WellCell Holdings Co., Limited
經緯天地控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2477)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately RMB256.0 million for the year ended 31 December 2023 (Year ended 31 December 2022: approximately RMB226.5 million).
- Profit attributable to the owners of the Company for year ended 31 December 2023 amounted to approximately RMB20.4 million (Year ended 31 December 2022: approximately RMB24.3 million).
- Basic earnings per share amounted to approximately RMB5.4 cents for the year ended 31 December 2023 (Year ended 31 December 2022: approximately RMB6.5 cents).
- The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors of the Company is pleased to present the consolidated financial results of WellCell Holdings Co., Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") for the year ended 31 December 2023 together with the comparative figures for the prior year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**255,959**	226,513
Other income	*5*	**1,834**	3,434
Other losses — net	*6*	**(52)**	(21)
Employee benefit expenses	*7*	**(17,124)**	(20,041)
Subcontracting charges		**(153,847)**	(121,592)
Materials, supplies and other project costs		**(40,505)**	(38,220)
Depreciation and amortisation	*4(a)*	**(2,148)**	(3,066)
Net impairment losses of contract assets and trade receivables		**(389)**	(3,333)
Other operating expenses	*4(b)*	**(5,759)**	(3,496)
Listing expenses	*4(c)*	**(14,008)**	(10,108)
Operating profit		**23,961**	30,070
Finance income	*8*	**205**	94
Finance costs	*8*	**(1,083)**	(896)
Finance costs, net	*8*	**(878)**	(802)
Profit before income tax		**23,083**	29,268
Income tax expense	*9*	**(2,686)**	(5,009)
Profit for the year attributable to the equity holders of the Company		**20,397**	24,259
Total comprehensive income for the year attributable to the equity holders of the Company		**20,397**	24,259
Earnings per share attributable to equity holders of the Company			
Basic and diluted (cents per share)	*10*	**5.4**	6.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

		As at 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,492**	2,533
Intangible assets		**762**	1,607
Deferred tax assets		**851**	793
		3,105	4,933
Current assets			
Contract assets	*12*	**70,065**	67,895
Trade receivables	*12*	**62,700**	35,397
Prepayments, deposits and other receivables		**20,933**	10,545
Pledged bank deposits		**301**	—
Amount due from the immediate holding company		**1,181**	1,161
Current income tax recoverable		**1,497**	1,051
Cash and cash equivalents		**23,810**	42,199
		180,487	158,248
Total assets		**183,592**	163,181
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**—***	—
Combined capital		**—**	22,000
Reserves		**85,150**	58,742
Total equity		**85,150**	80,742

* *The balance was less than RMB1,000.*

	Note	As at 31 December **2023** ***RMB'000***	 2022 *RMB'000*
LIABILITIES			
Non-current liabilities			
Bank borrowings	*14*	**4,000**	8,000
Lease liabilities		**98**	—
		4,098	8,000
Current liabilities			
Trade and bills payables	*13*	**6,971**	5,216
Contract liabilities, other payables and accruals		**62,511**	45,280
Bank borrowings	*14*	**24,000**	22,000
Lease liabilities		**46**	83
Amounts due to shareholders		**816**	1,860
		94,344	74,439
Total liabilities		**98,442**	82,439
Total equity and liabilities		**183,592**	163,181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

WellCell Holdings Co., Limited 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 "**Listing 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 is a director of the Company.

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**the Stock Exchange**") since 12 January 2024.

These consolidated financial statements are presented in Renminbi thousands ("**RMB'000**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the "**Board**") of the Company on 28 March 2024.

2 BASIS OF PREPARATION

The consolidated financial statements 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**") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements has been prepared under the historical cost convention.

The preparation of the consolidated financial statements 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.

New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17

The adoption of these new and amended standards did not have any significant impact on the Group's accounting policies.

New interpretations and amendments to existing standards not yet adopted by the Group

		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 Repayment on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements (Amendments)	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
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 interpretations and amendments to existing standards as and when they become effective. The Group has performed preliminary assessment and does not anticipate any significant impact on the Group's financial position and results of operations upon adopting these interpretations and amendments to existing HKFRS.

