholder.

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Current income tax					
— PRC CIT	3,622	2,252	3,407	2,005	1,495
— PRC dividend withholding tax	1,600	2,300	2,200	2,200	1,700
Deferred income tax *(Note 20)*	(170)	72	(598)	(304)	(192)
Income tax expense	5,052	4,624	5,009	3,901	3,003

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Profit before income tax	34,712	30,148	29,268	13,272	17,661
Tax calculated at tax rates applicable to profits of the respective subsidiaries	5,222	2,826	4,504	2,023	2,470
Tax effect of:					
Expenses not deductible for tax purposes	89	413	237	57	228
Super deductions from research and development expenditure *(Note)*	(1,908)	(826)	(2,030)	(477)	(1,395)
Re-measurement of deferred tax — change in the tax status of the PRC subsidiary	49	(89)	98	98	—
Withholding tax on dividends	1,600	2,300	2,200	2,200	1,700
Income tax expense	5,052	4,624	5,009	3,901	3,003

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

12 EARNINGS PER SHARE

Basic earning per share is calculated by dividing the earning attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the Track Record Period.

In determining the weighted average number of ordinary shares in issue during the Track Record Period, 200 ordinary shares of the Company, being the number of ordinary shares issued by the Company on 14 September 2021 (date of incorporation), were deemed to have been issued and allotted by the Company on 1 January 2020 as if the Company has been incorporated by then, when computing the basic and diluted earnings per share for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

In addition, 200 ordinary shares of the Company, which were issued by the Company on 27 April 2023 for the Reorganisation as stated in Note 1.2(i), were also deemed to have been issued and allotted by the Company on 1 January 2020 as if the Company has been incorporated by then when computing the basic and diluted earnings per share for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023.

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
				(unaudited)	
Earning for the year/period (RMB'000)	29,660	25,524	24,259	9,371	14,658
Weighted average number of ordinary shares in issue	400	400	400	400	400
Basic earning per share (RMB'000)	74	64	61	23	37

There were no differences between the basic and diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the Track Record Period.

13 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Furniture, fixtures and office equipment	Plant and machinery	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020						
Cost	906	3,192	17	1,084	375	5,574
Accumulated depreciation	(465)	(1,259)	(4)	(657)	(192)	(2,577)
Net book amount	441	1,933	13	427	183	2,997
Year ended 31 December 2020						
Opening net book amount	441	1,933	13	427	183	2,997
Additions	299	381	—	89	—	769
Depreciation *(Note 6(a))*	(251)	(640)	(2)	(181)	(62)	(1,136)
Disposals	—	(51)	—	—	—	(51)
Closing net book amount	489	1,623	11	335	121	2,579
At 31 December 2020						
Cost	1,205	3,471	17	1,173	375	6,241
Accumulated depreciation	(716)	(1,848)	(6)	(838)	(254)	(3,662)
Net book amount	489	1,623	11	335	121	2,579
Year ended 31 December 2021						
Opening net book amount	489	1,623	11	335	121	2,579
Additions	201	553	365	907	198	2,224
Depreciation *(Note 6(a))*	(316)	(785)	(40)	(317)	(115)	(1,573)
Disposals	—	—	—	(43)	—	(43)
Closing net book amount	374	1,391	336	882	204	3,187

	Right-of-use assets	Furniture, fixtures and office equipment	Plant and machinery	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021						
Cost	1,406	4,024	382	1,632	573	8,017
Accumulated depreciation	(1,032)	(2,633)	(46)	(750)	(369)	(4,830)
Net book amount	374	1,391	336	882	204	3,187
Year ended 31 December 2022						
Opening net book amount	374	1,391	336	882	204	3,187
Additions	97	886	—	262	83	1,328
Depreciation *(Note 6(a))*	(228)	(1,035)	(59)	(312)	(149)	(1,783)
Disposals	(199)	—	—	—	—	(199)
Closing net book amount	44	1,242	277	832	138	2,533
At 31 December 2022						
Cost	397	4,909	383	1,894	656	8,239
Accumulated depreciation	(353)	(3,667)	(106)	(1,062)	(518)	(5,706)
Net book amount	44	1,242	277	832	138	2,533
Six months ended 30 June 2022 (unaudited)						
Opening net book amount	374	1,391	336	882	204	3,187
Additions	—	823	—	—	83	906
Depreciation (Note 6(a))	(125)	(526)	(30)	(149)	(76)	(906)
Disposals	(136)	—	—	—	—	(136)
Closing net book amount	113	1,688	306	733	211	3,051
At 30 June 2022 (unaudited)						
Cost	1,206	4,847	382	1,632	656	8,723
Accumulated depreciation	(1,093)	(3,159)	(76)	(899)	(445)	(5,672)
Net book amount	113	1,688	306	733	211	3,051
Six months ended 30 June 2023						
Opening net book amount	44	1,242	277	832	138	2,533
Additions	189	35	—	35	—	259
Depreciation *(Note 6(a))*	(68)	(364)	(30)	(179)	(47)	(688)
Closing net book amount	165	913	247	688	91	2,104
At 30 June 2023						
Cost	585	4,944	383	1,928	656	8,496
Accumulated depreciation	(420)	(4,031)	(136)	(1,240)	(565)	(6,392)
Net book amount	165	913	247	688	91	2,104

14 INTANGIBLE ASSETS

	Acquired software for own use	Self-developed software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020			
Cost	1,387	1,350	2,737
Accumulated amortisation	(1,194)	—	(1,194)
Net book amount	193	1,350	1,543
Year ended 31 December 2020			
Opening net book amount	193	1,350	1,543
Additions	177	501	678
Amortisation *(Note 6(a))*	(101)	(411)	(512)
Closing net book amount	269	1,440	1,709
At 31 December 2020			
Cost	1,564	1,851	3,415
Accumulated amortisation	(1,295)	(411)	(1,706)
Net book amount	269	1,440	1,709
Year ended 31 December 2021			
Opening net book amount	269	1,440	1,709
Additions	208	1,621	1,829
Amortisation *(Note 6(a))*	(85)	(617)	(702)
Closing net book amount	392	2,444	2,836
At 31 December 2021			
Cost	1,772	3,472	5,244
Accumulated amortisation	(1,380)	(1,028)	(2,408)
Net book amount	392	2,444	2,836

	Acquired software for own use	Self-developed software	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022			
Opening net book amount	392	2,444	2,836
Additions	54	—	54
Amortisation *(Note 6(a))*	(126)	(1,157)	(1,283)
Closing net book amount	320	1,287	1,607
At 31 December 2022			
Cost	1,825	3,472	5,297
Accumulated amortisation	(1,505)	(2,185)	(3,690)
Net book amount	320	1,287	1,607
Six months ended 30 June 2022 (unaudited)			
Opening net book amount	392	2,444	2,836
Amortisation *(Note 6(a))*	(60)	(579)	(639)
Closing net book amount	332	1,865	2,197
At 30 June 2022 (unaudited)			
Cost	1,772	3,472	5,244
Accumulated amortisation	(1,440)	(1,607)	(3,047)
Net book amount	332	1,865	2,197
Six months ended 30 June 2023			
Opening net book amount	320	1,287	1,607
Amortisation *(Note 6(a))*	(55)	(476)	(531)
Closing net book amount	265	811	1,076
At 30 June 2023			
Cost	1,825	3,472	5,297
Accumulated amortisation	(1,560)	(2,661)	(4,221)
Net book amount	265	811	1,076

15 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
Trade receivables *(Note 18)*	26,473	31,499	35,397	49,502
Deposits and other receivables *(Note 16)*	980	1,664	2,701	2,976
Amount due from the intermediate holding company *(Note 26(a))*	—	112	1,161	1,181
Pledged bank deposits *(Note 17)*	60	4,130	—	—
Cash and cash equivalents *(Note 17)*	23,130	21,542	42,199	31,507
	50,643	58,947	81,458	85,166
Financial liabilities				
Financial liabilities at amortised cost				
Trade and bills payables *(Note 21)*	7,259	17,198	5,216	2,631
Other payables and accruals *(Note 22)*	33,256	35,671	39,074	44,748
Amounts due to shareholders *(Note 26(a))*	1,261	3,970	1,860	2,588
Bank borrowings *(Note 23)*	6,280	7,860	30,000	29,500
Lease liabilities *(Note 19)*	583	435	83	166
	48,639	65,134	76,233	79,633

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Current portion				
Prepayments for project material costs	11,148	5,647	744	5,517
Other prepayments	440	700	623	619
Rental and other deposits *(Note i)*	66	201	174	302
Deposits for tendering *(Note i)*	647	1,140	2,148	2,039
Other receivables *(Note i)*	267	323	379	635
Deferred [REDACTED] expenses *(Note ii)*	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	13,199	10,941	10,545	18,113

Notes:

(i) As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of deposits and other receivables were denominated in RMB and approximated their fair values. These balances were unsecured and interest free.

(ii) The deferred [REDACTED] expenses were incurred in connection with the [REDACTED] of the Company and will be deducted from equity upon [REDACTED].

17 CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash at banks	23,130	21,542	42,199	31,507
Cash and cash equivalents	23,130	21,542	42,199	31,507
Pledged bank deposits	60	4,130	—	—
	23,190	25,672	42,199	31,507
Maximum exposure to credit risk	23,190	25,672	42,199	31,507

As at 31 December 2020, deposits amounting to RMB60,000, respectively, were pledged to banks as required by certain projects that the Group was tendering. Such pledged deposits had been released upon the closure of the tendering.

As at 31 December 2021, deposits amounting to RMB4,130,000 were pledged to banks as securities for bills issued by the banks. Such pledged deposits were subsequently released upon the maturity of the bills in the first quarter of 2022.

The carrying amounts of the Group's cash and cash equivalents and pledged bank deposits were denominated in the following currencies:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
RMB	23,158	25,282	41,889	30,507
HK$	32	390	310	1,000
	23,190	25,672	42,199	31,507

As at 31 December 2020, 2021 and 2022 and 30 June 2023, cash and cash equivalents and pledged bank deposits of the Group amounting to approximately RMB23,158,000, RMB25,273,000, RMB41,889,000 and RMB30,507,000, respectively, were deposited with the banks in the PRC where the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC.

