

SUMMARY

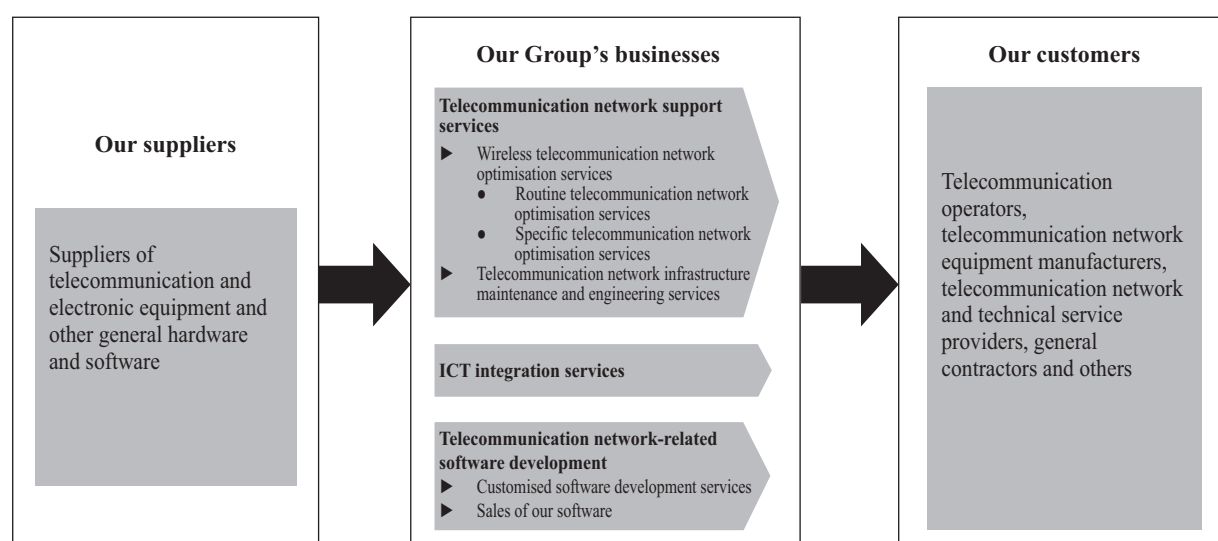
This summary aims to give you an overview of the information contained in this document. Since this is a summary, it does not contain all the information that may be important to you, and is qualified in its entirety by, and should be read in conjunction with the full text of this document. You should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

OVERVIEW

Our Group is a telecommunication network support and information and communication technology (ICT) integration services provider in the PRC. When we commenced business in 2003, we mainly engaged in the development of telecommunication network performance analysis software and we later expanded our business into provision of telecommunication network support services and ICT integration services. During the Track Record Period, we engaged in the provision of (i) telecommunication network support services, comprising wireless telecommunication network optimisation services and telecommunication network infrastructure maintenance and engineering services; (ii) ICT integration services; and (iii) telecommunication network-related software development services. Our revenue from wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services, ICT integration services, telecommunication network-related software development services in 2021 accounted for approximately 0.9%, 0.01%, 0.03% and 2.1%, respectively, of the market share of these industries in the PRC in terms of revenue in the same year.

OUR BUSINESS

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



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

- (I) *Telecommunication network support service.* Our telecommunication network support services include (i) wireless telecommunication network optimisation services which mainly comprise: (a) routine telecommunication network optimisation services involving optimisation works and network testing carried out to optimise or restore the connectivity, quality, coverage, etc. of a wireless network; and (b) specific telecommunication network optimisation services, which tackle specific network issues or achieve specific network improvement objectives by implementing optimisation solutions tailored to the needs of our customers; and (ii) telecommunication network infrastructure maintenance and engineering services which mainly comprise (a) maintenance services involving the inspection, maintenance and repair of base stations and related equipment; and (b) engineering services in the construction of telecommunication network infrastructure.
- (II) *ICT integration service.* Our ICT integration services mainly involve: (i) designing communication network layout with the choice of equipment, hardware and software within a customer’s budget; (ii) procuring equipment, hardware and software and engaging of third-party subcontractors; (iii) assembling equipment, hardware, software and other equipment to form a functional and inter-connected system according to the integration plan, which involves physical arrangement of the equipment, hardware, installation of software and ensuring the compatibility of both, together with other ancillary works to formulate a customised system for our customers’ specific purposes; and (iv) providing follow-up services such as advising customers on operation and management of the integrated system.
- (III) *Telecommunication network-related software development.* We also engage in telecommunication network-related software sale and development which include (i) the sale of software developed by us for testing, evaluating, analysing, maintaining and optimising the performance of telecommunication networks; and (ii) the provision of software development services in which we develop customised software for our customers to cater to their specific needs on telecommunication network performance monitoring, optimisation, etc.