3 REVENUE AND SEGMENT INFORMATION

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	
	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Over time		
— Wireless telecommunication network enhancement services	**94,923**	102,136
— Telecommunication network infrastructure maintenance and engineering services	**43,796**	44,516
— Information and communication technology integration services	**93,279**	54,592
— Software development and related service	**18,142**	21,745
	250,140	222,989
At a point in time		
— Sales of software	**5,819**	3,524
	255,959	226,513

(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	
	2023	2022
	RMB'000	*RMB'000*
Customer A	**54,820**	53,917

(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 2022 and 2023.

4 PROFIT BEFORE TAXATION

Profit before taxation is stated after charging the following:

(a) Depreciation and amortisation

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Depreciation charges		
— Property, plant and equipment	**1,212**	1,555
— Right-of-use assets	**91**	228
Total depreciation charges	**1,303**	1,783
Amortisation of intangible assets	**845**	1,283
	2,148	3,066

(b) Other operating expenses

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Expenses of short-term leases in respect of offices and staff quarters	**4**	145
Auditor's remuneration		
— Audit services (excluding listing expenses)	**1,800**	107
— Non-audit services	**—**	10
Office expenses	**336**	343
Professional fees	**499**	475
Other taxes and levies	**1,863**	1,197
Entertainment expenses	**375**	267
Others	**882**	952
	5,759	3,496

(c) Listing expenses

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Listing expenses	**14,008**	10,108

5 OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government subsidies *(Note a)*	**323**	1,800
Tax credit of input tax additional deduction and VAT refund	**1,368**	1,326
Equipment rental income *(Note b)*	**89**	286
Sundry income	**54**	22
	1,834	3,434

Notes:

(a) During the years ended 31 December 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.

6 OTHER LOSSES — NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Exchange losses, net	**52**	43
Gain on disposal of right-of-use assets and lease liabilities on early termination of a lease	**—**	(22)
	52	21

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages and salaries	**13,642**	16,382
Pension cost — defined contribution plans	**2,975**	3,314
Other staff welfares	**507**	345
Total employee benefit expenses (including directors' remunerations)	**17,124**	20,041

8 FINANCE COSTS, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income on cash at banks	**205**	94
Finance costs		
Interest expenses on		
— Bank borrowings	**(1,076)**	(887)
— Leases	**(7)**	(9)
	(1,083)	(896)
Finance costs, net	**(878)**	(802)

9 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 2022 and 2023.

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, 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 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%.

During the years ended 31 December 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	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
— PRC CIT	**544**	3,407
— PRC dividend withholding tax	**2,200**	2,200
Deferred income tax	**(58)**	(598)
Income tax expense	**2,686**	5,009

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the years.

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2022 and 2023, 200 ordinary shares of the Company, which were issued by the Company on 27 April 2023 for the reorganisation, were deemed to have been issued and allotted by the Company on 1 January 2022 as if the Company has been incorporated by then when computing the basic and diluted earnings per share for the years ended 31 December 2022 and 2023.

In addition, 374,999,600 ordinary shares of the Company, which were issued by the Company on 12 January 2024 as a result of the capitalisation issue pursuant to the resolutions of the shareholders passed on 15 December 2023, were also deemed to have been issued and allotted by the Company on 1 January 2022 as if the Company has been incorporated by then when computing the basic and diluted earnings per share for the years ended 31 December 2022 and 2023.

	Year ended 31 December	
	2023	2022
Profit for the year (RMB'000)	**20,397**	24,259
Weighted average number of ordinary shares in issue (in thousands)	**375,000**	375,000
Basic earnings per share (RMB cents per share)	**5.4**	6.5

There were no differences between the basic and the diluted earnings per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2022 and 2023.

11 DIVIDEND

The Board of directors do not recommend the payment of final dividend for the year ended 31 December 2023.

12 CONTRACT ASSETS AND TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contract assets	**72,344**	70,388
Less: provision for impairment of contract assets	**(2,279)**	(2,493)
	70,065	67,895
Trade receivables	**66,093**	38,187
Less: provision for impairment of trade receivables	**(3,393)**	(2,790)
	62,700	35,397
	132,765	103,292

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. The balances of contract assets fluctuated during the years as the Group provided varying amount of services that were unbilled before the end of each reporting period.

As at 31 December 2022 and 2023, the carrying amounts of contract assets and trade receivables approximated their fair values.