18 CONTRACT ASSETS AND TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract assets	60,567	74,266	70,388	65,449
Less: provision for impairment of contract assets *(Note 3.2(b))*	(1,303)	(1,508)	(2,493)	(3,929)
	59,264	72,758	67,895	61,520
Trade receivables	26,947	31,941	38,187	52,138
Less: provision for impairment of trade receivables *(Note 3.2(b))*	(474)	(442)	(2,790)	(2,636)
	26,473	31,499	35,397	49,502
	85,737	104,257	103,292	111,022

Contract assets represent the Group's rights to consideration for work completed but unbilled. The contract assets are transferred to trade receivables when the rights become unconditional when the project progress is verified, accepted and agreed to be billed by the customers. Depending on the nature and complexity of the project, the majority of contract assets generally take less than 1 year to be transferred to trade receivables. The balances of contract assets fluctuated during the Track Record Period as the Group provided varying amount of services that were unbilled before the end of each reporting period.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of contract assets and trade receivables approximated their fair values.

Trade receivables are generally due within 15 days to 180 days from the date of billing.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the aging analysis of trade receivables, based on invoice date, was as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	23,596	24,638	33,416	40,843
Between 181 days and 365 days	3,171	5,498	375	9,183
Between 1 year and 2 years	39	1,669	3,160	1,176
Over 2 years	141	136	1,236	936
	26,947	31,941	38,187	52,138

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of the Group's trade receivables were denominated in RMB.

19 LEASES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position show the following amounts relating to leases:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets*				
Properties	489	374	44	165

* The balances were included in Note 13 "Property, plant and equipment".

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities				
Non-current portion	296	37	—	121
Current portion	287	398	83	45
	583	435	83	166

Additions to the right-of-use assets amounted to approximately RMB299,000, RMB201,000 and RMB97,000 and RMB189,000, respectively, during the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of the Group's lease liabilities were denominated in RMB.

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income show the following amounts relating to leases:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Depreciation charge of right-of-use assets *(Note 13)*	251	316	228	125	68
Finance costs on leases *(Note 10)*	43	32	9	7	5
Expenses of short-term leases in respect of machineries, offices, motor vehicles and staff quarters					
— Included in Material supplies and other project cost	4,166	4,918	5,495	2,660	2,667
— Included in other operating expenses *(Note 6(b))*	95	—	145	29	2
	4,261	4,918	5,640	2,689	2,669
Gain on disposal of right-of-use assets and lease liabilities on early termination of a lease *(Note 8)*	—	—	22	2	—

(c) Amounts recognised in the consolidated statement of cash flows

During the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2022 and 2023, the total cash outflows for leases were analysed as below:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash flows from operating activities					
Payments for short-term leases in respect of machineries, offices, motor vehicles and staff quarters*	4,261	4,918	5,640	2,689	2,669
Cash flows from financing activities					
Payment of interest element of lease liabilities *(Note 10)*	43	32	9	7	5
Payment of principal element of lease liabilities	231	349	221	155	106
	4,535	5,299	5,870	2,851	2,780

* Payments for short-term leases were not shown separately but included in the line of "profit before income tax" in respect of the net cash generated from operations which were presented in Note 24(a) using the indirect method.

20 DEFERRED INCOME TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to the same tax authority.

The analysis of deferred tax assets is as follows:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Deferred tax assets	267	195	793	985

The movement in deferred tax assets during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Loss allowance**
	RMB'000
At 1 January 2020	97
Effect of change in the applicable tax rate recognised in consolidated statement of comprehensive income *(Note 11)*	49
Credited to the consolidated statement of comprehensive income *(Note 11)*	121
At 31 December 2020	267
Effect of change in the applicable tax rate recognised in consolidated statement of comprehensive income *(Note 11)*	(89)
Credited to the consolidated statement of comprehensive income *(Note 11)*	17
At 31 December 2021	195
Effect of change in the applicable tax rate recognised in consolidated statement of comprehensive income *(Note 11)*	98
Credited to the consolidated statement of comprehensive income *(Note 11)*	500
At 31 December 2022	793
Credited to the consolidated statement of comprehensive income *(Note 11)*	192
At 30 June 2023	985

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group had undistributed earnings of approximately RMB33,382,000, RMB40,781,000, RMB46,532,000 and RMB39,949,000, respectively, which, if paid out as dividends, would be subject to tax in the hands of the receipts. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the PRC subsidiaries such that each year's dividend, if any, is expected to be declared and paid out of that year's profit, not from the undistributed retained earnings brought forward.

21 TRADE AND BILLS PAYABLES

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	7,259	13,068	5,216	2,631
Bills payables	—	4,130	—	—
	7,259	17,198	5,216	2,631

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the aging analysis of trade payables, based on invoice date, was as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 180 days	4,061	9,333	2,668	990
Between 181 days and 365 days	2,307	2,450	505	126
Over 365 days	891	1,285	2,043	1,515
	7,259	13,068	5,216	2,631

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of the Group's trade payables were denominated in RMB and approximated their fair values.

22 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued employee benefits expenses	7,368	2,832	2,026	1,411
VAT and other tax payables	3,162	4,311	1,877	2,369
Other payables and accruals	881	568	846	989
Accrued subcontracting charges, materials costs and other direct project costs	32,038	31,232	32,873	39,111
Accrued [REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Contract liabilities *(Note 5(d))*	1,190	6,499	2,303	1,618
	44,976	49,313	45,280	50,146

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of other payables and accruals approximated their fair values.

The carrying amounts of the Group's other payables and accruals were denominated in the following currencies:

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
RMB	43,262	38,185	41,956	46,953
HK$	524	4,629	1,021	1,575
	43,786	42,814	42,977	48,528

23 BANK BORROWINGS

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion				
Bank borrowings — secured	1,420	4,420	—	—
Bank borrowings — unsecured	—	—	22,000	23,500
	1,420	4,420	22,000	23,500
Non-current portion				
Bank borrowings — secured	4,860	3,440	—	—
Bank borrowings — unsecured	—	—	8,000	6,000
	6,280	7,860	30,000	29,500

At the end of the reporting period, bank borrowings were repayable as follows:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,420	4,420	22,000	23,500
Between 1 and 2 years	1,420	3,440	4,000	4,500
Between 2 and 5 years	3,440	—	4,000	1,500
	6,280	7,860	30,000	29,500

As at 31 December 2020, the Group's bank borrowings were carried at floating rates ranged from 4.1% to 4.9% per annum. As at 31 December 2021, the Group's bank borrowings were carried at floating rates ranged from 4.1% to 4.7% per annum. As at 31 December 2022, the Group's bank borrowings were carried at floating rates ranged from 3.7% to 4.2% per annum. As at 30 June 2023, the Group's bank borrowings were carried at floating rates ranged from 3.65% to 4.2% per annum.

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the carrying amounts of the bank borrowings were denominated in RMB and approximated their fair values.

As at 31 December 2020 and 2021, the bank borrowings were secured by certain trade receivables with carrying amounts of RMB10,000,000. As at 31 December 2022 and 30 June 2023, the bank borrowings were unsecured.

Certain of the Group's bank borrowings as at 31 December 2020, 2021 and 2022 and 30 June 2023 are subject to the fulfillment of certain covenants which primarily relate to, among others, the maintenance of debt-to-assets ratio below certain levels. The Group regularly monitors its compliance with these covenants and none of these covenants had been breached as at 31 December 2020, 2021 and 2022 and 30 June 2023.

24 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax for the Track Record Period to net cash generated from/(used in) operations

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before income tax	34,712	30,148	29,268	13,272	17,661
Adjustments for:					
Finance income *(Note 10)*	(73)	(47)	(94)	(49)	(147)
Finance costs *(Note 10)*	569	378	896	326	535
Depreciation and amortisation *(Note 6(a))*	1,648	2,275	3,066	1,545	1,219
Provision for impairment of contract assets and trade receivables *(Note 3.2(b))*	804	173	3,333	1,379	1,282
Loss on disposal of property, plant and equipment *(Note 8)*	51	24	—	—	—
Gain on disposal of right-of-use assets and lease liabilities on early termination of lease *(Note 8)*	—	—	(22)	(2)	—
	37,711	32,951	36,447	16,471	20,550
Changes in working capital:					
— Contract assets and trade receivables	(8,357)	(18,693)	(2,368)	(3,966)	(9,012)
— Prepayments, deposits and other receivables	488	2,258	396	(2,414)	(7,568)
— Amount due from the intermediate holding company	—	(112)	(1,049)	(18)	(20)
— Trade and bills payables	2,325	9,939	(11,982)	(10,337)	(2,585)
— Other payables and accruals	(13,736)	6,636	(486)	(2,190)	7,391
— Pledged bank deposits	180	60	—	—	—
Net cash generated from/(used in) operations	18,611	33,039	20,958	(2,454)	8,756

(b) In the consolidated statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net book amount disposed *(Note 13)*	51	43	—	—	—
Loss on disposal of property, plant and equipment *(Note 8)*	(51)	(24)	—	—	—
Proceeds from disposal of property, plant and equipment	—	19	—	—	—

(c) The reconciliations of liabilities arising from financing activities are as follows:

	Bank borrowings	Lease liabilities	Dividend payable	Amounts due to shareholders	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2020	2,000	515	—	16,240	18,755
Cash flows					
— Proceeds from bank borrowings	23,720	—	—	—	23,720
— Repayments of bank borrowings	(19,440)	—	—	—	(19,440)
— Payment of principal element of lease liabilities	—	(231)	—	—	(231)
— Interest paid	(526)	(43)	—	—	(569)
— Advances from shareholders	—	—	—	98	98
— Repayments to shareholders	—	—	—	(15,077)	(15,077)
Other non-cash movements					
— Additions of lease liabilities	—	299	—	—	299
— Interest expenses *(Note 10)*	526	43	—	—	569
As at 31 December 2020	6,280	583	—	1,261	8,124