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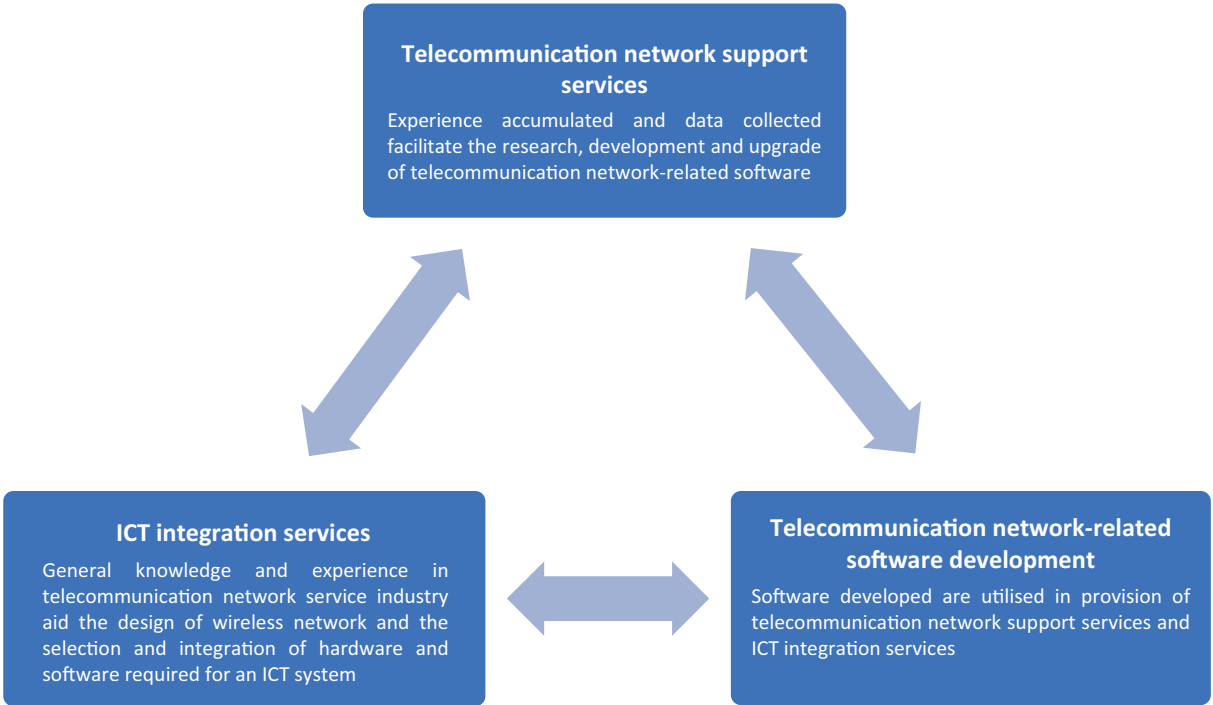
The major differences among our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services are set out in the table below:

	Wireless telecommunication network optimisation services	Telecommunication network infrastructure maintenance and engineering services	ICT integration services
Primary scope of work	<ul style="list-style-type: none"> ● Routine examination and enhancement of the quality of a telecommunication network ● Improving the quality of a telecommunication network from a more particular and in-depth perspective 	<p><i>Maintenance services:</i></p> <ul style="list-style-type: none"> ● Inspection, maintenance and repair of telecommunication network infrastructure <p><i>Engineering services:</i></p> <ul style="list-style-type: none"> ● Construction works of telecommunication network infrastructure 	<ul style="list-style-type: none"> ● Designing and implementing solutions which digitalise and enhance efficiency of business, public or other specific operations
Focus of services and targets to be achieved	<ul style="list-style-type: none"> ● Wireless telecommunication network testing, data collection, analysis and optimisation 	<p><i>Maintenance services:</i></p> <ul style="list-style-type: none"> ● Inspection, maintenance and repair of base stations and related facilities and equipment <p><i>Engineering services:</i></p> <ul style="list-style-type: none"> ● Telecommunication network infrastructure construction 	<ul style="list-style-type: none"> ● Integration of communication network devices and software as an integral system

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

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



This is evidenced by that fact that a number of our customers are inclined to acquire or procure more than one type of our services from us. During the Track Record Period, 23 of our customers engaged us for more than one of our services and/or both procured our service and purchased our software (either in the same year or across different years in the Track Record Period). Our revenue generated from these 23 customers amounted to approximately RMB138.5 million, RMB161.6 million and RMB172.0 million for FY2020, FY2021 and FY2022, respectively. For details of the synergies among our services from the perspective of our business operations, please refer to the paragraphs headed “Business — Our services — Interactions, synergies and cannibalisation risk among our services” in this document.

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

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

	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
Wireless telecommunication network optimisation services			
Number of tenders submitted	68	67	73
Number of successful tenders	39	52	48
Success rate (<i>approximately</i>) (%)	57.4	77.6	65.8
Telecommunication network infrastructure maintenance and engineering services			
Number of tenders submitted	15	19	39
Number of successful tenders	10	13	21
Success rate (<i>approximately</i>) (%)	66.7	68.4	51.3
ICT integration services			
Number of tenders submitted	2	14	22
Number of successful tenders	1	10	15
Success rate (<i>approximately</i>) (%)	50	71.4	68.2
Software development services			
Number of tenders submitted	13	7	21
Number of successful tenders	10	2	17
Success rate (<i>approximately</i>) (%)	76.9	28.6	81.0

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

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

	FY2020		FY2021		FY2022	
	RMB'000	%	RMB'000	%	RMB'000	%
	(approximately)		(approximately)		(approximately)	
Telecommunication network support services						
— Wireless telecommunication network optimisation services	93,673	47.9	100,085	49.2	102,136	45.1
— Telecommunication network infrastructure maintenance and engineering services	39,654	20.3	41,787	20.6	44,516	19.7
Sub-total	133,327	68.2	141,872	69.8	146,652	64.8
ICT integration services	38,515	19.7	42,505	20.9	54,592	24.1
Telecommunication network-related software development						
— Sales of software	11,522	5.9	9,672	4.8	3,524	1.6
— Software development services	12,206	6.2	9,287	4.5	21,745	9.5
Sub-total	23,728	12.1	18,959	9.3	25,269	11.1
Total	195,570	100.0	203,336	100.0	226,513	100.0

Note: figures may not add up due to rounding.

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

	FY2020		FY2021		FY2022	
	RMB'000	%	RMB'000	%	RMB'000	%
	(approximately)		(approximately)		(approximately)	
Telecommunication operators^(Note 1)						
— Telecommunication network support services	41,646	21.3	51,128	25.1	52,295	23.1
— ICT integration services	—	—	8,684	4.3	12,409	5.5
— Telecommunication network-related software development	5,238	2.7	5,358	2.6	8,050	3.6
Subtotal	46,884	24.0	65,170	32.0	72,754	32.1
Telecommunication network equipment manufacturers^(Note 2)						
— Telecommunication network support services	8,028	4.1	9,035	4.4	8,364	3.7
— ICT integration services	—	—	—	—	249	0.1
— Telecommunication network-related software development	2,579	1.3	2,727	1.4	526	0.2
Subtotal	10,607	5.4	11,762	5.8	9,139	4.0
Telecommunication network and technical service providers and general contractors^(Note 3)						
— Telecommunication network support services	82,040	41.9	77,185	38.0	83,370	36.8
— ICT integration services	32,819	16.8	29,462	14.5	40,380	17.8
— Telecommunication network-related software development	14,556	7.4	10,642	5.2	16,692	7.4
Subtotal	129,415	66.1	117,289	57.7	140,442	62.0
Others^(Note 4)						
— Telecommunication network support services	1,613	0.9	4,524	2.2	2,623	1.2
— ICT integration services	5,696	2.9	4,359	2.2	1,555	0.7
— Telecommunication network-related software development	1,355	0.7	232	0.1	—	—
Subtotal	8,664	4.5	9,115	4.5	4,178	1.9
Total	195,570	100	203,336	100	226,513	100.0