As at 31 December 2022 and 2023, the aging analysis of trade receivables, based on invoice date, was as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 180 days	**47,079**	33,416
Between 181 days and 365 days	**13,414**	375
Between 1 year and 2 years	**4,158**	3,160
Over 2 years	**1,442**	1,236
	66,093	38,187

As at 31 December 2022 and 2023, the carrying amounts of the Group's trade receivables were denominated in RMB.

13 TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**6,130**	5,216
Bills payables	**841**	—
	6,971	5,216

As at 31 December 2022 and 2023, the aging analysis of trade payables, based on invoice date, was as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 180 days	**4,230**	2,668
Between 181 days and 365 days	**646**	505
Over 365 days	**1,254**	2,043
	6,130	5,216

As at 31 December 2022 and 2023, the carrying amounts of the Group's trade payables were denominated in RMB and approximated their fair values.

14 BANK BORROWINGS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank borrowings — unsecured		
Non-current portion	**4,000**	8,000
Current portion	**24,000**	22,000
	28,000	30,000

At the end of the reporting period, bank borrowings were repayable as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**24,000**	22,000
Between 1 and 2 years	**4,000**	4,000
Between 2 and 5 years	**—**	4,000
	28,000	30,000

As at 31 December 2023, the Group's bank borrowings were carried at floating rates ranged from 3.7% to 4.1% per annum (2022: 3.7%–4.2%).

As at 31 December 2022 and 2023, the carrying amounts of the bank borrowings were denominated in RMB and approximated their fair values.

As at 31 December 2022 and 2023, the bank borrowings were unsecured.

Certain of the Group's bank borrowings as at 31 December 2022 and 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 2022 and 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

In terms of the roles and focuses in the telecommunication market, the Group mainly acts as a servicer, an integrator and a developer in providing various kinds of services.

(i) ***Servicer — Provision of telecommunication network support services***

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

(a) wireless telecommunication network enhancement services: the wireless telecommunication network enhancement services are intended for customers which require an efficient wireless telecommunication network. It typically involves collection of telecommunication network data in a particular area, performance of tests, analysis of test results, diagnosis of problems (e.g. misconfiguration and misallocation of bandwidth usage), and lastly, implementation of enhancement solutions. Hence, this business line is of an "enhancement" nature. The wireless telecommunication network enhancement services mainly include (a) routine telecommunication network enhancement services, which involve enhancement 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 detecting and solving problems in connectivity, quality, coverage, end-user experience, etc. of a telecommunication network; and (b) specific telecommunication network enhancement services, which are intended to troubleshoot specific network issues or improve telecommunication network by designing and implementing enhancement solutions tailored to the needs of the 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 main target of the Group's telecommunication network infrastructure maintenance services is to address problems encountered through inspections of the relevant telecommunication network infrastructures (e.g. base stations) to identify issues and testing of their performance and functionality; examining and analysing issues (e.g. malfunctioning of base station components) that are discovered, and performing the necessary repair or maintenance work to restore their performance and functionality. Thus, this business line is of "maintenance" nature. Examples of the 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, the Group also provides telecommunication network infrastructure engineering services which include provision of labour and engineering services in projects involving construction of telecommunication network infrastructure. The Group typically participates 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 "engineering" nature.

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

(ii) ***Integrator — ICT integration services***

The Group's role as an integrator mainly involves the provision of ICT integration services. In this respect, the Group is typically engaged in (i) customising customers' computer system design for providing business-specific systems for the customers; (ii) procuring equipment, hardware and software and engaging of third-party subcontractors within the customers' budget; (iii) assembling equipment, hardware, software and other equipment to form a functional and inter-connected system according to the integration plan, 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 the 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. The Group will purchase from the suppliers the 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 the customers.

(iii) ***Developer — Telecommunication network-related software development***

The Group's role as a developer mainly involves (i) development and sale of software and (ii) provision of customised software development services. Software developed by the Group is capable of performing various functions (such as collecting data relating to telecommunication network performance and analysing the data collected) for evaluation, enhancement and maintenance of wireless telecommunication networks of telecommunication operators. Apart from complementing the core business in relation to the provision of telecommunication network support services and the ICT integration services, software developed by the Group are also sold to customers who include telecommunication operators, telecommunication network and telecommunication equipment manufacturers and telecommunication network and technical service providers and general contractors that use the software to facilitate their analysis, enhancement and maintenance of wireless telecommunication networks. The Group also develops 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.