	Bank borrowings	Lease liabilities	Dividend payable	Amounts due to shareholders	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	6,280	583	—	1,261	8,124
Cash flows					
— Proceeds from bank borrowings	6,001	—	—	—	6,001
— Repayments of bank borrowings	(4,421)	—	—	—	(4,421)
— Payment of principal element of lease liabilities	—	(349)	—	—	(349)
— Interest paid	(346)	(32)	—	—	(378)
— Advances from shareholders	—	—	—	2,787	2,787
— Repayments to shareholders	—	—	—	(78)	(78)
— Dividend paid *(Note 27)*	—	—	(19,954)	—	(19,954)
Other non-cash movements					
— Additions of lease liabilities	—	201	—	—	201
— Interest expenses *(Note 10)*	346	32	—	—	378
— Dividend declared *(Note 27)*	—	—	19,954	—	19,954
As at 31 December 2021	7,860	435	—	3,970	12,265

	Bank borrowings	Lease liabilities	Dividend payable	Amounts due to shareholders	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	7,860	435	—	3,970	12,265
Cash flows					
— Proceeds from bank borrowings	30,000	—	—	—	30,000
— Repayments of bank borrowings	(7,860)	—	—	—	(7,860)
— Payment of principal element of lease liabilities	—	(221)	—	—	(221)
— Interest paid	(887)	(9)	—	—	(896)
— Advances from shareholders	—	—	—	1,656	1,656
— Repayments to shareholders	—	—	—	(3,766)	(3,766)
— Dividend paid *(Note 27)*	—	—	(14,603)	—	(14,603)
Other non-cash movements					
— Additions of lease liabilities	—	97	—	—	97
— Interest expenses *(Note 10)*	887	9	—	—	896
— Disposal on early termination of a lease	—	(228)	—	—	(228)
— Dividend declared *(Note 27)*	—	—	14,603	—	14,603
As at 31 December 2022	30,000	83	—	1,860	31,943
As at 1 January 2022	7,860	435	—	3,970	12,265
Cash flows					
— Proceeds from bank borrowings	25,000	—	—	—	25,000
— Repayments of bank borrowings	(3,710)	—	—	—	(3,710)
— Payment of principal element of lease liabilities	—	(155)	—	—	(155)
— Interest paid	(319)	(7)	—	—	(326)
— Advances from shareholders	—	—	—	1,088	1,088
Other non-cash movements					
— Interest expenses *(Note 10)*	319	7	—	—	326
— Disposal on early termination of a lease	—	(138)	—	—	(138)
As at 30 June 2022 (unaudited)	29,150	142	—	5,058	34,350

	Bank borrowings	Lease liabilities	Dividend payable	Amounts due to shareholders	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2023	30,000	83	—	1,860	31,943
Cash flows					
— Proceeds from bank borrowings	10,000	—	—	—	10,000
— Repayments of bank borrowings	(10,500)	—	—	—	(10,500)
— Payment of principal element of lease liabilities	—	(106)	—	—	(106)
— Interest paid	(530)	(5)	—	—	(535)
— Advances from shareholders	—	—	—	728	728
— Dividend paid *(Note 27)*	—	—	(14,332)	—	(14,332)
Other non-cash movements	—	—	—	—	—
— Additions of lease liabilities	—	189	—	—	189
— Interest expenses *(Note 10)*	530	5	—	—	535
— Dividend declared *(Note 27)*	—	—	14,332	—	14,332
As at 30 June 2023	29,500	166	—	2,588	32,254

25 CAPITAL COMMITMENTS

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group did not have any material capital commitments.

26 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company and controlling shareholder are disclosed in Note 1.1.

Major related parties that had transactions with the Group during the Track Record Period were as follows:

Related parties	Relationship with the Company
Mr. Jia	Director and the controlling shareholder
Ms. Zheng Li	Spouse of Mr. Jia
Ms. Chen	Shareholder
Mr. Cong	Director and Shareholder
Mr. Fung	Shareholder
Mr. Lin	Director and Shareholder
Cheer Partners Limited	Controlled by Mr. Lin
Shine Dynasty Limited	Controlled by Mr. Jia
Dazzling Power Limited	Controlled by Mr. Cong
Diamond Skyline Limited	Controlled by Ms. Chen
Golden Concord Limited	Controlled by Mr. Fung
WellCell Group Co., Limited	The intermediate holding company

In the opinion of the Company's directors, the following related party transactions were carried out at terms mutually agreed between the Group and the respective related parties:

(a) Balances with related parties

	As at 31 December			As at 30 June
	2020	**2021**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-trade nature				
Amount due from the intermediate holding company:				
WellCell Group Co., Limited	—	112	1,161	1,181
Amounts due to shareholders:				
Mr. Jia	252	252	252	271
Ms. Chen	39	39	39	39
Mr. Cong	370	370	370	370
Mr. Fung	588	588	588	588
Mr. Lin	12	2,721	611	1,320
	1,261	3,970	1,860	2,588

The balances with related parties were unsecured, interest free and repayable on demand. The carrying amounts were denominated in RMB and approximated the fair value. The balances will be settled prior to [REDACTED].

(b) Transactions with related parties

Save as disclosed in Note 28, the following transactions were carried out during the Track Record Period:

Guarantees provided by the controlling shareholder and his spouse

During the year ended 31 December 2020, certain bank borrowings were secured by personal guarantees from the controlling shareholder and his spouse. The personal guarantees were subsequently discharged in July 2020.

(c) Key management compensation

Compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December			Six months ended 30 June	
	2020	**2021**	**2022**	**2022**	**2023**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (unaudited)**	**RMB'000**
Salaries and other short-term employee benefits	1,098	1,128	1,080	372	416
Pension costs — defined contribution plans	58	133	287	144	143
	1,156	1,261	1,367	516	559

27 DIVIDEND

Dividend during the years ended 31 December 2021 and 2022 represented dividend declared and paid by WellCell HK to its then equity holders. During the six months ended 30 June 2023, the Company declared and paid dividends to its shareholders of approximately RMB14,332,000.

28 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
For the year ended 31 December 2020						
Executive directors:						
— Jia Zhengyi	—	141	100	5	4	250
— Liu Ping	—	120	5	4	12	141
— Cong Bin	—	122	100	29	14	265
	—	383	205	38	30	656

Name of Director	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2021						
Executive directors:						
— Jia Zhengyi	—	143	100	9	23	275
— Liu Ping	—	127	5	9	21	162
— Cong Bin	—	124	100	46	30	300
Non-executive director:						
— Lin Qihao	—	—	—	—	—	—
	—	394	205	64	74	737
For the year ended 31 December 2022						
Executive directors:						
— Jia Zhengyi	—	135	100	15	64	314
— Liu Ping	—	129	—	8	35	172
— Cong Bin	—	123	100	49	66	338
Non-executive director:						
— Lin Qihao	—	—	—	—	—	—
	—	387	200	72	165	824
For the six months ended 30 June 2023						
Executive directors:						
— Jia Zhengyi	—	54	—	20	32	106
— Liu Ping	—	51	—	17	18	86
— Cong Bin	—	47	—	38	33	118
Non-executive director:						
— Lin Qihao	—	—	—	—	—	—
	—	152	—	75	83	310
For the six months ended 30 June 2022 (unaudited)						
Executive directors:						
— Jia Zhengyi	—	66	—	8	32	106
— Liu Ping	—	63	—	6	17	86
— Cong Bin	—	60	—	26	33	119
Non-executive director:						
— Lin Qihao	—	—	—	—	—	—
	—	189	—	40	82	311

Mr. Jia, Ms. Liu and Mr. Cong were appointed as executive directors of the Company on 14 September 2021. They were also directors of certain subsidiaries of the Company and/or employees of the Group during the Track Record Period and the Group paid emoluments to them in their capacity as the directors of these subsidiaries and/or employees of the Group before their appointment as executive directors of the Company.

Mr. Lin was appointed as non-executive director of the Company on 14 September 2021. During the Track Record Period, Mr. Lin received nil director's remuneration in the capacity of director.

Dr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing were appointed as independent non-executive directors of the Company on [●]. During the Track Record Period, the independent non-executive directors have not yet been appointed and received nil directors' remuneration in the capacity of directors.

During the Track Record Period, none of the directors of the Company (i) received or paid any remuneration in respect of accepting office; (ii) received or paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiaries undertaking; or (iii) waived or has agreed to waive any emolument.

(b) Directors' retirement benefits and termination benefits

During the Track Record Period, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable.

(c) Consideration provided to third parties for making available directors' services

During the Track Record Period, no consideration was provided to third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2020, 2021, 2022 and 30 June 2023, there were no loans, quasi- loans and other dealing arrangements in favour of directors, controlled bodies corporate by and controlled entities with such directors.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 26 to the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Track Record Period or at any time during the Track Record Period.

29 ASSETS PLEDGED AS SECURITIES

The carrying amounts of assets pledged as securities for the bank borrowings and bills payables:

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Charge at floating rate				
Trade receivables *(Note 23)*	10,000	10,000	—	—
Pledged deposits for bills payables *(Note 17)*	—	4,130	—	—
Total assets pledged as securities	10,000	14,130	—	—

30 NOTES TO THE STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(a) Amount due from the intermediate holding company

Amount due from the intermediate holding company was unsecured, interest-free and repayable on demand. The carrying amounts approximated its fair values and was denominated in RMB.

(b) Share capital

The Reorganisation has not been completed as at 31 December 2021 and 2022. For the purpose of this Historical Financial Information, the combined capital in the consolidated statement of financial position as at 31 December 2020, 2021 and 2022 represent aggregate amounts of share capital of the Company and the subsidiaries now comprising the Group after elimination of inter-company investments.

	Number of shares	Nominal value
		HK$
Share capital of the Company		
Authorised:		
Ordinary shares of HK$0.01	38,000,000	380,000
Issued and fully paid:		
Issue of ordinary shares on 14 September 2021 (date of incorporation) *(Note 1.2)*	200	2
As at 31 December 2021 and 2022	200	2
Issue of ordinary shares on 27 April 2023	200	2
At 30 June 2023	400	4

On 14 September 2021, 200 ordinary shares were issued for approximately HK$2 pursuant to the Group's Reorganisation as detailed in Note 1.2. As at 31 December 2021 and 2022, total issued number and nominal value of ordinary shares of the Company amounted to 200 shares and HK$2 respectively.