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Notes:

1. Telecommunication operators are companies which provide landline, mobile and Internet access services.
2. Telecommunication network equipment manufacturers are companies which mainly engage in the sale of hardware used for the purpose of telecommunication.
3. Telecommunication network and technical service providers and general contractors are companies which provide telecommunication network support and other technical services.
4. Other customers include PRC government departments, universities, research organisations, etc.

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

Province/city	FY2020		FY2021		FY2022	
	RMB'000 (approximately)	%	RMB'000 (approximately)	%	RMB'000 (approximately)	%
Guangdong	133,786	68.4	129,278	63.6	143,967	63.5
Beijing and Hebei province	18,730	9.6	16,153	7.9	12,671	5.6
Guangxi	4,529	2.3	12,382	6.1	9,710	4.3
Shanghai and Jiangsu	6,258	3.2	11,583	5.7	18,763	8.3
Qinghai	4,896	2.5	4,637	2.3	5,446	2.4
Others	27,371	14.0	29,303	14.4	35,956	15.9
Total	195,570	100.0	203,336	100	226,513	100

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

While our revenue derived from wireless telecommunication network optimisation services was relatively stable, our revenue from telecommunication network infrastructure maintenance and engineering services had increased during the Track Record Period, which was principally attributable to the contribution of two projects, namely CX Heilongjiang Telecom Maintenance Project and the GG Guangxi Comprehensive Maintenance Project. The considerable growth in our revenue derived from ICT integration services during the Track Record Period was consistent with the increase in the number of our ICT integration projects from 13 projects in FY2020 to 25 projects in FY2021 and to 37 projects in FY2022. During the Track Record Period, we had undertaken a number of projects which, in aggregate, contributed revenue of (i) over RMB5 million in aggregate during the Track Record Period; or (ii) over RMB3 million during any financial year over the Track Record Period (the “**Major Projects**”), and were related to our wireless telecommunication network optimisation services, telecommunication network infrastructure maintenance and engineering services and ICT integration services. Our revenue generated from these Major Projects accounted for approximately 53.4%, 54.7% and 55.0%, respectively, of our total revenue for FY2020, FY2021 and FY2022, respectively. For details, please refer to the paragraphs headed “Financial information — results of operation of our Group”.

OUR CUSTOMERS

Our customers can be broadly categorised into: (i) telecommunication operators; (ii) telecommunication network equipment manufacturers; (iii) telecommunication network and technical service providers and general contractors; and (iv) others. During the Track Record

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

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

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

OUR SUPPLIERS AND SUBCONTRACTORS

Suppliers of our Group mainly included (i) suppliers of telecommunication and electronic equipment (such as portable data terminals and signal acquisition devices) required for provision of our telecommunication network support services; and (ii) suppliers of other general hardware (such as servers, cables and optical fibers) and software (such as security software and operating system software) required for our ICT integration services. Purchases from our five largest suppliers in each year 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%, respectively, of our total purchases, while purchases from our largest supplier in each year during the Track Record Period accounted for approximately 21.8%, 14.6% and 61.4%, respectively, of our total purchases.