In 2023, despite the complicated market environment, we made endeavors to maintain and develop our connection and cooperation with our suppliers, subcontractors and customers. Benefiting from the increasing and growing core business, we reasonably expect that we are able to further grow and expand more sustainably and stably.

The PRC telecommunications industry has been experiencing significant growth and development in recent years. With a large population and a rapidly expanding middle class, the demand for telecommunications services in China has been consistently increasing. The industry has been driven by factors such as the widespread adoption of smartphones, increasing internet penetration, and the PRC Government's focus on promoting digital connectivity.

The PRC Government has been actively promoting the development of 5G technology and infrastructure. China has made significant progress in rolling out 5G networks, with extensive coverage in major cities and urban centers. The deployment of 5G technology is expected to drive innovation, enable new applications and services, and contribute to the growth of industries such as autonomous vehicles, Internet of Things (IoT), and artificial intelligence.

All things considered, the Directors are cautiously optimistic about the outlook for the PRC telecommunications industry, with continued growth expected in the coming years. The industry is poised to benefit from advancements in technology, increasing demand for digital services, and the PRC Government's support for infrastructure development.

The Group has successfully listed its shares on the Main Board of the Stock Exchange on 12 January 2024 (the "**Listing**"). The listing proceeds received have strengthened the Group's cash flow. The Group will implement its future plans towards and strengthening our manpower according to the schedule set out in our prospectus dated 28 December 2023 (the "**Prospectus**").

Financial Review

Revenue

The Group principally derive its revenue from the provision of wireless telecommunication network enhancement services, telecommunication network infrastructure maintenance and engineering services and ICT integration services during the year ended 31 December 2023 (the "**Reporting Period**"). The following table sets out the breakdown of the Group's revenue by nature.

	2023	2022
	RMB'000	*RMB'000*
Wireless telecommunication network enhancement services	**94,923**	102,136
Telecommunication network Infrastructure maintenance and engineering services	**43,796**	44,516
ICT integration services	**93,279**	54,592
Software related *(Note)*	**23,961**	25,269

Note: Software related revenue represents the revenue derived from our sales of software and software development.

Wireless telecommunication network enhancement services

The revenue derived from the wireless telecommunication network enhancement services decreased by approximately RMB7.2 million or approximately 7.1% from approximately RMB102.1 million for the year ended 31 December 2022 to RMB94.9 million for the year ended 31 December 2023. The number of projects that generated revenue for the segment slightly decreased from 95 for the year ended 31 December 2022 to 88 for the year ended 31 December 2023, while the average revenue generated from each project for each for the year ended 31 December 2022 and for the year ended 31 December 2023 remained relatively stable and amounted to approximately RMB1.1 million.

Telecommunication network infrastructure maintenance and engineering services

The revenue derived from the telecommunication network infrastructure maintenance and engineering services decreased by approximately RMB0.7 million or approximately 1.6% from approximately RMB44.5 million for the year ended 31 December 2022 to RMB43.8 million for the year ended 31 December 2023. There was a decrease in the average revenue generated from each project from approximately RMB1.2 million for the year ended 31 December 2022 to RMB0.9 million for the year ended 31 December 2023. The decrease in the average revenue generated from each project was mainly attributable to the decrease in the number of projects that generated revenue of over RMB3 million during the Reporting Period from 4 for the year ended 31 December 2022 to 2 for the year ended 31 December 2023.

ICT integration services

The revenue derived from the ICT integration services increased by approximately RMB38.7 million or approximately 70.9% from approximately RMB54.6 million for the year ended 31 December 2022 to RMB93.3 million for the year ended 31 December 2023. The increase was mainly attributable to the increase in the number of projects that generated revenue for the segment from 36 for the year ended 31 December 2022 to 48 for the year ended 31 December 2023 which is in line with our continuous expansion in the segment.

Software-related business

The revenue derived from the software-related business decreased by approximately RMB1.3 million or approximately 5.2% from approximately RMB25.3 million for the year ended 31 December 2022 to RMB24.0 million for the year ended 31 December 2023. The decrease was mainly attributable to the decrease in the revenue derived from software development and related services approximately RMB3.6 million offset by increase of approximately RMB2.3 million in the revenue from sales of software.