On 27 April 2023, the Company acquired 100% equity interest in WellCell International at a consideration of the issue and allotment of 200 shares to WellCell Group. As at 30 June 2023, total issued number and nominal value of ordinary shares of the Company amounted to 400 shares and HK$4 respectively.

(c) Amount due to a subsidiary

Amount due to a subsidiary was unsecured, interest free and repayable on demand. The carrying amount approximated its fair values and was denominated in RMB.

(d) Reserve movements of the Company

	Capital reserve	(Accumulated losses)/ retained earnings	Total reserve
	RMB'000	RMB'000	RMB'000
At 14 September 2021 (date of incorporation)	—	—	—
Comprehensive income			
Loss and total comprehensive loss for the year	—	(40)	(40)
At 31 December 2021 and 1 January 2022	—	(40)	(40)
Profit and total comprehensive income for the year	—	763	763
At 31 December 2022 and 1 January 2023	—	723	723
Issuance of ordinary shares pursuant to the Reorganisation	24	—	24
Profit and total comprehensive income for the period	—	14,319	14,319
Dividend declared	—	(14,332)	(14,332)
At 30 June 2023	24	710	734

(e) Investment in subsidiary

	As at 31 December		As at 30 June
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Investment in subsidiary	—	—	24

The list of subsidiaries of the Company is set out in Note 1.2.

(f) Other receivables

As at 30 June 2023, the carrying amounts of other receivables were denominated in RMB and approximated their fair values. These balances were unsecured and interest free.

31 CONTINGENT LIABILITIES

As at 31 December 2020, 2021 and 2022 and 30 June 2023, the Group did not have any material contingent liabilities.

32 SUBSEQUENT EVENTS

[There were no significant events that require additional disclosure or adjustments occurred after 30 June 2023.]

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the subsidiaries now comprising the Group in respect of any period subsequent to 30 June 2023. No dividend or distribution has been declared, made or paid by the Company or any of its subsidiaries now comprising the Group in respect of any period subsequent to 30 June 2023.

The information set out in this Appendix II does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, the reporting accountant of the Company, as set out in Appendix I to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountant's Report set out in Appendix I in this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company (the "Unaudited Pro Forma Financial Information") which has been prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below for the purpose to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 as if the [REDACTED] had taken place on 30 June 2023, assuming the [REDACTED] is not exercised.

The Unaudited Pro Forma Financial Information is prepared based on the consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2023 as set out in the Accountant's Report of the Group, the text of which is set out in Appendix I to this document, after incorporating the unaudited pro forma adjustments described in the accompanying notes below.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on the judgements and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to equity holders of the Company had the [REDACTED] been completed as at 30 June 2023 or at any future dates following the [REDACTED].

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023	Estimated [REDACTED] from the [REDACTED]	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share	
	RMB'000	RMB'000	RMB'000	RMB	HK$
	Note 1	Note 2		Note 3	
Based on an [REDACTED] of HK$[REDACTED] per Share	79,992	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per Share	79,992	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 30 June 2023 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 30 June 2023 of approximately RMB81,068,000 with adjustment for the intangible assets as at 30 June 2023 of approximately RMB1,076,000.

2. The estimated [REDACTED] from the [REDACTED] are based on [REDACTED] [REDACTED] and the indicative [REDACTED] of HK$[REDACTED] per [REDACTED] and HK$[REDACTED] per [REDACTED], being the low end and high end of the indicative [REDACTED] range, respectively, after deduction of the [REDACTED] and other related expenses (excluding [REDACTED] expenses of approximately RMB[REDACTED] which have been accounted for in the consolidated statements of comprehensive income of the Group up to 30 June 2023), without taking into account of any Shares which may be allotted and issued upon the exercise of the [REDACTED], or any Shares which may be issued or repurchased by the Company under the general mandates for the issue or repurchase of Shares.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to equity holders of the Company per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming the [REDACTED] had taken place on 30 June 2023, without taking into account of any Shares which may be allotted and issued upon the exercise of the [REDACTED], or any Shares which may be issued or repurchased by the Company under the general mandates for the issue or repurchase of Shares.

4. For the purpose of this unaudited pro forma adjusted consolidated net tangible assets, the translations of RMB amounts into Hong Kong dollars have been made at the rate of RMB[0.92] to HK$1.00. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

5. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2023.

[REDACTED]

[REDACTED]

[REDACTED]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 September 2021 under the Companies Act. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [●]. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Companies Act and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit 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) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one 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 20% per annum as the Board shall fix from the day appointed for payment 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, 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, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resigns;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time 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 the 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 also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers 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 Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) 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 the Company shall be 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.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board goes beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, 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*

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Financial assistance to purchase Shares*

Subject to the Companies Act, or any other law or so far as not prohibited by any law and subject to any rights conferred on the holders of any class of Shares, the Company shall have the power to give, directly or indirectly, by means of a loan, a guarantee, an indemnity, the provision of security or otherwise howsoever, financial assistance for the purpose of or in connection with a purchase or other acquisition made or to be made by any person of any Shares or warrants or other securities in the Company or any company which is a holding company of the Company.

(ix) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefit received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, 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 the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have 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 proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) a pension fund or retirement, death or disability benefit scheme which relates to Directors, their close associates and employees of the

Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) 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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(x) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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 a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of the 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which 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.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote and the right to speak.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting each financial year other than the financial year of the Company's adoption of the Articles, and such general meeting must be held within six (6) months after the end of the Company's financial year unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Requisition of general meetings*

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company 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 two 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 (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 the Company.

(v) *Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be 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, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) *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, and continues to be present until the conclusion of the meeting.

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.

(vii) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the 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 the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be 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 if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(vi) *Right to speak and vote*

All members have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The members may by ordinary resolution appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the members in a general meeting by an ordinary resolution in such manner as the members may determine.

The members may, at a general meeting remove the auditor(s) by an ordinary resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The 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.

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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is [REDACTED] on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 14 September 2021 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Companies Act;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so 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 are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The undertaking for the Company is for a period of 30 years from 11 October 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 the 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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right 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 of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display as referred to in the paragraph headed "Documents on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 14 September 2021. Our Company has established a principal place of business in Hong Kong at Units 2201–2203, 22/F, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 23 May 2022. In connection with such registration, Yiu Chun Wing has been appointed as authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Companies Act and its constitution documents comprising the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Companies Act is set out in Appendix III to this document.

2. Changes in authorised and issued share capital of our Company

(a) As at the date of incorporation, our Company had an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of par value HK$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber on the same date. The subscriber transferred the one subscriber Share at par to WellCell Group. On the same date, our Company allotted and issued, credited as fully paid 199 Shares at par to WellCell Group.

(b) On 27 April 2023, pursuant to the Reorganisation Agreement, our Company acquired the entire issued share capital of WellCell International, in consideration of which, our Company allotted and issued 200 Shares to WellCell Group.

(c) Pursuant to the written resolutions of our sole Shareholder passed on [●], the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of par value HK$0.01 each to HK$[●] divided into [●] Shares of par value of HK$0.01 each, by creation of a further [●] Shares.

(d) Immediately following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), [REDACTED] Shares will be allotted and issued, all fully paid or credited as fully paid, and [●] Shares will remain unissued.

(e) Other than any Shares which may be issued pursuant to the exercise of any options that may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in "A. Further information about our Group — 3. Written resolutions of our sole Shareholder" in this Appendix, our Directors have no present intention to issue any part of the authorised but unissued capital of our Company, and without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

(f) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

3. Written resolutions of our sole Shareholder

Pursuant to the written resolutions of our sole Shareholder passed on [●], among other things:

(a) the authorised share capital of our Company was increased from HK$380,000 divided into 38,000,000 ordinary shares of par value HK$0.01 each to HK$[●] divided into [●] Shares of HK$[●] each by the creation of an additional [●] Shares of HK$0.01 each;

(b) Subject to the conditions set forth in the paragraph headed "Structure and conditions of the [REDACTED] — Conditions of the [REDACTED]" in this document being fulfilled or waived (if applicable):

(i) the [REDACTED] were approved and our Directors or any committee of the Board were authorised to (aa) allot and issue the [REDACTED] to rank *pari passu* with the then existing Shares in all respects; (bb) implement the [REDACTED] and the [REDACTED]; and (cc) do all things and execute all documents in connection with or incidental to the [REDACTED] and the [REDACTED] with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;

(ii) subject to the share premium account of our Company being credited as a result of the issue of the [REDACTED] pursuant to the [REDACTED], our Directors were authorised to allot and issue a total of [REDACTED] Shares credited as fully paid to the holders of shares on the register of members of our Company at the close of business on [●] (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of Capitalisation of the sum of HK$[REDACTED] standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares (other than the right to participate in the Capitalisation Issue), and our Directors were authorised to give effect to such capitalisation and distribution;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in "D. Share Option Scheme" in this Appendix, were approved and adopted and our Directors or any committee of the Board were authorised, subject to the terms and conditions of the Share Option Scheme, to implement the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;

(iv) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of any options that may be granted under the Share Option Scheme or under 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 our subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of our Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by our Shareholders in general meeting, such number of Shares not exceeding (1) 20% of the aggregate number of our issued Shares as enlarged by the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and (2) the aggregate number of our issued Shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or

(3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(v) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [REDACTED] and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate number of our issued Shares immediately following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:

(1) the conclusion of the next annual general meeting of our Company;

(2) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands;

(3) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate;

(vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the aggregate number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by our Directors pursuant to such general mandate representing the aggregate number of Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of our issued Shares immediately following the completion of the Capitalisation Issue and the [REDACTED] excluding any Shares which may be issued upon exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme; and

(vii) our Company [approved and adopted] the Memorandum of Association and Articles of Association, the terms of which are summarised in Appendix III to this document, with effect upon the [REDACTED].