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

OVERLAP CUSTOMERS AND SUPPLIERS OR SUBCONTRACTOR

Owing to the nature of our business, some of our customers are also our suppliers or subcontractors from which we procure various kinds of services and products. During the Track Record Period, there were three of our major customers which were also our subcontractors and one of our major subcontractors was also our customer. For more details, please refer to the paragraphs headed “Business — Customers — Entities which are our customers and also our suppliers or subcontractors” in this document.

SUMMARY OF COMBINED FINANCIAL INFORMATION

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

Selected information extracted from the combined statements of comprehensive income

	FY2020	FY2021	FY2022
	RMB’000	RMB’000	RMB’000
Revenue	195,570	203,336	226,513
Other income	3,053	3,092	3,434
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]
Operating profit	35,208	30,479	30,070
Profit before income tax	34,712	30,148	29,268
Profit for the year attributable to the owners of the Company	<u>29,660</u>	<u>25,524</u>	<u>24,259</u>

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

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

After taking into account the [REDACTED] expenses and the tax expenses for the respective years, our profit and total comprehensive income for FY2020, FY2021 and FY2022 were approximately RMB29.7 million, RMB25.5 million and RMB24.3 million, respectively. Our profit for the year decreased by approximately RMB4.2 million from approximately RMB29.7 million for FY2020 to approximately RMB25.5 million for FY2021, representing a decrease of approximately 13.9%. Such decrease was mainly due to (i) the increase in subcontracting charges and (ii) the increase in [REDACTED] expenses, which was partially offset by the decrease in employee benefit expenses. The net profit margin reduced from approximately 15.2% for FY2020 to approximately 12.6% for FY2021, which was mainly attributable to the increase in [REDACTED] expenses which represented approximately [REDACTED]% of revenue for FY2020 and [REDACTED]% of revenue for FY2021. Our profit decreased by approximately 5.0% from approximately RMB25.5 million for FY2021 to approximately RMB24.3 million for FY2022. Our net profit margin decreased from approximately 12.6% for FY2021 to approximately 10.7% for FY2022, which was principally attributable to the increase in net impairment losses of contract assets and trade receivables and [REDACTED] expenses.

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

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

<u>Business line</u>	<u>FY2020</u>	<u>FY2021</u>	<u>FY2022</u>
Wireless telecommunication network optimisation services	67.2%	70.9%	72.1%
Telecommunication network infrastructure maintenance and infrastructure engineering services	79.2%	83.2%	71.1%
ICT integration services	99.0%	91.3%	78.9%
Software-related business	30.4%	28.5%	49.4%

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

Selected information extracted from the combined statements of financial position

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

We recorded an increase in our net current assets from approximately RMB66.1 million as at 31 December 2020, to approximately RMB68.3 million as at 31 December 2021, which was principally attributable to the profit recorded for FY2021 of approximately RMB25.5 million, and partially offset by the dividend paid of approximately RMB20.0 million. We recorded a further increase in our net current assets to approximately RMB83.8 million as at 31 December 2022, which was principally attributable to our profit recorded for FY2022 of approximately RMB24.3 million and, partially offset by the dividend declared and paid of approximately RMB14.6 million. Accordingly, our net assets increased from approximately RMB65.5 million as at 31 December 2020 to approximately RMB71.1 million as at 31 December 2021 and further increased to approximately RMB80.7 million as at 31 December 2022, respectively. Please refer to the paragraphs headed “Financial Information — Discussion of selected statements of financial position items” in the document.

SUMMARY

Selected information extracted from the combined statements of cash flows

	2020	2021	FY2022
	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	13,232	25,019	16,962
Net cash used in investing activities	(1,075)	(3,786)	(1,198)
Net cash (used in)/generated from financing activities	(12,130)	(22,821)	4,893
Net increase/(decrease) in cash and cash balances	27	(1,588)	20,657
Cash and bank balances at 31 December	23,130	21,542	42,199