Other income

The Group's other income decreased by approximately RMB1.6 million or approximately 47.1% from RMB3.4 million for the year ended 31 December 2022 to RMB1.8 million for the year ended 31 December 2023. The decrease was mainly due to less PRC Government subsidies granted to the Group for the year ended 31 December 2023 as compared to the year ended 31 December 2022.

Subcontracting charges

The Group's subcontracting charges increased by approximately RMB32.2 million or approximately 26.5% from approximately RMB121.6 million for the year ended 31 December 2022 to RMB153.8 million for the year ended 31 December 2023. The increase was mainly attributable to the increases in subcontracting charges for the Group's ICT integration services of approximately RMB35.1 million which is in line with the increased of ICT integration services revenue.

Materials, suppliers and other project costs

The Group's materials, supplies and other project costs increased by approximately 6.0% from approximately RMB38.2 million for year ended 31 December 2022 to approximately RMB40.5 million for the year ended 31 December 2023. The increase was principally attributable to the increase in the material costs for our ICT integration services which is in line with the increase of revenue of our ICT integration services.

Employee benefit expenses

The Group's employee benefit expenses decreased by approximately 14.5% from approximately RMB20.0 million for year ended 31 December 2022 to approximately RMB17.1 million for year ended 31 December 2023. The decrease was principally attributable to the decrease in wages and salaries due to the decrease in the average number of employee during the Reporting Period.

Depreciation and amortisation

The Group's depreciation and amortisation expenses decrease by approximately RMB1.0 million or approximately 32.3% from approximately RMB3.1 million for the year ended 31 December 2022 to RMB2.1 million for the year ended 31 December 2023. The decrease was mainly attributable to the decreases in both amortisation of intangible assets and depreciation charges.

Net impairment losses of contract assets and trade receivables

The Group's net impairment losses of contract assets and trade receivables decrease by approximately RMB2.9 million or approximately 87.9% from approximately RMB3.3 million for the year ended 31 December 2022 to RMB0.4 million for the year ended 31 December 2023. The decrease was mainly due to improvements in the aging of our contract assets and trade receivables for the year ended 31 December 2023.

Other operating expenses

The Group's other operating expense increased by approximately RMB2.3 million or approximately 65.7% from RMB3.5 million for the year ended 31 December 2022 to RMB5.8 million for the year ended 31 December 2023. The increase was mainly due to audit service amounting RMB2.0 million provided by the independent auditor for the year ended 31 December 2023.

Listing expenses

The Group's Listing expenses increased from approximately RMB10.1 million for the year ended 31 December 2022 to approximately RMB14.0 million for the year ended 31 December 2023.

Finance costs, net

The net finance cost slightly increased from approximately RMB0.8 million for year ended 31 December 2022 to approximately RMB0.9 million for year ended 31 December 2023.

Income tax expenses

The Group's income tax expenses reduced by approximately RMB2.3 million from approximately RMB5.0 million for year ended 31 December 2022 to approximately RMB2.7 million for the year ended 31 December 2023. The decrease was mainly attributable to the decrease in corporate income tax mainly due to the increase in super deduction from research and development expenditure by our PRC subsidiary for the year ended 31 December 2023 as compared to that for the year ended 31 December 2022.

Operating profit

The Group's operating profit decreased by approximately RMB6.1 million or approximately 20.3% from approximately RMB30.1 million for the year ended 31 December 2022 to RMB24.0 million for the year ended 31 December 2023. The decrease in our operating profit was principally attributable to the increases in subcontracting costs, materials, supplies and other project costs and the increase in Listing expenses and partially offset by the increase in our revenue and decrease in staff costs as explained above.

Net profit margin

The net profit margin decreased from approximately 10.7% for the year ended 31 December 2022 to approximately 8.0% for the year ended 31 December 2023 which is principally attributable to the increases in Listing expenses and other operating expenses.

Final Dividend

The Board did not recommend a payment of a final dividend for the year ended 31 December 2023.

Financial Position, Liquidity and Capital Resources

The shares of our Company were successfully listed on the Main Board of the Stock Exchange on 12 January 2024. We have historically funded our cash requirements principally from cash generated from our business operations and bank borrowings. After the Share Offer (as defined in the Prospectus), we will finance our capital requirements through cash generated from our business operations, the net proceeds from the Share Offer, and other future equity or debt financings.