4. Reorganisation

The companies comprising our Group underwent a Reorganisation in preparation for the [REDACTED], details of which are set out in the paragraphs headed "History, Reorganisation and corporate structure — Reorganisation" in this document. Following the Reorganisation, our Company became the holding company of our Group.

Diagrams showing our Group's structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the [REDACTED] (assuming that no Share has been issued pursuant to the exercise of the [REDACTED] or any option that may be granted under the Share Option Scheme) are set out in the paragraphs headed "History, Reorganisation and corporate structure — Reorganisation" in this document.

5. Changes in share capital of subsidiaries

Our Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as mentioned in the paragraphs headed "History, Reorganisation and corporate structure — Establishment and development of our Company and our major subsidiaries", there was no material change in the share capital of the major subsidiaries of our Company during the two years preceding the date of this document.

Save for the subsidiaries mentioned in Appendix I to this document, our Company has no other subsidiaries.

6. Repurchase by our Company of its own securities

This paragraph includes 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 with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions passed by our sole Shareholder on [●], the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of our Company to purchase the Shares as described above in the paragraphs headed "A. Further information about our Group — 3. Written resolutions of our sole Shareholder" in this Appendix.

(ii) *Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association and any applicable laws of the Cayman Islands. A listed company is prohibited from repurchasing its own 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.

Under the Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of shares made for the purposes of the repurchase or, if authorised by the Articles of Association and subject to the Companies Act, out of capital and, in case of any premium payable on the repurchase, out of either or both of the profits of our Company and/or the share premium accounts of our Company before or at the time shares are repurchased, or if authorised by the Articles of Association and subject to the Companies Act, out of capital.

(iii) *Core connected persons*

Under the Listing Rules, a company shall not knowingly repurchase shares from a core connected person (as defined in the Listing Rules) and a core connected person shall not knowingly sell his shares to the company.

(iv) *Trading restrictions*

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares 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 more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. 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 prescribed minimum 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.

(v) *Status of repurchased Shares*

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the company resolve to hold the shares purchased by the company as treasury shares, shares purchased by the company shall be treated as cancelled and the amount of the company's issued share capital shall be diminished by the nominal value of those share. However, the purchase of shares is not to be taken as reducing the amount of the Company's authorised share capital under Cayman law.

(vi) *Suspension of repurchase*

A listed company may not make any repurchase of securities 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, quarterly 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 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 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 the Stock Exchange if a listed company has breached the Listing Rules.

(vii) *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 breakdown 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.

(b) ***Exercise of the Repurchase Mandate***

Exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after [REDACTED] (without taking into account any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme), could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(c) *Reasons for repurchases*

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

(d) *Funding of repurchases*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with our Memorandum of Association and Articles of Association and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

(e) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, our Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is 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 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. Save as the aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the [REDACTED].

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this document and are or may be material:

(a) the Reorganisation Agreement;

(b) the Deed of Indemnity;

(c) the Deed of Non-competition; and

(d) the [REDACTED].

2. Intellectual property rights of our Group

(a) *Trademark*

As at the Latest Practicable Date, our Group is the registered owner of the following trademarks in the PRC or Hong Kong which we believe are material to our business:

	Trademark	Registered owner	Date of registration	Expiry date	Place of registration	Registration number	Class
1.		WellCell Technology	14 December 2018	13 December 2028	PRC	28927676	9
2.		WellCell Technology	14 June 2018	13 June 2028	PRC	22380254	42
3.		WellCell Technology	14 June 2017	13 June 2027	PRC	19176760	42
4.	WELLCELL	WellCell Technology	28 April 2012	27 April 2032	PRC	9185088	42
5.	WELL CELL	WellCell Technology	28 January 2022	27 January 2032	PRC	57420429	9
6.		WellCell HK	19 August 2019	18 August 2029	Hong Kong	305029326	9, 38, 42

(b) ***Patents***

As at the Latest Practicable Date, our Group is the registered owner of the following patents in the PRC which we believe are material to our business:

	Title of patent	Registered owner	Date of registration	Expiry date	Place of registration	Registration number	Patent type
1.	Wireless Network Quality Monitoring System and Method* (無線網絡質量監測系統及方法)	WellCell Technology	15 December 2015	14 December 2035	PRC	ZL201510934789.2	Invention
2.	Ethernet Signal Dispatch Method, Device and System* (以太網信號調度方法、裝置和系統)	WellCell Technology	14 January 2014	13 January 2034	PRC	ZL201710787982.7	Invention

As at the Latest Practicable Date, our Group has applied for the following patents in the PRC which we believe are material to our business:

	Title of patent	Applicant	Application number	Place of registration	Patent type	Date of application
1.	Operational Support System for Mobile Internet Big Data Analysis* (移動互聯網大數據分析的運營支撐系統)	WellCell Technology	202010485522.0	PRC	Invention	1 June 2020

(c) ***Software copyrights***

As at the Latest Practicable Date, our Group is the registered owner of the following software copyrights in the PRC which we believe are material to our business:

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
1.	Computer Gateway Incoming and Outgoing Terminals Calculation and analysis System V1.0* (計算機網關收發端計算分析系統V1.0)	WellCell Technology	29 December 2022	31 December 2072	PRC	2022SR1625430

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
2.	Wangyou Renwoxing Wireless Portable Signal Testing Software and Platform System (Wangyou Renwoxing V5.0)* ("網優任我行"便攜信號測量軟件與平台系統(簡稱：網優任我行V5.0))	WellCell Technology	16 November 2022	31 December 2072	PRC	2022SR1515506
3.	Qiao 'an Digital Sentry Intelligent Bridge Safety Warning System V1.0* (橋安數字哨兵智能橋梁安全預警系統V1.0)	WellCell Technology	22 December 2022	31 December 2072	PRC	2022SR1601139
4.	"Bumble Bee" Wireless Sensing Base Platform V1.0* ("大黃蜂"無綫感知底座平台V1.0)	WellCell Technology	22 December 2022	31 December 2072	PRC	2022SR1601138
5.	Equipment Room Facilities Operation Automatic Inspection System V1.0* (機房設備運行自動巡檢系統V1.0)	WellCell Technology	22 December 2022	31 December 2072	PRC	2022SR1601183
6.	5G Intelligent IoT Management Platform V1.0* (5G智聯物聯網管理平台V1.0)	WellCell Intelligent	28 December 2022	31 December 2070	PRC	2022SR1619598
7.	Bridge Safety Fence Three Levels Warning Monitoring Software V1.0* (橋梁安全圍欄三級預警監測軟件V1.0)	WellCell Intelligent	28 December 2022	31 December 2071	PRC	2022SR1621355
8.	Intelligent Conference Centre Management Software V1.0* (智能會議中心調度管理軟件V1.0)	WellCell Intelligent	28 December 2022	31 December 2071	PRC	2022SR1621009
9.	FTP Server Remote Monitoring Software V1.0* (FTP服務器遠程監控軟件V1.0)	WellCell Intelligent	28 December 2022	31 December 2071	PRC	2022SR1621010
10.	"Digital Employee" Intelligent Robot System V1.0* ("數字員工"智能機器人系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2071	PRC	2022SR1619625

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
11.	Intelligent Water Resource Ecological Big Data Monitoring And Analysis System V1.0* (智慧水資源生態大數據監測分析系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2071	PRC	2022SR1621006
12.	Bridge Anti-Collision Monitoring System V1.0 Based On 5G And Edge Computing* (基於5G和邊緣計算的橋梁防撞監測系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621037
13.	Mobile Communication Auxiliary Equipment Network Management, Monitoring And Analysis System V1.0* (移動通信附屬設備網管監控分析系統V1.0)	WellCell Intelligent	8 September 2022	31 December 2072	PRC	2022SR1348551
14.	Smart City River Drainage Outlet Monitoring System V1.0* (智慧城市河道排污口溯源監控系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621023
15.	Mobile Network Quality "Sui Xin Ce" Analysis Software V1.0* (移動網絡質量"隨心測"分析軟件V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621035
16.	The New Generation Of Cloud Network Collection Control And Scheduling System V1.0* (新一代雲網採控調度系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621017
17.	5G Network Signal And Perception Index Automatic Monitoring System V1.0* (5G網絡信號及感知指標自動監測系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621034
18.	5G Multi-field Application Cloud Automatic Analysis Platform V1.0* (5G多領域應用雲端自動分析平台V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621033

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
19.	5G Signal Visualization Data Intelligence Detection System V1.0* (5G信號可視化數智檢測系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621015
20.	Indoor Accurate Positioning UWB System V1.0* (室內精確定位UWB系統V1.0)	WellCell Intelligent	28 December 2022	31 December 2072	PRC	2022SR1621008
21.	Wangyou Renwoxing Wireless Network Testing and Analysis System V3.0* ("網優任我行"移動網絡測試分析系統V3.0)	WellCell Technology	9 December 2021	31 December 2071	PRC	2021SR2033910
22.	Intelligent Monitoring System based on 5G Communication and Artificial Intelligence Image Recognition V1.0* (基於5G通信及AI圖像識別的智能監控系統V1.0)	WellCell Technology	19 November 2021	31 December 2071	PRC	2021SR1815009
23.	Smart Ocean Big Data Analysis and Monitoring System V1.0* (智慧海洋大數據分析監測系統V1.0)	WellCell Technology	19 November 2021	31 December 2071	PRC	2021SR1815010
24.	Smart Bee Network Performance Handy Testing System V2.0* ("小蜜蜂"Smart-bee網絡性能便捷測試系統V2.0)	WellCell Technology	19 November 2021	31 December 2071	PRC	2021SR1814715
25.	Wireless High-speed Interconnection (5G/6G) Computing Access Gateway Software V1.0* (無線高速互聯(5G/6G)計算型接入網關軟件V1.0)	WellCell Technology	19 November 2021	31 December 2071	PRC	2021SR1815018
26.	Smart Charging Station Management and Operation Analysis Large Screen Monitoring Platform V1.0* (智慧充電樁管理及運營分析大屏監控平台V1.0)	WellCell Technology	24 December 2020	31 December 2070	PRC	2020SR1891908