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

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

KEY FINANCIAL RATIOS

	As at or for the year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current ratio ¹	2.2	1.9	2.1
Quick ratio ²	2.2	1.9	2.1
Debt to equity ratio ³	N/A ¹⁰	N/A ¹⁰	N/A ¹⁰
Gearing ratios			
— Non-ordinary payables ⁴	1.9%	5.6%	2.3%
— Net debt ⁵	N/A ¹⁰	N/A ¹⁰	N/A ¹⁰
Interest coverage ratio ⁶	7,098.4%	9,208.2%	3,749.4%
Return on assets ⁷	23.4%	17.0%	14.9%
Return on equity ⁸	45.3%	35.9%	30.0%
Net profit margin ⁹	15.2%	12.6%	10.7%

Notes:

- Current ratio is calculated as the total current assets divided by the total current liabilities as at the respective dates.
- Quick ratio is calculated as the current assets excluding inventories divided by the total current liabilities as at the respective dates.
- Debt to equity ratio is calculated as total borrowings net of cash and bank balances and pledged bank deposits divided by total equity as at the respective dates.
- Gearing ratio — non-ordinary payables is calculated as the payables incurred not in the ordinary course of business divided by total equity as at the respective date and multiplied by 100%.
- Gearing ratio — net debt is calculated as net debt divided by total equity plus net debt as at the respective date and multiplied by 100%.
- Interest coverage ratio is calculated based on the profit before interest and tax divided by net finance costs of the respective years and multiplied by 100%.
- Return on assets is calculated as the net profit divided by the total assets as at the respective date and multiplied by 100%.
- Return on equity is calculated as the net profit attributable to our owners divided by the equity attributable to our owners as at the respective date and multiplied by 100%.
- Net profit margin is calculated as our net profit divided by revenue and multiplied by 100%.

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10. The relevant ratios are not applicable as the Group was in net cash position as at the respective dates.

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

PREVIOUS LISTING OF WELLCELL TECHNOLOGY

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

CONTROLLING SHAREHOLDERS

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

DIVIDENDS

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

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[REDACTED] STATISTICS

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

	<u>Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (low-end)</u>	<u>Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] (high-end)</u>
Market capitalisation of our Shares ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share ⁽²⁾⁽³⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalisation of the Shares is based on [REDACTED] Shares in issue immediately after completion of the Capitalisation Issue and the [REDACTED].
- (2) See Appendix II to this document for details.
- (3) All statistics in this table are based on the assumption that the [REDACTED] is not exercised and without taking into account Shares that may be allotted or issued pursuant to the exercise of any option which may be granted under the Share Option Scheme.

FUTURE PLAN AND [REDACTED]

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

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

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[REDACTED] EXPENSES

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

NON-COMPLIANCES

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

COMPETITIVE LANDSCAPE

According to the CIC Report, each of the wireless telecommunication network optimisation service market, telecommunication network infrastructure maintenance and engineering service market, ICT integration service market and telecommunication network-related software development service industry is relatively fragmented in the PRC and the market size by revenue is expected to reach RMB13.9 billion, RMB551.3 billion, RMB227.0 billion and RMB1,478.2 million in 2026, with a CAGR of approximately 4.1%, 8.5%, 8.3% and 10.0%, respectively, from 2021 to 2026. The respective top five, top five, top three and top three market players in the said market/ industry accounted for approximately 25.9%, 26.6%, 13.1% 34.2% of the market share in terms of

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revenue in 2021, respectively. Our revenue from these market/industry in 2021 accounted for approximately 0.9%, 0.01%, 0.03% and 2.1% of the market share in terms of revenue in the same year, respectively.

OUR COMPETITIVE STRENGTHS

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

RISK FACTORS

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

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

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

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, (i) we had submitted 23 tenders (for contracts under existing and new projects); and (ii) we had been awarded 14 new projects, with an aggregate contract sum (excluding tax) expected to be more than approximately RMB30 million. The salient contract terms for the new projects are generally consistent with other agreements which we had entered into during for our various services during the Track Record Period, hence our business operations and business model have not experienced any material changes. Our revenue recognised for the two months ended February 2023 amounted to approximately RMB23.4 million. Based on our projects completed or on hand as at the Latest Practicable Date, we expect that revenue to be generated for the ten months ending 31 December 2023 will be over RMB130 million.

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

Impact on our Group due to the COVID-19 pandemic

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