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% and 70.9% for FY2020, FY2021 and FY2022, 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 73.7% 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 132.9 days; and (b) we had achieved breakeven (when receipt of payments from customers that could cover our initial project costs incurred) for approximately 61.4% 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 133.2 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 and RMB3.1 million, which represent approximately 18.6%, 10.9% and 18.2% respectively of the net cash generated from operating activities of our Group for FY2020, FY2021 and FY2022.

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 as a result of various capital requirements, such as payment of initial project costs

For instance, we had net cash used in operating activities of approximately RMB11.7 million for 6M2021, which was principally attributable to the increase in contract assets and trade receivables of approximately RMB22.6 million, and partially offset by our operating cash inflows before changes in working capital of approximately RMB13.9 million. The increase in contract assets and trade receivables was principally attributable to the increase in contract assets and trade receivables from Customer C of approximately RMB17.8 million.

Meanwhile, for 6M2022, we also 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 6M2021, 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 and RMB67.9 million as at 31 December 2020, 2021 and 2022, 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 and FY2022, we incurred impairment loss on contract assets of approximately RMB609,000, RMB205,000 and RMB985,000, 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 total 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 during the Track Record Period in aggregate accounted for approximately 59.6%, 61.0% and 51.0%, respectively, of our total revenue, whereas revenue generated from our largest customer in each year during the Track Record Period accounted for approximately 21.2%, 24.0% and 23.8%, 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 during the Track Record Period in aggregate amounted to approximately RMB17.5 million, RMB11.4 million and RMB23.7 million, representing approximately 70.7%, 54.9% and 79.7% of our total purchases, 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 and RMB18.2 million for FY2020, FY2021 and FY2022, respectively, representing 21.8%, nil and 61.4% of our total purchases for the respective years.

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, 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 and RMB121.6 million, respectively, representing approximately 42.6%, 51.5% and 64.1% 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, 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, our trade receivables were approximately RMB26.5 million, RMB31.5 million and RMB35.4 million, respectively, while during the Track Record Period our trade receivable turnover days were approximately 51.5 days, 52.0 days and 53.9 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, we recognised reversal of impairment loss on trade receivables of approximately RMB32,000. 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 31 December 2022, our Group may be subject to a late payment fee in the amount of approximately RMB2.7 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 and FY2022, we recorded revenue of approximately RMB195.6 million, RMB203.3 million and RMB226.5 million, respectively, and profit of approximately RMB29.7 million, RMB25.5 million and RMB24.3 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 and RMB14.6 million during FY2021 and FY2022, 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.

On the other hand, demand for our services is also 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. We cannot assure you that there will not be any adverse change in our customers' preferences, spending or policies towards telecommunication network support services. If there is an adverse change, their demand for our telecommunication network support services and ICT integration services may reduce, which in turn, would adversely affect our business, financial condition and results of operations. 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.

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 [REDACTED] 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], 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 [REDACTED] of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate.

[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 [REDACTED] 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.