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
27.	Community Networking Big Data Analysis Visualised Monitoring Platform V1.0* (社區網格化大數據分析可視化監控平台V1.0)	WellCell Technology	9 December 2020	31 December 2070	PRC	2020SR1773454
28.	Network Management Monitoring and Analysis System for Indoor Distribution Wireless Auxiliary Equipment V1.0* (室分無線附屬設備網管監控分析系統V1.0)	WellCell Technology	9 December 2020	31 December 2070	PRC	2020SR1773453
29.	5G Wireless Network Testing and Analysis System V1.0* (5G無線網絡測試分析系統V1.0)	WellCell Intelligent	21 August 2020	31 December 2070	PRC	2020SR0965591
30.	Network Quality Visualised Analysis System Based on Mobile Wireless Network Big Data V1.0* (基於移動無線網絡大數據的網絡質量可視化分析系統V1.0)	WellCell Intelligent	21 August 2020	31 December 2070	PRC	2020SR0965584
31.	LTE Integrated Micro Base Station Network Management System V1.0* (LTE一體化小微基站綜合網管系統V1.0)	WellCell Technology	10 September 2019	31 December 2069	PRC	2019SR0943855
32.	3D Display System Platform based on 5G and BIM Technology V1.0* (基於5G和BIM技術的三維呈現系統平台V1.0)	WellCell Technology	10 September 2019	31 December 2069	PRC	2019SR0943854
33.	Device Interconnection Sharing and Data Platform V1.0* (設備互聯共享和數據平台V1.0)	WellCell Technology	10 September 2019	31 December 2069	PRC	2019SR0942765
34.	Maintenance and Operation Support System based on Wireless Internet Data V1.0* (基於移動互聯網數據的維護和運營支撐系統V1.0)	WellCell Technology	10 September 2019	31 December 2069	PRC	2019SR0938794

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
35.	Network Optimisation Assistant APP Software V1.0* (網優助手APP軟件V1.0)	WellCell Technology	13 November 2018	31 December 2068	PRC	2018SR904113
36.	Indoor Signal Distribution Smart Probe Invisible Monitoring System V1.0* (室分信號智能探針隱形監測系統V1.0)	WellCell Technology	4 September 2018	31 December 2068	PRC	2018SR709783
37.	Mobile Traffic Violation Snapshot System V1.0* (可移動式交通違法抓拍系統V1.0)	WellCell Technology	4 September 2018	31 December 2068	PRC	2018SR709773
38.	MOS Voice Testing and Evaluation System based on Bluetooth Wireless Connection V1.0* (基於藍牙無線連接的MOS語音測試評估系統V1.0)	WellCell Technology	31 August 2018	31 December 2068	PRC	2018SR702264
39.	Handheld Portable 5G Wireless Network Quality Testing and Analysis System V1.0* (手持便攜式5G無線網絡質量測試及分析系統V1.0)	WellCell Technology	31 August 2018	31 December 2068	PRC	2018SR700618
40.	Handheld Portable VOLTE Wireless Network Quality Test and Analysis System V1.0* (手持便攜式VOLTE無線網絡質量測試及分析系統V1.0)	WellCell Technology	31 August 2018	31 December 2068	PRC	2018SR700607
41.	Portable High/Low Frequency Signal Generator Software V1.0* (便攜式高/低頻信號發生器軟件V1.0)	WellCell Technology	31 August 2018	31 December 2068	PRC	2018SR700187
42.	Data Analysis System based on MR and CDR V1.0* (基於MR、CDR數據解析與分析系統V1.0)	WellCell Technology	31 August 2018	31 December 2068	PRC	2018SR699749
43.	Mobile Network Data Analysis and Transmission System V1.0* (移動網絡數據分析和傳輸系統V1.0)	WellCell Technology	11 July 2018	31 December 2068	PRC	2018SR539029

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
44.	Wangyou Renwoxing Wireless Network Testing and Analysis System V1.0* ("網優任我行"移動網絡測試分析系統V1.0)	WellCell Technology	28 March 2018	31 December 2067	PRC	2018SR214255
45.	Wechat Application of WellCell Speed Testing System V1.0* (微信應用小程序經緯測速系統V1.0)	WellCell Technology	22 February 2018	31 December 2067	PRC	2018SR114450
46.	NB_IoT Fully Automatic Monitoring System for Indoor IoT Signal Distribution V1.0* (NB_IoT物聯網室分信號全自動監測系統V1.0)	WellCell Technology	22 February 2018	31 December 2067	PRC	2018SR114443
47.	Smart-RNP Wireless Network Planning Simulation Software V1.0* (Smart-RNP無線網絡規劃仿真軟件V1.0)	WellCell Technology	29 November 2017	31 December 2067	PRC	2017SR656359
48.	Facial Recognition Warehouse Asset Management System V1.0*(人臉識別運維倉庫資產管理系統 V1.0)	WellCell Technology	29 November 2017	31 December 2067	PRC	2017SR655911
49.	NB_IoT Technology Positioning and Data Acquisition Analysis System V1.0* (NB_IoT物聯網技術的定位與數據採集分析系統V1.0)	WellCell Technology	29 November 2017	31 December 2067	PRC	2017SR654323
50.	4G Modular CDR to CTR Signaling Analysis System V1.0* (4G模塊化CDR到CTR的信令分析系統V1.0)	WellCell Technology	29 November 2017	31 December 2067	PRC	2017SR654313
51.	Interference and Signal Measurement Detection System for UAV platform V1.0* (無人機平台的干擾與信號測量探測系統V1.0)	WellCell Technology	29 November 2017	31 December 2067	PRC	2017SR654284

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
52.	VoLTE QOS Quality Improvement System based on EPS-IMS Interface Data Analysis V1.0* (基於EPS-IMS接口數據分析的VoLTE QOS質量提升系統V1.0)	WellCell Technology	27 October 2016	31 December 2066	PRC	2016SR308460
53.	4G End-user Service Perception Impact Analysis System V1.0* (4G終端用戶業務感知影響分析系統V1.0)	WellCell Technology	27 October 2016	31 December 2066	PRC	2016SR308455
54.	Smart Tablet Signaling Analysis System) V1.0* (智能平板信令分析系統V1.0)	WellCell Technology	25 October 2016	31 December 2066	PRC	2016SR306514
55.	LTE New Station Network Acceptance Test System V1.0* (LTE新站入網驗收測試系統V1.0)	WellCell Technology	25 October 2016	31 December 2066	PRC	2016SR306500
56.	Full 4G User-Perception Wireless Network Quality Assessment System V1.0* (全量4G用戶感知的移動網絡質量評估系統V1.0)	WellCell Technology	25 October 2016	31 December 2066	PRC	2016SR306427
57.	Full-dimensional and Multi-scene High-end User Market Analysis System based on Massive Big Data Support V1.0* (基於海量大數據支撐的全維度多場景高端用戶市場分析系統V1.0)	WellCell Technology	25 October 2016	31 December 2066	PRC	2016SR306319
58.	Mobile Network Multi-frequency, Multi-mode, Multi-interference Positioning and Troubleshooting Software V1.0* (移動網絡多頻多模多干擾定位排查軟件V1.0)	WellCell Technology	8 December 2015	31 December 2065	PRC	2015SR248143
59.	Wireless Network Real-time Video Control Software V1.0* (無線網絡實時視訊管控軟件V1.0)	WellCell Technology	8 December 2015	31 December 2065	PRC	2015SR248139

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
60.	Mobile Internet Wireless Network User Perception System V1.0* (移動互聯網無線網絡用戶感知系統V1.0)	WellCell Technology	8 December 2015	31 December 2065	PRC	2015SR248134
61.	PLA Wireless End-user Positioning Analysis Software V1.0* (PLA無線終端用戶定位分析軟件V1.0)	WellCell Technology	6 August 2014	31 December 2064	PRC	2014SR114683
62.	Clever Farmer Intelligent Countryside — Big Data Supported Wireless Network Quality Analysis Platform V1.0* (Clever Farmer智能農村—大數據支撐無線網絡質量分析平台V1.0)	WellCell Technology	5 August 2014	31 December 2064	PRC	2014SR113441
63.	BS-ACMC Indoor Distribution Antenna Real-time Monitoring Platform V1.0* (BS-ACMC室分天線實時監控平台V1.0)	WellCell Technology	4 August 2014	31 December 2064	PRC	2014SR112273
64.	WellCell Smart-eagle Whole Network Wireless Linkage Network Management Data Testing Platform V1.0* (經緯Smart-eagle全網絡無線聯動網管數據檢測平台V1.0)	WellCell Technology	25 June 2014	31 December 2063	PRC	2014SR085502
65.	WellCell Smart-bts Base Station Server Room Intelligent Monitoring SystemV1.0* (經緯Smart-bts基站機房智能監控系統V1.0)	WellCell Technology	25 June 2014	31 December 2064	PRC	2014SR085483
66.	Smart Bee Network Performance Handy Testing System V1.0* ("小蜜蜂" Smart-bee網絡性能便捷測試系統V1.0)	WellCell Technology	25 June 2014	31 December 2064	PRC	2014SR085360

	Software copyright	Registered owner	Date of registration	Expiry date	Place of registration	Registration number
67.	WellCell xcal Wireless Network Testing and Analysis System V1.0* (經緯xcal無線網絡測試及分析系統V1.0)	WellCell Technology	25 June 2014	31 December 2063	PRC	2014SR085352
68.	WellCell Handtest Wireless Network Testing and Analysis System V1.05* (經緯Handtest 無線網絡測試分析系統V1.05)	WellCell Technology	7 September 2010	31 December 2055	PRC	2010SR046621
69.	HandTest-CDMA+WLAN Intelligent Testing System V3.2* (HandTest-CDMA +WLAN智能測試系統V3.2)	WellCell Technology	23 January 2010	31 December 2059	PRC	2010SR004068
70.	WellCell CT-WLAN Testing System V2.2* (經緯CT-WLAN "無線局域網" 測試系統V2.2)	WellCell Technology	7 July 2009	31 December 2054	PRC	2009SR026882
71.	WellCell Handtest Wireless Network Testing and Analysis System V1.0.0* (經緯Handtest 無線網絡測試分析系統V1.0.0)	WellCell Technology	20 June 2005	31 December 2055	PRC	2005SR06421
72.	CT-WLAN Testing System V1.0.0* (CT-WLAN無線局域網測試系統V1.0.0)	WellCell Technology	18 October 2004	31 December 2054	PRC	2004SR10061
73.	PHS Wireless Network Optimisation Testing and Analysis system V3.0* (PHS無線網絡優化測試分析系統V3.0)	WellCell Technology	19 June 2003	31 December 2053	PRC	2003SR6040

(d) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain names:

Domain name	Registrant	Date of registration	Expiry date
wellcell.net	WellCell Technology	28 February 2005	28 February 2027
wellcell.com.cn	WellCell Technology	28 February 2005	28 February 2028

Information contained in the above websites does not form part of this document.