Cash position

As at 31 December 2023, the cash and cash equivalents of the Group amounted to approximately RMB23.8 million (2022: RMB42.2 million), which were mainly denominated in RMB, representing a decrease of approximately 43.6% as compared to that as at 31 December 2022. The decrease was mainly due to the net cash used in financing activities, which principally represented the payment of lease liabilities and the repayment of borrowings netted off by the new proceeds from bank borrowings by the Group during the Reporting Period. For the avoidance of doubt, such cash position did not take into account the proceeds from the Share Offer.

Borrowings

As at 31 December 2023, the total bank borrowings of the Group, all of which were denominated in RMB, amounted to approximately RMB28.0 million (2022: RMB$30.0 million) that bear floating interest rates from 3.7% to 4.1% per annum (2022: 3.7% to 4.2%). No financial instrument was being used for interest rate hedging purpose. Details of the maturity profile of the bank borrowings are set out in note 14 to this announcement.

Save as disclosed, the Group did not have other borrowings for the years ended 31 December 2023 and 2022.

As at 31 December 2023, the Company has a pledged deposits amounting to approximately RMB301,000 as securities for certain customer projects as securities for wages and bills payables issued by the banks.

As at 31 December 2023, our unutilised bank facility amounted to approximately RMB7 million which we may further draw down depending on our business needs.

Charges over assets of the Group

As at 31 December 2023, the Company has pledged deposits amounting to approximately RMB301,000 as securities for certain customer projects as securities for wages and bills payables issued by the banks.

Gearing ratio

The gearing ratio of the Group, which is calculated as total bank borrowings divided by total equity, was 32.9% as at 31 December 2023 compared to that of 37.2% as at 31 December 2022.

Foreign exchange exposure and treasury policies

The Group's business operations are conducted in the PRC. The transactions, monetary assets and liabilities of the Group are mainly denominated in Renminbi. For the year ended 31 December 2023, there was no material adverse impact to the Group arising from the fluctuation in the foreign exchange rates between currencies.

The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposure during the year ended 31 December 2023.

The Directors will continue to follow a prudent policy in managing the Group's cash and maintaining a strong and healthy liquidity to ensure that the Group is well placed to take advantage of future growth opportunities.

Capital commitments

As at 31 December 2023, the Group did not have material capital commitments (as at 31 December 2022: Nil).

Employees and remuneration policy

As at 31 December 2023, the Group had 121 (31 December 2022: 145) employees which include the Directors. Total wages and salaries (including Directors' emoluments) were approximately RMB13.6 million for the year ended 31 December 2023 as compared to approximately RMB16.4 million for the year ended 31 December 2022.

The Director's fee for each of the 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 the Directors is determined by reference to market terms, seniority, experience, and duties and responsibilities of that Director within the Group. The Directors are entitled to statutory benefits as required by law from time to time, such as pensions.

The remuneration policy of the 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 Listing, the remuneration package of the 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 the Directors and senior management to ensure that it is attractive enough to attract and retain a competent team of executive members.

Significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and plans for material investments or capital assets

Apart from the reorganisation in relation to the Listing, there were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies for the year ended 31 December 2023. Save for the business plan as disclosed in the Prospectus, there is no plan for material investments or capital assets as at 31 December 2023.

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liability (as at 31 December 2022: Nil).

Use of proceeds

The Company issued 125,000,000 Shares at HK$1.00 which were listed on the Main Board of the Stock Exchange on 12 January 2024. As a result, the net proceeds from the Share Offer are approximately HK$60.6 million (equivalent to approximately RMB56.0 million) after deducting underwriting commissions and other related expenses. There has been no change in the intended use of the net proceeds and the expected implementation timeline as previously disclosed in the section headed "Future Plans and Use of Proceeds"in our Prospectus.

The following table sets forth a summary of the intended use of net proceeds and their expected timeline of full utilization. Since the Company was listed on 12 January 2024, none of the net proceeds from the Share Offer had been utilised during the Reporting Period.