Save as disclosed above, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

1. Directors

(a) *Disclosure of interests of Directors*

Immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [REDACTED] or any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, will be as follows:

(i) *Long position in the Shares*

Name of Directors	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Jia *(Note 1)*	Interest in a controlled corporation	[REDACTED] ordinary Shares	[REDACTED]%
Mr. Lin *(Note 2)*	Interest in a controlled corporation	[REDACTED] ordinary Shares	[REDACTED]%

(ii) *Long position in the ordinary shares of associated corporations*

Name of Directors	Name of associated corporation	Capacity	Approximate percentage of shareholding
Mr. Jia *(Note 1)*	Shine Dynasty	Beneficial owner	100%
Mr. Lin *(Note 2)*	Cheer Partners	Beneficial owner	100%

Notes:

(1) WellCell Group will be the registered and beneficial owner holding [REDACTED]% of the issued Shares of our Company. The issued share capital of WellCell Group is owned as to 51.5% by Shine Dynasty which is in turn wholly owned by Mr. Jia.

(2) WellCell Group will be the registered and beneficial owner holding [REDACTED]% of the issued Shares of our Company. The issued share capital of WellCell Group is owned as to 37.5% by Cheer Partners which is in turn wholly owned by Mr. Lin.

(b) *Particulars of service contracts*

Each of our executive Directors [has entered into] a service contract with our Company for an initial fixed term of [three] years commencing from the [REDACTED] until terminated by not less than [three] months' notice in writing served by either party. Commencing from the [REDACTED], each of our executive Directors shall be entitled to an annual salary as set out below, such salary to be reviewed annually by our Board and the Remuneration Committee.

In addition, each of our executive Directors may be entitled to, if so recommended by the Remuneration Committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him or her. Commencing from the [REDACTED], the basic annual salary of our executive Directors shall be as follows:

Name	Amount (RMB)
Mr. Jia	[280,000]
Ms. Liu	[160,000]
Mr. Cong	[300,000]

Each of our non-executive Director and independent non-executive Directors [has entered] into a letter of appointment with our Company for an initial term of service commencing from the [REDACTED] and shall continue thereafter subject to a maximum of [three] years unless terminated by either party giving not less than [one] month's notice in writing. Commencing from the [REDACTED], the annual remuneration payable to the non-executive Director and independent non-executive Directors under each of the letters of appointment shall be as follows:

Name	Amount (RMB)
Non-executive Director	
Mr. Lin	[150,000]

	Amount (RMB)
Independent non-executive Directors	
[Mr. Wu Wing Kuen]	[116,640]
[Dr. Leung Kwong Sak]	[116,640]
[Mr. Yu Chi Wing]	[116,640]

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

Our Company's policies concerning remuneration of executive Directors are:

(i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

(ii) non-cash benefits may be provided to our Directors under their remuneration package; and

(iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of their remuneration package.

The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plan) which are paid to our Directors for FY2020, FY2021, FY2022 and 6M2023 were approximately RMB0.7 million, RMB0.7 million, RMB0.8 million and RMB0.3 million, respectively. Further information in respect of our Directors' remuneration is set out in note 28 to the Accountant's Report in Appendix I to this document.

It is estimated that under the arrangements currently in force as at the date of this document, the aggregate remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plan) payable to our Directors (including the independent non-executive Directors) for the year ending 31 December 2023 will be approximately RMB0.7 million.

2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the [REDACTED] and taking no account of any Shares which may be allotted and issued upon the exercise of the [REDACTED] or any option that may be granted under the Share Option Scheme, the following persons/entities (not being our Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will 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 our Company or any other members of our Group:

Long position in Shares, underlying Shares and debentures

Name	Capacity	Number and class of securities	Approximate percentage of shareholding
WellCell Group *(Note 1)*	Beneficial owner	[REDACTED] ordinary Shares	[REDACTED]%
Shine Dynasty *(Note 1)*	Interest in a controlled corporation	[REDACTED] ordinary Shares	[REDACTED]%
Cheer Partners *(Note 1)*	Interest in a controlled corporation	[REDACTED] ordinary Shares	[REDACTED]%
Ms. Zheng Li *(Note 2)*	Interest of spouse	[REDACTED] ordinary Shares	[REDACTED]%
Ms. Zhong Shumin *(Note 3)*	Interest of spouse	[REDACTED] ordinary Shares	[REDACTED]%

Notes:

(1) WellCell Group will be the registered and beneficial owner holding [REDACTED]% of the issued Shares of our Company. The issued share capital of WellCell Group is owned as to 51.5% and 37.5% by Shine Dynasty and Cheer Partners, respectively.

(2) Ms. Zheng Li is the spouse of Mr. Jia. Accordingly, Ms. Zheng Li is deemed to be interested in all the Shares held by Mr. Jia under part XV of the SFO.

(3) Ms. Zhong Shumin is the spouse of Mr. Lin. Accordingly, Ms. Zhong Shumin is deemed to be interested in all the Shares held by Mr. Lin under part XV of the SFO.

3. Related party transactions

Our related party transactions during the Track Record Period are summarised in note 26 to the Accountant's Report as set out in Appendix I to this document.

4. Disclaimers

Save as disclosed in this Appendix and the section headed "Substantial Shareholders" of this document:

(a) taking no account of any Shares which may be taken up or acquired under the [REDACTED] or any Shares which may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the [REDACTED] will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either 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 the general meetings of our Company or any other members of our Group;

(b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are [REDACTED] on the Stock Exchange;

(c) none of our Directors nor the experts named in "E. Other information — 6. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue 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;

(d) none of our 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;

(e) none of the experts named in "E. Other information — 6. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(f) none of our Directors, their close associate or any shareholders of our Company (which to the knowledge of our Directors owns more than 5% of our Company's issued capital) has any interest in our Group's five largest suppliers and five largest customers.

D. SHARE OPTION SCHEME

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme approved by our Board and conditionally approved by all the sole Shareholder on [●].

[For the purpose of this section, unless the context otherwise requires:

"Board"	means our board of Directors or a duly authorised committee thereof;
"Eligible Person"	means, among others, any Employee Participant, consultant, professional, customer, supplier, agent, partner or adviser of or contractor to our Group or any of our subsidiaries; or a company beneficially owned by these persons;
"Employee Participant"	means directors and employees of the Group (including persons who are granted options or awards under the scheme as an inducement to enter into employment contracts with the Group
"Exercise Period"	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant but which shall not exceed ten years from the date of grant of such option;
"Option"	means right to subscribe for Share granted pursuant to the Share Option Scheme;

"Other Schemes"	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
"Participant"	means any Eligible Person who accepts the offer of any Option in accordance with the terms of the Share Option Scheme and (where the context so permits) any person who is entitled to any such Option in consequence of the death of the original Participant (being an individual) or the legal representative of such person;
"Shareholders"	means shareholders of our Company from time to time;
"Subsidiary"	means a subsidiary (within the meaning of the Listing Rules) for the time being and from time to time of our Company, whether incorporated in Hong Kong or elsewhere; and
"Trading Day"	means a day on which [REDACTED] of Shares takes place on the Stock Exchange.

(a) ***Purpose of the Share Option Scheme***

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) ***Who may join***

Our Board may, at its discretion, make an offer to any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall duly sign the letter containing the offer and pay HK$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than five Business Days from the date on which the Option is offered.

(c) ***Grant an Option***

Any grant of Options must not be made after inside information has come to the knowledge of our Company until such price sensitive matter has been announced pursuant to the relevant requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules), and (b) the deadline for our Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no Option may be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Board may not grant any Option to an Eligible Person during the periods or times in which the Directors are prohibited from dealing in shares pursuant to the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue and provided that if approved by Shareholders at general meeting with such Eligible Person and its close associates (or its associates if the participant is a connected person) abstaining from voting, our Board may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in any 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of the Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' approval and the date of meeting of our Board for proposing the Further Grant should be taken as the date of offer of such Options for the purpose of calculating the relevant subscription price.

(d) ***Price of Shares***

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be the higher of (i) the closing price of the Shares as stated in the Stock Exchange's [REDACTED] on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's [REDACTED] for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share on the date of grant.

For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been [REDACTED] for less than five Trading Days, the [REDACTED] shall be used as the closing price for any Trading Day falling within the period before the [REDACTED].

(e) ***Maximum number of Shares***

(i) The maximum number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Effective Date (the "**Scheme Mandate Limit**") provided that Options which have lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of [REDACTED] Shares in issue on the [REDACTED], the Scheme Mandate Limit will be equivalent to [REDACTED] Shares, representing 10% of the Shares in issue as at the [REDACTED].

(ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit once every three years from the date of the Shareholders' approval for the last refreshment (or the date of adoption) to the extent that the maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit so renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) shall not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company must send a circular to our Shareholders containing the details and information required under the Listing Rules.

(iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that the Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company must send a circular to our Shareholders containing the information required by the Listing Rules.

(iv) The exercise of any Option shall be subject to the Shareholders in a general meeting approving any increase in the share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of our Company to meet subsisting requirements upon exercise of Options.