Purpose	**Percentage of net proceeds from the Share Offer**	**Allocation of net proceeds from the Share Offer in the proportion (based on the basis as set out in the Prospectus)** *RMB million*	**Expected timeline of full utilization**
Finance the initial funding needs of our future ICT integration projects	20.5%	11.5	By the end of 2027
Pursue new research and development undertakings	34.6%	19.4	By the end of 2027
Expand our manpower in project management to cater for the anticipated expansion plans and business growth	19.8%	11.1	By the end of 2026
Finance our sales and marketing funding needs for expansion of manpower and marketing activities	5.4%	3.0	By the end of 2026
Repay part of our bank borrowings	12.9%	7.2	By the end of 2025
General working capital	6.8%	3.8	By the end of 2025

THE CODE OF CONDUCT AND CORPORATE GOVERNANCE

The Company confirms that it has met the code provisions set out in the Corporate Governance Code ("**CG Code**") as contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") except for the provision C.2.1, of the CG Code (Part 2) since the date of the Listing and up to the date of this announcement. CG Code (Part 2) provision C.2.1 stipulates that the roles of the Chairman of the Board and the chief executive officer of the Company should be separate and should not be performed by the same individual. Mr. Jia is both the Chairman of the Board and the chief executive officer of the Company. Considering that Mr. Jia is one of the founders of the Group and has been operating and managing the Group since its establishment in 2003, the Board believes that it is in the best interests of the Group to have Mr. Jia holding both roles for effective management and business development. Therefore, the Directors consider that the deviation from the CG Code (Part 2) provision C.2.1 is appropriate in such circumstance until such time as the Board considers that such roles should be assumed by different persons.

The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairperson of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As of the date of this announcement, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive is taken or deemed to have under such provision of the SFO) or which were 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, are as follows:

(i) ***Long Position in the Company's Shares***

Name of Directors	Capacity/Nature	Number of Shares	Percentage of shareholding
Mr. Jia Zhengyi	Interest of a controlled corporation	375,000,000	75%
Mr. Lin Qihao	Interest of a controlled corporation	375,000,000	75%

(ii) ***Long position in the shares of associated corporations***

Name of Director	Name of associated Corporation	Capacity/Nature	Percentage of Shareholding
Mr. Jia Zhengyi *(Note 1)*	Shine Dynasty Limited	Beneficial owner	100%
Mr. Lin Qihao *(Note 2)*	Cheer Partners Limited	Beneficial owner	100%

Notes:

1. WellCell Group Co. Limited is the registered and beneficial owner holding 75% of the issued shares of the Company. The issued share capital of WellCell Group Co. Limited is owned as to 51.5% by Shine Dynasty Limited which is in turn wholly owned by Mr. Jia Zhengyi.

2. WellCell Group Co. Limited is the registered and beneficial owner holding 75% of the issued shares of the Company. The issued share capital of WellCell Group Co. Limited is owned as to 37.5% by Cheer Partners Limited which is in turn wholly owned by Mr. Lin Qihao.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As of the date of this announcement, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, the following shareholders had notified the Company of their relevant interests and short positions in the issued share capital of the Company.

Name	**Capacity/Nature**	**Number of Shares** *(Note 1)*	**Percentage of Shareholding**
WellCell Group Co. Limited	Beneficial owner	375,000,000 (L)	75%
Shine Dynasty Limited *(Note 2)*	Interest in a controlled corporation	375,000,000 (L)	75%
Mr. Jia Zhengyi *(Note 2)*	Interest in a controlled corporation	375,000,000 (L)	75%
Cheer Partners Limited *(Note 3)*	Interest in a controlled corporation	375,000,000 (L)	75%
Mr. Lin Qihao *(Note 3)*	Interest in a controlled corporation	375,000,000 (L)	75%
Ms. Zheng Li *(Note 4)*	Interest of spouse	375,000,000 (L)	75%
Ms. Zhong Shumin *(Note 5)*	Interest of spouse	375,000,000 (L)	75%

Notes:

1. "L" denotes the long position in the Shares.

2. WellCell Group Co. Limited is owned as to 51.5% by Shine Dynasty Limited, which is in turn wholly owned by Mr. Jia Zhengyi. As such, each of Shine Dynasty Limited and Mr. Jia Zhengyi is deemed to be interested in all the shares hold by WellCell Group Co. Limited pursuant to Part XV of the SFO.

3. WellCell Group Co. Limited is owned as to 37.5% by Cheer Partners Limited, which is in turn wholly owned by Mr. Lin Qihao. As such, each of Cheer Partners Limited and Mr. Lin Qihao is deemed to be interested in all the shares hold by WellCell Group Co. Limited pursuant to Part XV of the SFO.

4. Ms. Zheng Li is the spouse of Mr. Jia Zhengyi. Accordingly, Ms. Zheng Li is deemed to be interested in all the shares hold by Mr. Jia Zhengyi under Part XV of the SFO.

5. Ms. Zhong Shumin is the spouse of Mr. Lin Qihao. Accordingly, Ms. Zhong Shumin is deemed to be interested in all the shares hold by Mr. Lin Qihao under Part XV of the SFO.

Saved as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company at as of the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company was listed on the Stock Exchange on 12 January 2024. Since the date of the Listing and up to the date of this announcement, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event after the Reporting Period except for the Company was listed on the Stock Exchange on 12 January 2024.

AUDIT COMMITTEE REVIEW

The Company has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the CG Code for the purpose of reviewing and supervising the Group's financial reporting process. The Audit Committee currently comprises three Independent Non-executive Directors, namely Mr. Wu Wing Kuen, Dr. Leung Kwong Sak and Mr. Yu Chi Wing. Mr. Yu Chi Wing is the chairperson of the Audit Committee.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023 including the accounting principles and policies adopted by the Group, and discussed internal controls and financial reporting matters.

Share option scheme

The Company has conditionally adopted a share option scheme on 15 December 2023 ("**the Scheme**"). The Scheme will remain in force for a period of ten years commencing on 28 December 2023. For more details, please refer to the section headed "Statutory and General Information — Share Option Scheme" in Appendix IV of the Prospectus. The remaining life of the Scheme is approximately 10 years.

Up to date of this announcement, no share option has been granted under the Scheme. Therefore, the weighted average closing price of the shares immediately before the date of which the options were exercised or vested pursuant to Rules 17.07 (1) (d) is not available.

Public float

To the best knowledge of the Directors and based on information that is publicly available to the Company, the Company has maintained sufficient public float since the date of the Listing and up to the date of this announcement as required under the Listing Rules.

Directors' Securities Transactions

The Group has adopted a code of conduct regarding Directors' securities transactions on terms and at required standard as set out in the Appendix C3 of the Listing Rules.

The Group has made specific enquiries of all the Directors and they have confirmed that they have complied with the required standard and the related code of conduct regarding Directors' securities transactions since the date of the Listing and up to the date of this announcement.

Prospect

In 2023, despite the complicated market environment, we made endeavors to maintain and develop our connection and cooperation with our suppliers, subcontractors and customers. Benefiting from the increasing and growing core business, we reasonably expect that we are able to further grow and expand more sustainably and stably.

The PRC telecommunications industry has been experiencing significant growth and development in recent years. With a large population and a rapidly expanding middle class, the demand for telecommunications services in China has been consistently increasing. The industry has been driven by factors such as the widespread adoption of smartphones, increasing internet penetration, and the government's focus on promoting digital connectivity.

The PRC Government has been actively promoting the development of 5G technology and infrastructure. China has made significant progress in rolling out 5G networks, with extensive coverage in major cities and urban centers. The deployment of 5G technology is expected to drive innovation, enable new applications and services, and contribute to the growth of industries such as autonomous vehicles, Internet of Things (IoT), and artificial intelligence.

All things considered, the Directors are cautiously optimistic about the outlook for the PRC telecommunications industry, with continued growth expected in the coming years. The industry is poised to benefit from advancements in technology, increasing demand for digital services, and the PRC Government's support for infrastructure development.

Auditor

PricewaterhouseCoopers shall retire in the forthcoming annual general meeting ("**AGM**") and, being eligible, offer itself for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming AGM. The Company has not changed its external auditors during the year ended 31 December 2023 and up to the date of this announcement.

Scope of Work of Auditors

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in the Group's preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, suppliers, subcontractors, other business partners, and Shareholders for their continuous support, while also expressing my appreciation to the management team and employees for their valuable contribution to the continuous growth and development of the Group.

By order of the Board
WellCell Holdings Co., Limited
Jia Zhengyi
Chairman

Hong Kong, 28 March 2024

As at the date of this announcement, the Directors of the Company are as follows:

Executive Directors:
Mr. Jia Zhengyi *(Chairman)*
Ms. Liu Ping
Mr. Cong Bin

Non-executive Director:
Mr. Lin Qihao

Independent Non-executive Directors:
Mr. Wu Wing Kuen
Dr. Leung Kwong Sak
Mr. Yu Chi Wing