(f) ***Minimum vesting period and performance target and clawback mechanism***

All Options granted under the Share Option Scheme will be subject to a vesting period of no less than 12 months from the date of grant except for the specific circumstances set out in the Share Option Scheme.

Subject to the provisions of the Listing Rules, our 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 our Board may think fit (to be stated in the letter containing the offer of the grant of the Option) 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 Eligible Person, the satisfactory performance or maintenance by the Eligible Person of certain conditions or obligations or the time or period when the right to exercise the Option in respect of all or some 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 our Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise), there is no performance target which need to be achieved by the grantee before the Option can be exercised.

Upon the occurrence of any of the following in relation to a grantee, our Company shall propose that no further Options shall be granted to such grantee and shall claw back the Options granted to such grantee and such Options shall lapse automatically:

(i) the grantee has failed to perform duties effectively or is involved in serious misconduct or malfeasance;

(ii) the grantee has contravened the relevant laws and regulations of the applicable jurisdictions and/or the provisions of the Memorandum and Articles;

(iii) the grantee has, during his/her tenure of office, been involved in acceptance or solicitation of bribery, corruption, theft, leakage of trade and technical secrets, conducted connected transactions and other unlawful acts and misconducts, which prejudiced the interest and reputation of and caused significant negative impact to the image of our Company; or

(iv) the grantee has failed to discharge, or failed to discharge properly, his/her duties and thereby resulting in serious loss in assets to our Company and other serious and adverse consequence.

(g) ***Time of exercise of Option***

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the vesting period during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine. The exercise of any Option may be subject to a vesting schedule to be determined by our Board in its absolute discretion, which shall be specified in the offer letter.

(h) ***Rights are personal to grantee***

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any Option.

(i) ***Rights on death***

If a Participant dies before exercising the Option in full, his or her legal personal representative(s) may exercise the Option up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

(j) ***Changes in capital structure***

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under the paragraphs headed "(i) Changes in capital structure" must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(k) *Rights on take-over*

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all our Shareholders (or all such holders other than the offeror and/or any person acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, "acting in concert" shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

(l) *Rights on a compromise or arrangement*

(i) In the event that a notice is given by our Company to our Shareholders to convene a Shareholders' meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the Option either in full or in part and our Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders' meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.

(ii) In the event of a compromise or arrangement between our Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), our Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two Trading Days prior to the proposed meeting) exercise the Option either in full or in part and our Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

(m) ***Lapse of Option***

An Option shall lapse forthwith and not be exercisable (to the extent not already exercised) on the earliest of:

(i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;

(ii) subject to paragraphs (f) and (p), the expiry of the Exercise Period of the Option;

(iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;

(iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);

(v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this subparagraph shall be conclusive;

(vi) the happening of any of the following events, unless otherwise waived by our Board:

(1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation);

(2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent;

(3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts;

(4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above;

(5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or

(6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction;

(vii) the date on which the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or

(viii) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

(n) *Ranking of Shares*

Shares allotted and issued upon the exercise of an Option will be subject to our Memorandum and Articles of Association as amended from time to time and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the date of allotment or issue. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the grantee has been entered into the register of members of the Company as the holder thereof.

(o) *Cancellation of Options granted*

Any cancellation of Options granted in accordance with the Share Option Scheme must be approved by the grantee concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

(p) ***Period of Share Option Scheme***

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the [REDACTED], after which period no further Options will be issued but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

(q) ***Alteration to and termination of Share Option Scheme***

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Participants or the prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons and their respective associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by our Shareholders under our Memorandum and Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting or our Board, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

(r) ***Granting of Options to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates***

Where Options are proposed to be granted to a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a Substantial Shareholder of our Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue, then such further grant of Options must be approved by our Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting. The circular must contain the information required under the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a director, chief executive or substantial shareholder of our Company, or any of their respective associates if the initial grant of the Options requires such approval (except where the changes take effect automatically under the existing terms of the Share Option Scheme).

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) of our Company set out in this paragraph do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

(s) ***Conditions of Share Option Scheme***

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by the Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the [REDACTED] of and permission to [REDACTED] the Shares which may be issued pursuant to the exercise of Options.

Application has been made to the [REDACTED] for the [REDACTED] of and permission to [REDACTED] the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

(t) ***Required Disclosure***

Our Company shall, for so long as the Share Option Scheme continues in operation, make disclosures as required under the Listing Rules and all other applicable laws and requirements.

(u) ***Present status of the Share Option Scheme***

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 17 of the Listing Rules.]

E. OTHER INFORMATION

1. Tax and other indemnities

Each of our Controlling Shareholders (collectively, the "**Indemnifiers**") [has entered into] the Deed of Indemnity (being a material contract referred to in "B. Further information about the business of our Group — 1. Summary of material contracts — (b) the Deed of Indemnity" in this Appendix) in favour of our Company (for itself and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

(a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group resulting from or in connection with any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the [REDACTED] becomes unconditional (the "**Effective Date**"), save for any taxation to the extent that:

(i) full provision has been made for such taxation in the audited accounts of our Group for FY2020, FY2021, FY2022 and 6M2023 (the "**Accounts**") as set out in Appendix I to this document;

(ii) falling on any member of our Group on or after the [REDACTED], where the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before the [REDACTED];

(iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; or

(iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers' liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the deed of indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

under the terms of the Deed of Indemnity, each of Wellcell Group, Shine Dynasty, Mr. Jia, Cheer Partners and Mr. Lin provides further indemnities on a joint and several basis in respect of, among other matters:

(b) all claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any of the subsidiary of our Group directly or indirectly as a result of or in connection with the non-compliance or alleged non-compliance by any subsidiary of our Group with any applicable laws, rules and regulations in Hong Kong or any jurisdictions in the course of its business occurred on or before the [REDACTED], including without limitation any liability arising from any failure to pay any amount of social insurance or housing provident fund by any subsidiary of our Group in connection with any employment of any staff and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any of the subsidiary of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted or threatened against any subsidiary of our Group and/or any act, non-performance, omission or otherwise of any subsidiary of our Group accrued or arising on or before the [REDACTED] and/or any reorganisation involving any subsidiary of our Group on or before the [REDACTED]; all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any subsidiary of our Group directly or indirectly as a result of or in connection with the accidents on or before the [REDACTED].

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands, the BVI, Hong Kong and PRC, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

2. Litigation

Save as disclosed in the paragraphs headed "Business — Litigation and non-compliance" in this document, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against our Company or any of our subsidiaries, that would have a material adverse effect on our Group's results of operations or financial condition.

3. Joint Sponsors

The Joint Sponsors have made an application for and on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the Shares in issue and to be issued as mentioned in this document, including the [REDACTED] and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of the [REDACTED] or any options that may be granted under the Share Option Scheme.

The Joint Sponsors satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK$48,698 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purposes of the Listing Rules. Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

6. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this document are as follows:

Name	Qualification
Halcyon Capital Limited	A corporation licensed by the SFC to carry on type 6 (advising on corporate finance) regulated activities under the SFO
Eddid Capital Limited	A corporation licensed by the SFC to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Appleby	Legal advisers to our Company as to Cayman Islands law
China Insights Industry Consultancy Limited	Industry consultant
Beijing DHH (Shanghai) Law Firm	Legal advisers to our Company as to PRC law
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong)

7. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this document in the form and context in which it respectively appears.

8. Joint Sponsors' fees

The Joint Sponsors will be paid by our Company a total fee of HK$9,100,000 to act as joint sponsors to our Company in connection with the [REDACTED].

9. 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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Miscellaneous

(a) Save as disclosed in this Appendix and the sections headed "History, Reorganisation and corporate structure" and "[REDACTED]" of this document, within the two years preceding the date of this document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iii) no commission has been paid or payable (excluding commission payable to [REDACTED]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company.

(b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.

(d) Our Directors confirm that, up to the date of this document, save as disclosed in the paragraphs headed "Summary — Recent developments and no material adverse change", there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2022 (being the date to which the latest audited consolidated financial statements of our Group were made up), and there had been no event since 31 December 2022 which would materially affect the information as shown in the Accountant's Report.

(e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this document.

(f) None of the experts named in "E. Other information — 6. Qualifications of experts" in this Appendix:

(i) is interested beneficially or non-beneficially in any shares in any member of our Group; or

(ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

(g) No company within our Group is presently listed on any stock exchange or traded on any trading system and no part of the Shares or loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek [REDACTED] of, or permission to [REDACTED], any part of its Shares or loan capital on any other stock exchange.

(h) Our Company has no outstanding convertible debt securities.

(i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(j) There are no arrangements under which future dividends are waived or agreed to be waived.

11. Bilingual document

The English language and the 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).

12. Taxation of holders of Shares

(a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

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.

(c) ***Consultation with professional advisers***

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the [REDACTED] accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares.

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 the paragraph headed "E. Other information — 7. Consents of experts" in Appendix IV to this document and copies of the material contracts referred to in the paragraph headed "B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be on display on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at [**www.wellcell.com.cn**] up to and including the date which is 14 days from the date of this document:

1. the Memorandum and the Articles of Association;

2. the Accountant's Report and the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the texts of which are set out in "Appendix I — Accountant's Report" and "Appendix II — Unaudited Pro Forma Financial Information", respectively;

3. the audited consolidated financial statements of our Group for each of the three years ended 31 December 2022 and the six months ended 30 June 2023;

4. the legal opinion prepared by Beijing DHH (Shanghai) Law Firm, the legal advisers to our Company as to PRC law, in respect of certain aspects of our Group;

5. the letter of advice prepared by Appleby, the legal advisers to our Company as to Cayman Islands law, summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

6. the Companies Act;

7. the CIC Report referred in the section headed "Industry Overview" in this document;

8. copies of the material contracts referred to in the paragraph headed "Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts" in Appendix IV to this document;

9. the service contracts and letters of appointment referred to in the paragraph headed "Statutory and general information — C. Further information about Directors, management and staff — 1. Directors" in Appendix IV to this document;

10. the written consents referred to in the paragraph headed "Statutory and general information — E. Other information — 7. Consents of experts" in Appendix IV to this document; and

11. the Share Option Scheme.